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**APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION**

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

Meade County Water District

(Name of Utility)

1003 Armory Place

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

Brandenburg, KY 40108

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

270-422-5006

(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:

Brett Pyles

(Name)

1003 Armory Place

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

Brandenburg, KY 40108

(Address - City, State, Zip)

270-422-5006

(Telephone Number)

bpyles@meadecountywater.com

(Email Address)

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

- | | YES | NO | N/A |
|---|-------------------------------------|-------------------------------------|-----|
| 1. a. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| 2. a. Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 3. Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

YES NO N/A

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

YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)** ☒ ☐
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2024. ☒ ☐
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 \$ 993,632 and total revenues from service rates of \$ 4,669,283. 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 5,786 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 \$0.00 (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



Officer of the Company/Authorized Representative

Title

General Manager

Date

August 29, 2025

COMMONWEALTH OF KENTUCKY

COUNTY OF Meade

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



Notary Public

My commission expires:

09-01-2028

KYNP13842

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- ☒ Customer Notice of Proposed Rate Adjustment
- ☒ "Reasons for Application" Attachment
- ☒ Current and Proposed Rates" Attachment
- ☒ "Statement of Adjusted Operations" Attachment
- ☒ "Revenue Requirements Calculation" Attachment
- ☒ Attachment Billing Analysis" Attachment
- ☒ Depreciation Schedules
- ☒ Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- ☐ State Tax Return
- ☐ Federal Tax Return
- ☒ Statement of Disclosure of Related Party Transactions - ARF Form 3

Table of Contents

Attachment 1 – Customer Notice

Attachment 2 – Statement of Reasons for Application

Attachment 3 – Current and Proposed Rates

Attachment 4 – Statement of Adjusted Operations and Revenue Requirement

Attachment 5 – Billing Analysis at Existing Rates

Attachment 6 – Billing Analysis at Proposed Rates

Attachment 7 – Depreciation

Attachment 8 – Outstanding Debt Instruments

Attachment 9 – Amortization Schedules

Attachment 10 - Statement of Disclosure

Attachment 11 – Board Resolution

Attachment #1

MEADE COUNTY WATER DISTRICT CUSTOMER NOTICE

Notice is hereby given that Meade County Water District expects to file an application with the Kentucky Public Service Commission on or about August 29, 2025, seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

<u>Monthly Water Rates</u>				
<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
First 2,000 Gallons (Minimum Bill)	\$ 24.73	\$ 31.42	\$ 6.69	27.05%
Next 5,000 gallons per gallon	\$ 0.01202	\$ 0.01527	\$ 0.00325	27.04%
Next 10,000 gallons per gallon	\$ 0.01162	\$ 0.01476	\$ 0.00314	27.02%
Next 20,000 gallons per gallon	\$ 0.01072	\$ 0.01362	\$ 0.00290	27.05%
Over 37,000 gallons per gallon	\$ 0.00945	\$ 0.01200	\$ 0.00255	26.98%
<u>Bulk Station Sales</u>				
<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
All Usage per gallon	\$ 0.00886	\$ 0.01126	\$ 0.00240	27.09%
<u>Doe Valley Water</u>				
<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
All Usage per gallon	\$ 0.00636	\$ 0.00808	\$ 0.00172	27.04%
<u>Otter Creek Water</u>				
<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
All Usage per gallon	\$ 0.00651	\$ 0.00827	\$ 0.00176	27.04%

If the Public Service Commission approves the proposed water rates, then the monthly water bill for a customer using an average of 3,810 gallons per month will increase from \$46.49 to \$59.06. This is an increase of \$12.57 or 27.05%.

If the Public Service Commission approves the proposed water rates, then the monthly water bill for Doe Valley Water using an average of 5,958,036 gallons per month will increase from \$37,893.11 to \$48,140.93. This is an increase of \$10,247.82 or 27.04%.

If the Public Service Commission approves the proposed water rates, then the monthly water bill for Otter Creek Water using an average of 178,345 gallons per month will increase from \$1,161.03 to \$1,474.91. This is an increase of \$313.89 or 27.04%.

The rates contained in this notice are the rates proposed by Meade County Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates shown in this notice.

Meade County Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the District's office located at 1003 Armory Place, Brandenburg, KY 40108. You may contact the office at 270-422-5006.

A person may also examine the application at the Public Service Commission's offices located at 211 Sower Boulevard, Frankfort, Kentucky, 40601, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's website at <http://psc.ky.gov>. Comments regarding the application may be submitted to the Public Service Commission through its website or by mail to Public Service Commission, PO Box 615, Frankfort, Kentucky, 40602. You may contact the Public Service Commission at 502-564-3940.

A person may submit a timely written request for intervention to the Public Service Commission, PO Box 615, Frankfort, KY, 40602, establishing the grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication of this notice, the Public Service Commission may take final action on the application.

Attachment #2

Reasons for Application

Meade County Water District ("the District") is requesting a 27.03 percent rate increase for all of its water customers. The rate increase will generate approximately \$993,632 in additional annual revenue.

The District needs the rate increase for the following reasons:

1. 1. To enable the District to pay its annual principal payments on its existing long-term debt from water revenues rather than from depreciation reserves;
2. To enable the District to meet the requirements set forth in its existing debt instruments;
3. To restore the District to a sound financial condition; and
4. To enable the District to enhance its financial capacity so it can continue to operate its system in compliance with the federal Safe Drinking Water Act, as amended in 1996, and KRS Chapter 151.

Attachment #3

CURRENT AND PROPOSED RATES

Meade County Water District

<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
First 2,000 Gallons (Minimum Bill)	\$ 24.73	\$ 31.42	\$ 6.69	27.05%
Next 5,000 gallons per gallon	\$ 0.01202	\$ 0.01527	\$ 0.00325	27.04%
Next 10,000 gallons per gallon	\$ 0.01162	\$ 0.01476	\$ 0.00314	27.02%
Next 20,000 gallons per gallon	\$ 0.01072	\$ 0.01362	\$ 0.00290	27.05%
Over 37,000 gallons per gallon	\$ 0.00945	\$ 0.01200	\$ 0.00255	26.98%

Bulk Station Sales

<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
All Usage per gallon	\$ 0.00886	\$ 0.01126	\$ 0.00240	27.09%

Doe Valley Water

<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
All Usage per gallon	\$ 0.00636	\$ 0.00808	\$ 0.00172	27.04%

Otter Creek Water

<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>	
All Usage per gallon	\$ 0.00651	\$ 0.00827	\$ 0.00176	27.04%

Attachment #4

Schedule of Adjusted Operations Meade County Water District

	2024			
	<u>Test Year</u>	<u>Adjustments</u>		<u>Proforma</u>
<u>Operating Revenues</u>				
Total Sales of Water	3,654,067	21,584	A	3,675,651
Other Water Revenues	99,548	-		99,548
Total Operating Revenues	3,753,615	21,584		3,775,199
<u>Operating Expenses</u>				
Salaries and Wages-Employees	688,548	-	B	
		17,003	C	705,551
Salaries and Wages-Directors	30,000	-		30,000
Employee Pensions and Benefits	290,886	(16,218)	D	
		(14,470)	F	260,198
Purchased Water	1,472,835	-		1,472,835
Purchased Power	76,998	-		76,998
Materials and Supplies	225,936	-	B	225,936
Contractual Services-Engineering	885	-		885
Contractual Services-Accounting	35,304	-		35,304
Contractual Services-Legal	10,115	-		10,115
Contractual Services-Other	54,530	-		54,530
Transportation	28,721	-		28,721
Insurance-General Liability	43,336	-		43,336
Insurance-Workers Compensation	4,573	-		4,573
Rate Case Expense	-	3,112	H	3,112
Miscellaneous Expense	148,000	-		148,000
Total Operating Expenses	3,110,667	(10,574)		3,100,093
<u>Other Expenses</u>				
Depreciation	762,769	5,942	G	768,711
Taxes	50,981	2,994	E	53,975
Total Other Expenses	813,750	8,936		822,686
<u>Other Income</u>				
Interest Income	48,698	-		48,698
Non-Utility Income	-	-		-
Total Other Income	48,698	-		48,698
Net Income	(122,104)	23,222		(98,882)

Attachment #5

Billing Analysis With 2024 Usage and Existing Rates
Meade County Water District

COMPONENT	BILLS	GALLONS	REVENUE	
Total Sales	64,463	320,100,759	\$ 3,675,651	
Less Adjustments			\$ -	
Total			\$ 3,675,651	
Annual Report			\$ 3,654,067	
Difference			\$ 21,584	Adjustment to SAO Billed Revenues
			0.59%	

Retail January - September									
CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	First 2,000	Next 5,000	Next 10,000	Next 20,000	Over 37,000	Total
First	2,000	15,479	15,498,620	15,498,620	-	-	-	-	15,498,620
Next	5,000	27,079	103,067,094	54,158,000	48,909,094	-	-	-	103,067,094
Next	10,000	4,180	40,144,673	8,360,000	20,900,000	10,884,673	-	-	40,144,673
Next	20,000	480	10,857,451	960,000	2,400,000	4,800,000	2,697,451	-	10,857,451
Over	37,000	103	15,838,580	206,000	515,000	1,030,000	2,060,000	12,027,580	15,838,580
		47,321	185,406,418	79,182,620	72,724,094	16,714,673	4,757,451	12,027,580	185,406,418

REVENUE BY RATE INCREMENT	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	47,321	79,182,620	\$ 24.73	\$ 1,170,248
Next	5,000		72,724,094	\$ 0.01202	\$ 874,144
Next	10,000		16,714,673	\$ 0.01162	\$ 194,225
Next	20,000		4,757,451	\$ 0.01072	\$ 51,000
Over	37,000		12,027,580	\$ 0.00945	\$ 113,661
		47,321	185,406,418		\$ 2,403,277

Retail October - December									
CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	First 2,000	Next 5,000	Next 10,000	Next 20,000	Over 37,000	Total
First	2,000	5,599	5,023,767	5,023,767	-	-	-	-	5,023,767
Next	5,000	9,796	33,408,463	19,592,000	13,816,463	-	-	-	33,408,463
Next	10,000	1,512	13,012,609	3,024,000	7,560,000	2,428,609	-	-	13,012,609
Next	20,000	174	3,519,365	348,000	870,000	1,740,000	561,365	-	3,519,365
Over	37,000	37	5,133,963	74,000	185,000	370,000	740,000	3,764,963	5,133,963
		17,118	60,098,167	28,061,767	22,431,463	4,538,609	1,301,365	3,764,963	60,098,167

REVENUE BY RATE INCREMENT	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	17,118	28,061,767	\$ 24.73	\$ 423,328
Next	5,000		22,431,463	\$ 0.01202	\$ 269,626
Next	10,000		4,538,609	\$ 0.01162	\$ 52,739
Next	20,000		1,301,365	\$ 0.01072	\$ 13,951
Over	37,000		3,764,963	\$ 0.00945	\$ 35,579
		17,118	60,098,167		\$ 795,222

Bulk Sales January - September				
CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	Total
	All	Not Applicable	819,400	819,400
		-	819,400	819,400

REVENUE BY RATE INCREMENT	USAGE	BILLS	GALLONS	RATE	REVENUE
	All	-	819,400	\$ 0.00886	\$ 7,260
		-	819,400		\$ 7,260

Bulk Sales October - December

CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	Total
	All	Not Applicable	140,200	140,200
		-	140,200	140,200

REVENUE BY RATE INCREMENT	USAGE	BILLS	GALLONS	RATE	REVENUE
	All	-	140,200	\$ 0.00886	\$ 1,242
		-	140,200		\$ 1,242

Doe Valley Water January - September

CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	Total
	All	9	54,182,129	54,182,129
		9	54,182,129	54,182,129

REVENUE BY RATE INCREMENT	USAGE	BILLS	GALLONS	RATE	REVENUE
-	All	9	54,182,129	\$ 0.00636	\$ 344,598
		9	54,182,129		\$ 344,598

Doe Valley Water October - December

CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	Total
	All	3	17,314,305	17,314,305
		3	17,314,305	17,314,305

REVENUE BY RATE INCREMENT	USAGE	BILLS	GALLONS	RATE	REVENUE
-	All	3	17,314,305	\$ 0.00636	\$ 110,119
		3	17,314,305		\$ 110,119

Otter Creek Water January - September

CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	Total
	All	9	1,886,600	1,886,600
		9	1,886,600	1,886,600

REVENUE BY RATE INCREMENT	USAGE	BILLS	GALLONS	RATE	REVENUE
-	All	9	1,886,600	\$ 0.00651	\$ 12,282
		9	1,886,600		\$ 12,282

Otter Creek Water October - December

CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	Total
	All	3	253,540	253,540
		3	253,540	253,540

REVENUE BY RATE INCREMENT	USAGE	BILLS	GALLONS	RATE	REVENUE
-	All	3	253,540	\$ 0.00651	\$ 1,651
		3	253,540		\$ 1,651

Attachment #6

Billing Analysis With 2024 Usage and Proposed Rates
Meade County Water District

COMPONENT	BILLS	GALLONS	REVENUE
Total Sales	64,463	320,100,759	\$ 4,669,624
Less Adjustments			\$ -
Total			\$ 4,669,624
Revenue Requirement			\$ 4,669,283
Difference			\$ 341
			0.01%

Retail January - September

CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	First 2,000	Next 5,000	Next 10,000	Next 20,000	Over 37,000	Total
First	2,000	15,479	15,498,620	15,498,620	-	-	-	-	15,498,620
Next	5,000	27,079	103,067,094	54,158,000	48,909,094	-	-	-	103,067,094
Next	10,000	4,180	40,144,673	8,360,000	20,900,000	10,884,673	-	-	40,144,673
Next	20,000	480	10,857,451	960,000	2,400,000	4,800,000	2,697,451	-	10,857,451
Over	37,000	103	15,838,580	206,000	515,000	1,030,000	2,060,000	12,027,580	15,838,580
		47,321	185,406,418	79,182,620	72,724,094	16,714,673	4,757,451	12,027,580	185,406,418

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	47,321	79,182,620	\$ 31.42	\$ 1,486,826
Next	5,000		72,724,094	\$ 0.01527	\$ 1,110,497
Next	10,000		16,714,673	\$ 0.01476	\$ 246,709
Next	20,000		4,757,451	\$ 0.01362	\$ 64,796
Over	37,000		12,027,580	\$ 0.01200	\$ 144,331
		47,321	185,406,418		\$ 3,053,159

Retail October - December

CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	First 2,000	Next 5,000	Next 10,000	Next 20,000	Over 37,000	Total
First	2,000	5,599	5,023,767	5,023,767	-	-	-	-	5,023,767
Next	5,000	9,796	33,408,463	19,592,000	13,816,463	-	-	-	33,408,463
Next	10,000	1,512	13,012,609	3,024,000	7,560,000	2,428,609	-	-	13,012,609
Next	20,000	174	3,519,365	348,000	870,000	1,740,000	561,365	-	3,519,365
Over	37,000	37	5,133,963	74,000	185,000	370,000	740,000	3,764,963	5,133,963
		17,118	60,098,167	28,061,767	22,431,463	4,538,609	1,301,365	3,764,963	60,098,167

REVENUE BY RATE INCREMENT

	USAGE	BILLS	GALLONS	RATE	REVENUE
First	2,000	17,118	28,061,767	\$ 31.42	\$ 537,848
Next	5,000		22,431,463	\$ 0.01527	\$ 342,528
Next	10,000		4,538,609	\$ 0.01476	\$ 66,990
Next	20,000		1,301,365	\$ 0.01362	\$ 17,725
Over	37,000		3,764,963	\$ 0.01200	\$ 45,180
		17,118	60,098,167		\$ 1,010,270

Bulk Sales January - September

CONSUMPTION BY RATE INCREMENT	USAGE	BILLS	GALLONS	Total
	All	Not Applicable	819,400	819,400
		-	819,400	819,400

REVENUE BY RATE INCREMENT

USAGE	BILLS	GALLONS		RATE	REVENUE
All	-	819,400	\$	0.01126	\$ 9,226
	-	819,400			\$ 9,226

Bulk Sales October - December

CONSUMPTION BY RATE INCREMENT

USAGE	BILLS	GALLONS	Total
All	Not Applicable	140,200	140,200
	-	140,200	140,200

REVENUE BY RATE INCREMENT

USAGE	BILLS	GALLONS		RATE	REVENUE
All	-	140,200	\$	0.01126	\$ 1,579
	-	140,200			\$ 1,579

Doe Valley Water January - September

CONSUMPTION BY RATE INCREMENT

USAGE	BILLS	GALLONS	Total
All	9	54,182,129	54,182,129
	9	54,182,129	54,182,129

REVENUE BY RATE INCREMENT

USAGE	BILLS	GALLONS		RATE	REVENUE
All	9	54,182,129	\$	0.00808	\$ 437,792
	9	54,182,129			\$ 437,792

Doe Valley Water October - December

CONSUMPTION BY RATE INCREMENT

USAGE	BILLS	GALLONS	Total
All	3	17,314,305	17,314,305
	3	17,314,305	17,314,305

REVENUE BY RATE INCREMENT

USAGE	BILLS	GALLONS		RATE	REVENUE
All	3	17,314,305	\$	0.00808	\$ 139,900
	3	17,314,305			\$ 139,900

Otter Creek Water January - September

CONSUMPTION BY RATE INCREMENT

USAGE	BILLS	GALLONS	Total
All	9	1,886,600	1,886,600
	9	1,886,600	1,886,600

REVENUE BY RATE INCREMENT

USAGE	BILLS	GALLONS		RATE	REVENUE
All	9	1,886,600	\$	0.00827	\$ 15,602
	9	1,886,600			\$ 15,602

Otter Creek Water October - December

CONSUMPTION BY RATE INCREMENT

USAGE	BILLS	GALLONS	Total
All	3	253,540	253,540
	3	253,540	253,540

REVENUE BY RATE INCREMENT

USAGE	BILLS	GALLONS		RATE	REVENUE
All	3	253,540	\$	0.00827	\$ 2,097
	3	253,540			\$ 2,097

Attachment #7

DEPRECIATION EXPENSE ADJUSTMENTS

Meade Water District

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported Life</u>	<u>Depr. Exp.</u>	<u>Proforma Life</u>	<u>Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<u>General Plant</u>							
Structures & Improvements		\$ 2,761,624		\$ 69,584	37.5	73,643	4,060
Communication & Computer Eqmt.		\$ 33,074		6,295	10.0	3,307	(2,988)
Office Furniture & Equipment					22.5	-	-
Power Operated Equipment		\$ 65,840		\$ 12,021	12.5	5,267	(6,753)
Tools, Shop, & Garage Equipment		\$ 17,441		2,492	17.5	997	(1,495)
<u>Source of Supply Plant</u>							
Collecting & Impounding Reservoirs					62.5	-	-
Supply Mains		\$ 16,149,122		\$ 328,380	62.5	258,386	(69,994)
<u>Pumping Plant</u>							
Structures & Improvements					37.5	-	-
Telemetry					10.0	-	-
Pumping Equipment		\$ 206,339		\$ 10,735	20.0	10,317	(418)
<u>Transmission & Distribution Plant</u>							
Hydrants		\$ 62,589		\$ 1,393	50.0	1,393	-
Transmission & Distribution Mains		\$ 3,410,694		\$ 84,970	62.5	54,571	(30,399)
Meters		\$ 4,025,601		\$ 195,872	20.0	201,280	5,408
Meter Installations					45.0	-	-
Pump Equipment					20.0	-	-
Tank Fence		\$ 63,127		1,578	37.5	1,683	105
Services					40.0	-	-
Reservoirs & Tanks					45.0	-	-
2023 Water System Improvements Project		\$ 7,659,000		\$ -	62.5	122,544	122,544
<u>Transportation Equipment</u>							
Entire Group		\$ 247,256		\$ 49,451	7.0	35,322	(14,129)
TOTALS		\$ 34,701,707		\$ 762,769		\$ 768,711	\$ 5,942

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

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
HYDRANTS (335)								
HYDRANTS								
130		3/1/1987	SL /N/A	40.0000	16,851.83	15,480.66	421.30	15,901.96
HYDRANTS								
131		6/1/1993	SL /N/A	40.0000	5,075.00	3,872.42	126.88	3,999.30
HYDRANTS								
132		6/6/2013	SL /N/A	40.0000	4,766.72	1,191.69	119.17	1,310.86
4 Hydrants								
296		2/1/2023	SL /N/A	40.0000	13,902.00	318.59	347.55	666.14
2 Hydrants								
297		1/6/2023	SL /N/A	40.0000	10,200.00	255.00	255.00	510.00
2024 hydrants placed in service								
303		8/15/2024	SL /N/A	40.0000	11,793.00	0.00	122.85	122.85
Subtotal: HYDRANTS (335)					62,588.55	21,118.36	1,392.75	22,511.11
Less dispositions and exchanges:					0.00	0.00	0.00	0.00
Net for: HYDRANTS (335)					62,588.55	21,118.36	1,392.75	22,511.11
LAND & LAND RIGHTS (303)								
LAND								
1		3/1/1987	No Calc /N/A	0.0000		0.00	0.00	0.00
LAND								
2		5/1/1998	No Calc /N/A	0.0000		0.00	0.00	0.00
LAND								
3		4/1/1999	No Calc /N/A	0.0000		0.00	0.00	0.00
LAND								
4		4/1/1999	No Calc /N/A	0.0000		0.00	0.00	0.00
LAND								
5		6/1/1999	No Calc /N/A	0.0000		0.00	0.00	0.00
LAND								
6		1/31/2000	No Calc /N/A	0.0000		0.00	0.00	0.00
LAND								
7		10/31/2003	No Calc /N/A	0.0000		0.00	0.00	0.00
LAND - HAGER PROPERTY								
8		6/16/2008	No Calc /N/A	0.0000		0.00	0.00	0.00
Payneville Road								
304		1/18/2024	No Calc /N/A	0.0000		0.00	0.00	0.00
Subtotal: LAND & LAND RIGHTS (303)					0.00	0.00	0.00	0.00
Less dispositions and exchanges:						0.00	0.00	0.00
Net for: LAND & LAND RIGHTS (303)					0.00	0.00	0.00	0.00
METERS & METER INSTALLATION (334)								
METERS								
103		3/1/1987	SL /N/A	40.0000	93,048.01	85,522.80	2,326.20	87,849.00
METERS								
104		6/1/1992	SL /N/A	40.0000	2,175.05	1,711.99	54.38	1,766.37

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
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METERS & METER INSTALLATION (334)							
METERS							
105	6/1/1993 SL /N/A	40.0000	3,019.20	2,302.92	75.48	2,378.40	
D&K METERS							
106	6/1/1994 SL /N/A	40.0000	2,232.70	1,646.67	55.82	1,702.49	
METERS							
107	6/1/1995 SL /N/A	40.0000	15,938.22	11,356.07	398.46	11,754.53	
METERS							
108	12/1/1995 SL /N/A	40.0000	11,495.33	8,190.36	287.38	8,477.74	
METERS							
109	12/1/1995 SL /N/A	40.0000	19,491.73	13,887.80	487.29	14,375.09	
METERS							
110	12/1/1995 SL /N/A	40.0000	5,211.78	3,713.31	130.29	3,843.60	
METERS							
111	6/1/1996 SL /N/A	40.0000	5,349.71	3,677.87	133.74	3,811.61	
METERS							
112	6/1/1997 SL /N/A	40.0000	31,085.39	20,982.55	777.13	21,759.68	
METERS							
113	6/2/1998 SL /N/A	40.0000	42,102.98	26,840.57	1,052.57	27,893.14	
METERS							
114	6/1/1999 SL /N/A	40.0000	46,209.98	27,725.99	1,155.25	28,881.24	
METERS							
115	6/1/2000 SL /N/A	40.0000	65,893.01	38,712.22	1,647.33	40,359.55	
METERS							
116	6/1/2001 SL /N/A	40.0000	155,169.73	89,222.54	3,879.24	93,101.78	
METERS							
117	6/1/2002 SL /N/A	40.0000	104,545.00	57,499.83	2,613.63	60,113.46	
METERS							
118	6/1/2003 SL /N/A	40.0000	91,123.76	47,839.91	2,278.09	50,118.00	
METERS							
119	6/1/2004 SL /N/A	40.0000	132,115.00	66,057.58	3,302.88	69,360.46	
METERS							
120	6/1/2006 SL /N/A	40.0000	125,625.00	56,531.33	3,140.63	59,671.96	
METERS							
121	6/1/2007 SL /N/A	40.0000	177,231.79	73,108.11	4,430.79	77,538.90	
METERS							
122	6/1/2008 SL /N/A	40.0000	114,983.42	44,556.15	2,874.59	47,430.74	
METERS							
123	6/1/2009 SL /N/A	40.0000	108,854.81	39,459.87	2,721.37	42,181.24	
METERS							
124	6/1/2010 SL /N/A	40.0000	185,352.41	62,556.44	4,633.81	67,190.25	
METERS							
125	6/1/2011 SL /N/A	40.0000	137,672.88	43,022.75	3,441.82	46,464.57	
METERS							
126	6/1/2012 SL /N/A	40.0000	132,372.10	38,056.95	3,309.30	41,366.25	

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
METERS & METER INSTALLATION (334)								
METERS								
127	6/1/2013 SL /N/A	40.0000		75,951.76	19,893.30	1,898.79	21,792.09	
METERS								
128	6/1/2014 SL /N/A	40.0000		131,655.07	31,268.11	3,291.38	34,559.49	
METERS								
129	6/1/2015 SL /N/A	40.0000		128,768.87	27,363.37	3,219.22	30,582.59	
METERS								
210	1/19/2016 SL /N/A	10.0000		8,410.23	6,658.08	841.02	7,499.10	

METERS							
211	2/17/2016 SL /N/A	10.0000	12,210.78	9,565.13	1,221.08	10,786.21	
METERS							
212	3/4/2016 SL /N/A	10.0000	3,040.07	2,381.41	304.01	2,685.42	
METERS							
213	4/18/2016 SL /N/A	10.0000	8,567.80	6,568.65	856.78	7,425.43	
METERS							
214	5/16/2016 SL /N/A	10.0000	15,156.38	11,619.91	1,515.64	13,135.55	
METERS							
215	6/17/2016 SL /N/A	10.0000	5,920.44	4,440.30	592.04	5,032.34	
METERS							
216	7/19/2016 SL /N/A	10.0000	6,505.62	4,824.99	650.56	5,475.55	
METERS							
217	8/17/2016 SL /N/A	10.0000	12,582.69	9,227.31	1,258.27	10,485.58	
METERS							
218	9/19/2016 SL /N/A	10.0000	10,149.73	7,358.53	1,014.97	8,373.50	
METERS							
219	10/17/2016 SL /N/A	10.0000	10,523.93	7,542.13	1,052.39	8,594.52	
METERS							
220	11/16/2016 SL /N/A	10.0000	9,442.58	6,688.51	944.26	7,632.77	
METERS							
221	12/19/2016 SL /N/A	10.0000	11,200.32	7,840.21	1,120.03	8,960.24	
radio reads							
225	3/10/2017 SL /N/A	10.0000	64,500.00	44,075.00	6,450.00	50,525.00	
Meters							
226	4/10/2017 SL /N/A	10.0000	232,456.00	156,907.80	23,245.60	180,153.40	
radio reads							
227	6/15/2017 SL /N/A	10.0000	22,103.00	14,551.14	2,210.30	16,761.44	
meters							
228	7/11/2017 SL /N/A	10.0000	205,620.10	133,653.06	20,562.01	154,215.07	
new metering system							
229	12/4/2017 SL /N/A	10.0000	23,850.00	14,508.75	2,385.00	16,893.75	
6" Omni C2 meter							
231	4/10/2017 SL /N/A	10.0000	5,010.70	3,382.22	501.07	3,883.29	
18" x 24" meter pits, 8 18" x 3" round pit ext							
234	1/17/2017 SL /N/A	10.0000	9,074.80	6,276.74	907.48	7,184.22	

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
METERS & METER INSTALLATION (334)								
meters								
235	5/4/2017 SL /N/A	10.0000		23,174.09	15,449.40	2,317.41	17,766.81	
meters								
236	6/28/2017 SL /N/A	10.0000		23,750.59	15,437.89	2,375.06	17,812.95	
meters								
237	7/11/2017 SL /N/A	10.0000		34,861.10	22,659.72	3,486.11	26,145.83	
Meters								
238	8/17/2017 SL /N/A	10.0000		59,672.00	37,792.27	5,967.20	43,759.47	
Orion ME Universal Pit Style transmitters								
239	9/6/2017 SL /N/A	10.0000		18,709.56	11,849.41	1,870.96	13,720.37	
meters								
240	11/20/2017 SL /N/A	10.0000		56,002.14	34,067.94	5,600.21	39,668.15	
meters								
241	4/11/2017 SL /N/A	10.0000		3,312.84	2,236.14	331.28	2,567.42	
Meters & materials for installation								
246	1/18/2018 SL /N/A	10.0000		16,508.96	9,767.83	1,650.90	11,418.73	
Meters and materials for installation								

247	2/20/2018 SL /N/A	10.0000	7,235.20	4,220.53	723.52	4,944.05
Meters and materials for installation						
248	3/6/2018 SL /N/A	10.0000	25,289.52	14,752.21	2,528.95	17,281.16
Meters and installation						
249	6/5/2018 SL /N/A	10.0000	34,173.21	19,080.04	3,417.32	22,497.36
Meters and installation						
250	9/5/2018 SL /N/A	10.0000	53,088.22	28,313.71	5,308.82	33,622.53
meters and installation						
251	10/9/2018 SL /N/A	10.0000	10,866.62	5,704.97	1,086.66	6,791.63
meters and installation						
253	11/20/2018 SL /N/A	10.0000	12,546.12	6,377.60	1,254.61	7,632.21
meters and installation						
256	10/18/2018 SL /N/A	10.0000	1,950.00	1,007.50	195.00	1,202.50
Meters						
258	12/31/2019 SL /N/A	10.0000	242,049.00	96,819.60	24,204.90	121,024.50
136 new meters						
266	12/31/2020 SL /N/A	40.0000	81,600.00	6,120.00	2,040.00	8,160.00
139 meters set						
276	12/31/2021 SL /N/A	40.0000	132,050.00	6,602.50	3,301.25	9,903.75
(169) Meters Set in 2022						
290	12/31/2022 SL /N/A	40.0000	165,127.00	4,128.18	4,128.18	8,256.36
2023 meters placed in services						
300	12/15/2023 SL /N/A	40.0000	105,263.00	219.30	2,631.58	2,850.88
2024 meters placed in service						
302	11/30/2024 SL /N/A	40.0000	97,372.00	0.00	202.86	202.86
Subtotal: METERS & METER INSTALLATION (334)			4,025,601.03	1,743,383.97	195,872.15	1,939,256.12
Less dispositions and exchanges:			0.00	0.00	0.00	0.00

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
Net for: METERS & METER INSTALLATION (334)					4,025,601.03	1,743,383.97	195,872.15	1,939,256.12
OFFICE FURNITURE & EQUIP. (340)								
COMPUTERS & PRINTERS								
151		11/1/1997 SL /N/A		5.0000		8,230.00	0.00	8,230.00
COPIER								
152		11/1/1997 SL /N/A		5.0000		2,547.58	0.00	2,547.58
OFFICE FURNITURE								
153		11/1/1997 SL /N/A		5.0000		2,919.69	0.00	2,919.69
MISC. OFF. EQUIP								
154		11/30/1997 SL /N/A		5.0000		749.82	0.00	749.82
RADIO EQUIP								
155		8/1/1997 SL /N/A		5.0000		2,679.50	0.00	2,679.50
BASE RADIO								
156		11/1/1997 SL /N/A		5.0000		783.00	0.00	783.00
RADIOS								
157		7/3/2000 SL /N/A		7.0000		798.00	0.00	798.00
COMPUTER								
158		10/9/2000 SL /N/A		5.0000		2,120.66	0.00	2,120.66
SOFTWARE								
159		6/30/2000 SL /N/A		5.0000		2,720.00	0.00	2,720.00
SOFTWARE								
160		10/2/2000 SL /N/A		5.0000		2,000.00	0.00	2,000.00
RADIO EQUIP								
161		9/1/2001 SL /N/A		5.0000		4,882.99	0.00	4,882.99
FURNITURE AND EQUIP								

162	9/1/2002 SL /N/A	5.0000	23,916.18	0.00	23,916.18
FURNITURE AND EQUIP					
163	6/1/2003 SL /N/A	5.0000	2,996.00	0.00	2,996.00
OFFICE EQUIPMENT/FUNR					
164	6/1/2006 SL /N/A	5.0000	20,053.00	0.00	20,053.00
FURNITURE AND EQUIP					
165	6/1/2007 SL /N/A	5.0000	9,528.42	0.00	9,528.42
SOFTWARE					
166	6/1/2007 SL /N/A	5.0000	9,074.39	0.00	9,074.39
FURNITURE AND EQUIP					
167	6/1/2008 SL /N/A	5.0000	10,853.69	0.00	10,853.69
SOFTWARE					
168	6/1/2008 SL /N/A	5.0000	12,235.07	0.00	12,235.07
COMPUTER EQUIPMENT					
169	6/1/2009 SL /N/A	5.0000	12,879.30	0.00	12,879.30
OFFICE FURNITURE - CHAIRS					
170	5/1/2010 SL /N/A	5.0000	200.00	0.00	200.00
COMPUTER EQUIPMENT					
171	6/1/2010 SL /N/A	5.0000	24,644.03	0.00	24,644.03

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
OFFICE FURNITURE & EQUIP. (340)								
COMPUTER WEB EQUIPMENT								
172		6/1/2010 SL /N/A		5.0000		765.00	0.00	765.00
COMPUTER EQUIPMENT								
173		6/1/2011 SL /N/A		5.0000		4,799.90	0.00	4,799.90
COMPUTER EQUIPMENT								
174		4/18/2012 SL /N/A		5.0000		10,275.52	0.00	10,275.52
COMPUTER EQUIPMENT								
175		11/6/2012 SL /N/A		5.0000		2,187.00	0.00	2,187.00
SCADA COMPUTER SYSTEM								
176		7/9/2013 SL /N/A		5.0000		13,505.22	0.00	13,505.22
COMPUTER EQUIPMENT								
177		6/1/2014 SL /N/A		5.0000		2,967.04	0.00	2,967.04
COMPUTER SOFTWARE UPGRADE								
178		2/9/2015 SL /N/A		5.0000		2,508.00	0.00	2,508.00
SCADA COMPUTER SYSTEM								
179		8/4/2015 SL /N/A		5.0000		5,939.38	0.00	5,939.38
VANGUARD MAPPING SOFTWARE UPGRADE								
180		12/9/2015 SL /N/A		5.0000		42,418.00	0.00	42,418.00
FURNACE								
181		2/9/2015 SL /N/A		5.0000		2,600.00	0.00	2,600.00
A/C UNIT								
182		5/19/2015 SL /N/A		5.0000		4,505.14	0.00	4,505.14
new computers								
232		4/19/2017 SL /N/A		5.0000		33,173.85	0.00	33,173.85
new computers								
233		7/19/2017 SL /N/A		5.0000		8,535.00	0.00	8,535.00
Vanguard Mapping system								
252		1/5/2018 SL /N/A		5.0000		10,750.00	0.00	10,750.00
Vanguard mapping equipment								
255		6/20/2018 SL /N/A		5.0000		7,325.00	0.00	7,325.00
Water heater								
274		11/2/2021 SL /N/A		5.0000	6,112.00	2,648.53	1,222.40	3,870.93
(7) Dell OptiPlex desktop computers								
280		5/23/2022 SL /N/A		5.0000	16,501.00	5,225.32	3,300.20	8,525.52

Office copier						
281	8/18/2022 SL /N/A	5.0000	4,650.00	1,240.00	930.00	2,170.00
Dell Latitude 5430 meter reading laptop						
282	7/31/2022 SL /N/A	5.0000	3,065.00	868.42	613.00	1,481.42
Miscellaneous Equipment						
294	2/28/2023 SL /N/A	5.0000	828.00	138.00	165.60	303.60
I-Pads for workorders						
301	10/31/2024 SL /N/A	5.0000	1,918.00	0.00	63.93	63.93
Subtotal: OFFICE FURNITURE & EQUIP. (340)			33,074.00	319,185.64	6,295.13	325,480.77
Less dispositions and exchanges:			0.00	0.00	0.00	0.00

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
Net for: OFFICE FURNITURE & EQUIP. (340)					33,074.00	319,185.64	6,295.13	325,480.77
OTHER PLANT & MISC. EQUIPMENT (339)								
COMMON EQUIP.								
133		3/1/1987 SL /N/A		10.0000		23,500.56	0.00	23,500.56
HUNT TRACTOR								
134		6/1/1994 SL /N/A		5.0000		922.75	0.00	922.75
EQUIPMENT								
135		7/1/1996 SL /N/A		5.0000		919.78	0.00	919.78
HEATER AND GAS LINE								
136		12/1/1996 SL /N/A		7.0000		1,385.00	0.00	1,385.00
PIPE WAGON								
137		6/30/1997 SL /N/A		5.0000		700.00	0.00	700.00
WELDER								
138		7/31/1997 SL /N/A		5.0000		396.98	0.00	396.98
TELEMETRY EQUIP.								
139		2/1/1998 SL /N/A		7.0000		731.17	0.00	731.17
HAMMER HEAD MOLE								
140		6/1/1998 SL /N/A		7.0000		2,147.84	0.00	2,147.84
FENCE								
141		12/1/1998 SL /N/A		7.0000		4,495.00	0.00	4,495.00
GAS COMPRESSOR								
142		12/1/1999 SL /N/A		7.0000		2,150.00	0.00	2,150.00
VERMER DRILL								
143		11/2/2000 SL /N/A		7.0000		2,188.00	0.00	2,188.00
AIR COMPRESSOR								
144		6/1/2001 SL /N/A		7.0000		11,995.00	0.00	11,995.00
EQUIPMENT								
145		6/1/2001 SL /N/A		7.0000		2,188.00	0.00	2,188.00
OFFICE EQUIPMENT								
146		6/1/2004 SL /N/A		7.0000		9,112.00	0.00	9,112.00
EQUIPMENT								
147		6/1/2005 SL /N/A		7.0000		21,697.00	0.00	21,697.00
OFFICE EQUIPMENT								
148		6/1/2009 SL /N/A		7.0000		1,120.32	0.00	1,120.32
LAWN MOWER								
149		2/19/2013 SL /N/A		7.0000		7,532.00	0.00	7,532.00
COPIER								
150		8/19/2014 SL /N/A		7.0000		4,404.99	0.00	4,404.99
WEBSITE SETUP								
209		9/19/2016 SL /N/A		5.0000		5,655.99	0.00	5,655.99
Pro-Turn Mower								
291		6/22/2022 SL /N/A		7.0000	5,599.00	1,199.79	799.86	1,999.65
Chain link fence								

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
OTHER PLANT & MISC. EQUIPMENT (339)								
299	Trimble R2, Single Receiver - no radio plus accessories	1/11/2023	SL /N/A	7.0000	6,982.00	997.43	997.43	1,994.86
Subtotal: OTHER PLANT & MISC. EQUIPMENT (339)					17,441.00	105,902.46	2,491.58	108,394.04
Less dispositions and exchanges:					0.00	0.00	0.00	0.00
Net for: OTHER PLANT & MISC. EQUIPMENT (339)					17,441.00	105,902.46	2,491.58	108,394.04
POWER OPERATED EQUIPMENT (345)								
183	TRACTOR W/ BACKHOE	6/30/2006	SL /N/A	10.0000		56,544.00	0.00	56,544.00
184	CASE SKID STEER LOADER (BOBCAT)	6/30/2010	SL /N/A	5.0000		69,891.33	0.00	69,891.33
185	HAMMERHEAD MOLE	7/17/2012	SL /N/A	5.0000		3,700.00	0.00	3,700.00
254	Track hoe	12/31/2019	SL /N/A	5.0000	58,190.00	46,552.00	11,638.00	58,190.00
260	Cat BA118 Broom	4/12/2019	SL /N/A	5.0000	7,650.00	7,267.50	382.50	7,650.00
Subtotal: POWER OPERATED EQUIPMENT (345)					65,840.00	183,954.83	12,020.50	195,975.33
Less dispositions and exchanges:					0.00	0.00	0.00	0.00
Net for: POWER OPERATED EQUIPMENT (345)					65,840.00	183,954.83	12,020.50	195,975.33
PUMPING & EQUIPMENT (311)								
75	ELEC. PUMP EQUIP.	3/1/1987	SL /N/A	20.0000		101,633.61	0.00	101,633.61
76	EQUIPMENT	9/1/1992	SL /N/A	10.0000		28,982.59	0.00	28,982.59
77	PUMP STATION	7/1/1993	SL /N/A	20.0000		11,830.33	0.00	11,830.33
78	PUMP	1/1/1994	SL /N/A	20.0000		1,628.00	0.00	1,628.00
79	PUMP	7/1/1994	SL /N/A	20.0000		917.50	0.00	917.50
80	PUMP	4/1/1996	SL /N/A	5.0000		710.00	0.00	710.00
81	PUMP/PRESSURE REDUCING STATION	9/5/2000	SL /N/A	7.0000		5,539.00	0.00	5,539.00
82	PUMP	6/1/2001	SL /N/A	20.0000		408,108.20	0.00	408,108.20
83	PUMP	11/1/2008	SL /N/A	20.0000	6,689.64	5,073.02	334.48	5,407.50
84	PUMP	12/1/2008	SL /N/A	20.0000	8,036.71	6,061.09	401.84	6,462.93
85	TRANSFER SWITCH	12/28/2010	SL /N/A	20.0000	18,298.00	11,901.22	914.90	12,816.12

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
PUMPING & EQUIPMENT (311)								
261	Flaherty pump station	10/16/2019	SL /N/A	20.0000	53,814.46	11,435.56	2,690.72	14,126.28
264	Chlorine analyzer and stainless steel pump	7/22/2020	SL /N/A	20.0000	19,966.04	3,410.86	998.30	4,409.16
265	16 water sampling stations	8/31/2020	SL /N/A	20.0000	8,010.88	1,335.13	400.54	1,735.67
288	Flaherty Water Tank Rehab Project	11/2/2022	SL /N/A	20.0000	75,956.49	4,430.79	3,797.82	8,228.61
289	Variable Frequency Water Pump - Brandenburg	10/18/2022	SL /N/A	20.0000	11,067.00	645.58	553.35	1,198.93
295	Replacement screen for pump house	9/20/2023	SL /N/A	7.0000	4,500.00	160.72	642.86	803.58
Subtotal: PUMPING & EQUIPMENT (311)					206,339.22	603,803.20	10,734.81	614,538.01
Less dispositions and exchanges:					0.00	0.00	0.00	0.00
Net for: PUMPING & EQUIPMENT (311)					206,339.22	603,803.20	10,734.81	614,538.01

SERVICES								
223	SERVICES	3/1/1987	SL /N/A	40.0000	63,127.35	58,129.63	1,578.18	59,707.81
Subtotal: SERVICES					63,127.35	58,129.63	1,578.18	59,707.81
Less dispositions and exchanges:					0.00	0.00	0.00	0.00
Net for: SERVICES					63,127.35	58,129.63	1,578.18	59,707.81

STRUCTURES & IMPROVEMENTS (304)								
9	STORAGE TANK	3/1/1987	SL /N/A	40.0000	104,085.27	95,627.79	2,602.13	98,229.92
10	CALDWELL TANK	9/1/1992	SL /N/A	40.0000	97,957.00	77,140.93	2,448.93	79,589.86
11	BUILDING	9/1/1992	SL /N/A	30.0000		10,000.00	0.00	10,000.00
12	CALDWELL TANK ADD.	2/1/1993	SL /N/A	39.0000	68,143.00	53,292.51	1,747.26	55,039.77
13	CONCRETE	1/1/1994	SL /N/A	5.0000		267.20	0.00	267.20
14	GRODER BLADE	4/1/1994	SL /N/A	5.0000		58.00	0.00	58.00
15	CAPITAL IMPROVEMENT	5/1/1994	SL /N/A	20.0000		5,779.65	0.00	5,779.65
16	ENGINE MOTOR	7/1/1994	SL /N/A	5.0000		595.00	0.00	595.00
17	ROOF	6/1/1995	SL /N/A	10.0000		877.48	0.00	877.48
18	ENGINEERING FEE	6/1/1999	SL /N/A	7.0000		1,125.00	0.00	1,125.00

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
STRUCTURES & IMPROVEMENTS (304)								
19	PAYNEVILLE TANK	6/1/2001	SL /N/A	40.0000	365,274.15	210,427.58	9,131.85	219,559.43

SUPPLY MAIN (309)						
KY 228 RHODELIA PROJECT - ENG FEE (COMPLETE DEC 2011)						
24	5/31/2008 SL /N/A	40.0000	5,000.00	1,510.42	125.00	1,635.42
KY 228 RHODELIA PROJECT (COMPLETE DEC 2011)						
25	6/30/2009 SL /N/A	40.0000	66,710.75	20,152.22	1,667.77	21,819.99
KY 228 RHODELIA PROJECT (COMPLETE DEC 2011)						
26	6/30/2010 SL /N/A	40.0000	2,381,754.71	719,488.43	59,543.87	779,032.30
KY 228 RHODELIA PROJECT (COMPLETE DEC 2011)						
27	6/30/2011 SL /N/A	40.0000	500,203.88	150,803.29	12,505.10	163,308.39
WATERLINE EXTENSIONS						
28	1/1/1996 SL /N/A	40.0000	9,771.30	7,939.14	244.28	8,183.42
MAINS						

29		3/1/1987 SL /N/A	40.0000	888,740.12	816,533.53	22,218.50	838,752.03
NEW LINES							
30		6/1/1992 SL /N/A	40.0000	33,000.00	25,988.00	825.00	26,813.00
LINES							
31		9/1/1992 SL /N/A	40.0000	65,000.00	51,188.00	1,625.00	52,813.00
PROJECT PRO FEES							
32		5/1/1993 SL /N/A	39.0000	24,792.22	19,389.28	635.70	20,024.98
WATERLINE EXTENSIONS							
33		5/1/1995 SL /N/A	5.0000		997.74	0.00	997.74
WATERLINE EXTENSION							
34		6/1/1995 SL /N/A	40.0000	133,451.65	95,084.28	3,336.29	98,420.57
WATERLINE EXTENSIONS							
35		11/1/1995 SL /N/A	40.0000	455,186.27	324,320.28	11,379.66	335,699.94
WATERLINE EXTENSIONS							
36		12/1/1995 SL /N/A	40.0000	150,107.27	106,951.40	3,752.68	110,704.08
NEW LINE EXTENSIONS							
37		12/1/1995 SL /N/A	40.0000	1,505.12	1,072.43	37.63	1,110.06
WATERLINE EXTENSIONS							
38		3/1/1996 SL /N/A	40.0000	3,989.01	3,191.30	99.73	3,291.03
VAULD COMPLETION							
39		4/1/1996 SL /N/A	40.0000	21,933.15	15,353.23	548.33	15,901.56
WATERLINE EXTENSIONS							
40		5/1/1996 SL /N/A	40.0000	4,452.39	3,061.02	111.31	3,172.33
WATERLINE EXTENSIONS							
41		6/1/1996 SL /N/A	40.0000	15,233.51	10,473.08	380.84	10,853.92
WATERLINE EXTENSIONS							
42		6/1/1996 SL /N/A	40.0000	129,690.40	89,162.15	3,242.26	92,404.41
WATERLINE EXTENSIONS							
43		8/1/1996 SL /N/A	40.0000	11,025.95	7,580.36	275.65	7,856.01
WATERLINE EXTENSIONS							
44		8/1/1996 SL /N/A	40.0000	8,201.19	5,638.32	205.03	5,843.35
WATERLINE EXTENSIONS							
45		11/1/1996 SL /N/A	40.0000	2,000.99	1,375.59	50.02	1,425.61

Sorted: General - category

01/01/2024 - 12/31/2024

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
SUPPLY MAIN (309)								
WATERLINE EXTENSIONS								
46		11/1/1996 SL /N/A		40.0000	13,821.25	9,502.09	345.53	9,847.62
WATERLINE EXTENSIONS								
47		12/1/1996 SL /N/A		40.0000	4,636.51	3,187.55	115.91	3,303.46
WATERLINE EXTENSIONS								
48		6/1/1997 SL /N/A		40.0000	47,673.91	30,392.15	1,191.85	31,584.00
WATERLINE EXTENSIONS								
49		6/2/1997 SL /N/A		40.0000	72,473.99	46,202.16	1,811.85	48,014.01
WATERLINE EXTENSIONS								
50		6/3/1997 SL /N/A		40.0000	38,450.25	24,512.10	961.26	25,473.36
WATERLINE EXTENSIONS								
51		11/30/1997 SL /N/A		40.0000	3,108.00	2,033.15	77.70	2,110.85
WATERLINE EXTENSIONS								
52		6/1/1998 SL /N/A		40.0000	41,915.12	26,720.91	1,047.88	27,768.79
WATERLINE EXTENSIONS								
53		6/1/1998 SL /N/A		40.0000	69,376.54	44,227.48	1,734.41	45,961.89
WATERLINE EXTENSIONS								
54		6/1/1999 SL /N/A		40.0000	38,055.12	22,833.11	951.38	23,784.49
WATERLINE EXTENSIONS								
55		6/1/1999 SL /N/A		40.0000	17,691.95	10,615.19	442.30	11,057.49

WATERLINE EXTENSIONS							
56	6/1/2001 SL /N/A	40.0000	1,947,348.05	1,119,330.41	48,683.70	1,168,014.11	
WATERLINE EXTENSIONS - GARRISON							
57	9/1/2002 SL /N/A	40.0000	348,947.93	191,921.39	8,723.70	200,645.09	
WATERLINE EXTENSIONS - CALDWELL							
58	9/1/2002 SL /N/A	40.0000	350,943.09	193,018.74	8,773.58	201,792.32	
WATERLINE EXTENSIONS							
59	6/1/2003 SL /N/A	40.0000	43,704.67	24,037.62	1,092.62	25,130.24	
WATERLINE EXTENSIONS							
60	6/1/2003 SL /N/A	40.0000	22,785.00	11,677.39	569.63	12,247.02	
WATERLINE EXTENSIONS							
61	6/1/2004 SL /N/A	40.0000	118,786.00	59,393.00	2,969.65	62,362.65	
WATERLINE EXTENSIONS							
62	6/1/2005 SL /N/A	40.0000	108,108.00	51,351.30	2,702.70	54,054.00	
WATERLINE EXTENSIONS							
63	6/1/2006 SL /N/A	40.0000	526,825.00	237,071.33	13,170.63	250,241.96	
WATERLINE EXTENSIONS							
64	6/1/2007 SL /N/A	40.0000	734,349.60	302,919.21	18,358.74	321,277.95	
MAINS							
65	6/1/2007 SL /N/A	40.0000	5,594.77	2,307.85	139.87	2,447.72	
WATERLINE EXTENSIONS							
66	6/1/2008 SL /N/A	40.0000	82,636.74	32,021.76	2,065.92	34,087.68	
WATERLINE EXTENSIONS							
67	6/1/2008 SL /N/A	40.0000	4,045.45	1,567.67	101.14	1,668.81	

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
SUPPLY MAIN (309)								
WATERLINE EXTENSIONS								
68	6/1/2009 SL /N/A	40.0000	60,779.37	22,032.47	1,519.48	23,551.95		
WATERLINE EXTENSIONS								
69	6/1/2010 SL /N/A	40.0000	165,083.34	55,715.58	4,127.08	59,842.66		
WATERLINE EXTENSIONS								
70	6/1/2011 SL /N/A	40.0000	137,759.22	43,049.76	3,443.98	46,493.74		
WATERLINE EXTENSIONS								
71	6/1/2012 SL /N/A	40.0000	51,675.44	14,856.73	1,291.89	16,148.62		
WATERLINE EXTENSION								
72	6/13/2013 SL /N/A	40.0000	55,785.29	14,643.62	1,394.63	16,038.25		
WATERLINE EXTENSION								
73	7/23/2014 SL /N/A	40.0000	9,950.00	2,342.40	248.75	2,591.15		
WATERLINE EXTENSION								
74	7/31/2015 SL /N/A	40.0000	27,830.00	5,855.90	695.75	6,551.65		
WATERLINE EXTENSION								
205	2/10/2016 SL /N/A	75.0000	25,218.00	2,661.90	336.24	2,998.14		
WATERLINE EXTENSION								
206	8/17/2016 SL /N/A	75.0000	2,802.00	273.97	37.36	311.33		
Willard Ln extension								
230	10/30/2017 SL /N/A	75.0000	17,800.00	1,463.54	237.33	1,700.87		
Flaherty interconnect								
243	7/19/2018 SL /N/A	62.5000	1,584,734.91	137,343.70	25,355.76	162,699.46		
Main extensions								
259	12/31/2019 SL /N/A	50.0000	147,590.75	13,133.62	2,951.82	16,085.44		
HDR Engineering fees for Flaherty project								
262	12/15/2019 SL /N/A	50.0000	59,187.62	4,833.65	1,183.75	6,017.40		
waterline extensions								
273	12/31/2020 SL /N/A	40.0000	12,444.00	933.30	311.10	1,244.40		
Supply mains								

277	12/31/2021	SL /N/A	62.5000	45,673.00	1,461.54	730.77	2,192.31
2019 Water System Improvement Project							
278	12/31/2021	SL /N/A	62.5000	2,396,817.00	76,698.14	38,349.07	115,047.21
Jeff Ray Water Main Project							
286	9/19/2022	SL /N/A	62.5000	38,000.00	760.00	608.00	1,368.00
2019 Water System Improvements (2022 Portion)							
287	8/1/2022	SL /N/A	62.5000	62,887.09	1,425.44	1,006.19	2,431.63
ARPA Water Main Extensions - Sirocco & Milan							
305	12/15/2024	SL /N/A	62.5000	1,137,349.00	0.00	1,516.46	1,516.46
ARPA Water Main Extensions - Lonestar/ Big Dipper							
306	12/15/2024	SL /N/A	62.5000	337,054.00	0.00	449.40	449.40
ARPA Water Main Extension - Chestern Ln							
307	12/15/2024	SL /N/A	62.5000	219,675.00	0.00	292.90	292.90
Subtotal: SUPPLY MAIN (309)				16,149,121.85	5,389,138.96	328,379.66	5,717,518.62
Less dispositions and exchanges:				0.00	0.00	0.00	0.00

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
Net for: SUPPLY MAIN (309)					16,149,121.85	5,389,138.96	328,379.66	5,717,518.62
TRANSMISSION & DISTRIBUTIONS MAINS (331)								
ELECTRIC SERVICE								
86		3/1/1987	SL /N/A	40.0000	6,750.00	6,203.75	168.75	6,372.50
HOOK-UP FEE								
87		3/1/1987	SL /N/A	40.0000	30,000.00	27,562.00	750.00	28,312.00
WATER LINE EXT.								
88		3/1/1987	SL /N/A	40.0000	82,500.82	74,254.08	2,062.52	76,316.60
LINE EXTENSION								
89		6/1/1987	SL /N/A	40.0000	22,904.61	20,902.94	572.62	21,475.56
WL-FLAHERTY								
90		7/1/1989	SL /N/A	40.0000	74,756.74	64,477.67	1,868.92	66,346.59
WL-EXTENSION								
91		6/1/1990	SL /N/A	40.0000	75,381.00	63,133.33	1,884.53	65,017.86
MAINS								
92		9/1/1992	SL /N/A	40.0000	72,922.95	58,478.35	1,823.07	60,301.42
LINE EXTENSIONS								
93		6/1/1993	SL /N/A	40.0000	54,906.02	41,864.85	1,372.65	43,237.50
PIPELINES								
94		6/1/1993	SL /N/A	40.0000	34,288.68	26,142.37	857.22	26,999.59
WATERLINE EXTENSIONS								
95		5/1/1994	SL /N/A	40.0000	25,368.40	18,661.99	634.21	19,296.20
PIPELINES								
96		8/1/1994	SL /N/A	40.0000	37,260.74	25,556.28	931.52	26,487.80
WATERLINE EXTENSIONS								
97		7/1/2000	SL /N/A	40.0000	32,111.64	18,865.57	802.79	19,668.36
WATERLINE EXTENSIONS								
98		9/1/2000	SL /N/A	40.0000	13,034.52	7,603.42	325.86	7,929.28
WATERLINE EXTENSIONS								
99		6/1/2007	SL /N/A	40.0000	31,783.06	13,110.57	794.58	13,905.15
WATERLINE EXTENSIONS - PHASE VII (COMPLETE 2009)								
100		6/1/2008	SL /N/A	40.0000	446,664.70	167,499.30	11,166.62	178,665.92
WATERLINE EXTENSIONS - PHASE VII (COMPLETE 2009)								
101		6/1/2009	SL /N/A	40.0000	2,314,366.81	838,957.97	57,859.17	896,817.14
WATERLINE EXTENSIONS - PHASE VII (COMPLETE 2009)								
102		1/1/2010	SL /N/A	40.0000	22,627.42	7,919.66	565.69	8,485.35
Sipes Ln line extension								
244		6/20/2018	SL /N/A	62.5000	23,568.80	2,074.05	377.10	2,451.15

Malinda Dr. line extension							
245	4/5/2018 SL /N/A	62.5000	9,497.10	873.71	151.95	1,025.66	
Subtotal: TRANSMISSION & DISTRIBUTIONS MAINS (331)			3,410,694.01	1,484,141.86	84,969.77	1,569,111.63	
Less dispositions and exchanges:			0.00	0.00	0.00	0.00	
Net for: TRANSMISSION & DISTRIBUTIONS MAINS (331)			3,410,694.01	1,484,141.86	84,969.77	1,569,111.63	

VEHICLES

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
VEHICLES								
LTE TRAILOR								
186		5/28/1997 SL /N/A		5.0000		5,500.00	0.00	5,500.00
1998 GMC DUMP TRUCK								
187		2/1/1998 SL /N/A		5.0000		43,900.00	0.00	43,900.00
2000 FORD RANGER								
188		5/3/2000 SL /N/A		5.0000		14,240.00	0.00	14,240.00
TRUCK BED								
189		4/30/2002 SL /N/A		5.0000		3,921.00	0.00	3,921.00
2000 FORD EXPLORER								
190		9/30/2002 SL /N/A		5.0000		17,400.00	0.00	17,400.00
2004 CHEVY PU TRUCK								
191		11/30/2004 SL /N/A		5.0000		19,270.00	0.00	19,270.00
2005 CHEVY SILVERADO W/BED LINER								
192		4/30/2005 SL /N/A		5.0000		24,238.00	0.00	24,238.00
2005 TRAILBLAZER								
193		11/30/2005 SL /N/A		5.0000		19,000.00	0.00	19,000.00
2010 FORD PU TRUCK								
195		10/31/2009 SL /N/A		5.0000		18,492.00	0.00	18,492.00
TRUCK & TRAILER								
196		6/30/2010 SL /N/A		5.0000		5,498.00	0.00	5,498.00
2014 CHEVY CAPTIVA								
197		3/14/2015 SL /N/A		5.0000		19,650.00	0.00	19,650.00
2013 Ford F150 Truck								
207		5/4/2017 SL /N/A		5.0000		13,975.00	0.00	13,975.00
utility truck								
224		5/4/2016 SL /N/A		5.0000		30,183.54	0.00	30,183.54
2019 Ford F150								
242		11/26/2018 SL /N/A		5.0000		27,220.36	0.00	27,220.36
Equipment trailer								
257		12/31/2019 SL /N/A		5.0000	4,300.00	3,440.00	860.00	4,300.00
2020 Ford F-350								
263		3/27/2020 SL /N/A		5.0000	53,896.90	40,422.68	10,779.38	51,202.06
2019 Ford Ranger								
275		4/8/2021 SL /N/A		5.0000	21,750.00	11,962.50	4,350.00	16,312.50
2016 Chevy Silverado VIN#1830								
283		5/10/2022 SL /N/A		5.0000	29,999.00	9,999.67	5,999.80	15,999.47
2022 Chevy Silverado VIN#9438								
284		7/7/2022 SL /N/A		5.0000	38,755.72	11,626.71	7,751.14	19,377.85
2023 Chevrolet Silverado								
292		1/26/2023 SL /N/A		5.0000	59,554.00	10,918.23	11,910.80	22,829.03
2022 Chevrolet Silverado								
293		6/19/2023 SL /N/A		5.0000	39,000.00	3,900.00	7,800.00	11,700.00
Subtotal: VEHICLES					247,255.62	354,757.69	49,451.12	404,208.81
Less dispositions and exchanges:					0.00	0.00	0.00	0.00

EIN/SSN: Applied For
01/01/2024 - 12/31/2024
Sorted: General - category

Meade County Water District [06304000]
Depreciation Expense
Federal

8/5/2025
12:39:17 PM

01/01/2024 - 12/31/2024

System No.	Description	Date In Service	Method / Conv.	Life	Cost / Other Basis	Beg. Accum. Depreciation	Current Depreciation	Total Depreciation
Net for: VEHICLES					247,255.62	354,757.69	49,451.12	404,208.81
WELLS AND SPRINGS								
Wellhouses								
222		9/1/1992 SL /N/A		30.0000	0.00	10,000.00	0.00	10,000.00
Subtotal: WELLS AND SPRINGS					0.00	10,000.00	0.00	10,000.00
Less dispositions and exchanges:					0.00	0.00	0.00	0.00
Net for: WELLS AND SPRINGS					0.00	10,000.00	0.00	10,000.00
Subtotal:					27,042,706.62	11,773,588.79	762,769.42	12,536,358.21
Less dispositions and exchanges:					0.00	0.00	0.00	0.00
Grand Totals:					27,042,706.62	11,773,588.79	762,769.42	12,536,358.21

Attachment #8

KIA Loan

F08-02

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER:	F08-02
BORROWER:	Meade County Water District
BORROWER'S ADDRESS:	1003 Armory Place Brandenburg, Kentucky 40108
DATE OF ASSISTANCE AGREEMENT:	November 1, 2008
CFDA NO.:	66.468

ASSISTANCE AGREEMENT

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1.	Representations and Warranties of Authority	6
SECTION 2.2.	Representations and Warranties of the Governmental Agency	6

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

SECTION 3.1.	Determination of Eligibility	9
SECTION 3.2.	Principal Amount of Loan Established; Loan Payments; Disbursement of Funds	9
SECTION 3.3.	Governmental Agency's Right to Prepay Loan	9
SECTION 3.4.	Subordination of Loan	9

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

SECTION 4.1.	Covenants of Governmental Agency and Conditions of Loan	11
SECTION 4.2.	Additional Conditions to Disbursement Required Under the Federal Agreement	13
SECTION 4.3.	Disbursements of Loan; Requisition for Funds	15

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	16
SECTION 5.2.	Governmental Agency's Obligation to Repay Loan	16
SECTION 5.3.	Covenant to Adjust Service Charges	16
SECTION 5.4.	Adequacy of Service Charges	16
SECTION 5.5.	Covenant to Establish Maintenance and Replacement Reserve	17
SECTION 5.6.	Covenant to Charge Sufficient Rates; Reports; Inspections	17
SECTION 5.7.	Segregation of Funds	17

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

SECTION 6.1.	Further Assurance.....	18
SECTION 6.2.	Completion of Project.....	18
SECTION 6.3.	Establishment of Completion Date.....	18
SECTION 6.4.	Commitment to Operate	18
SECTION 6.5.	Continue to Operate.....	18
SECTION 6.6.	Tax Covenant.....	18
SECTION 6.7.	Accounts and Reports	18
SECTION 6.8.	Financial Statements.....	19
SECTION 6.9.	General Compliance With All Duties.....	19
SECTION 6.10.	General.....	19
SECTION 6.11.	Further Covenants Under the Federal Agreement.....	19
SECTION 6.12.	Continuing Disclosure Obligation	21

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

SECTION 7.1.	Maintenance of System.....	22
SECTION 7.2.	Additions and Improvements.....	22
SECTION 7.3.	System Not to be Disposed of	22
SECTION 7.4.	Compliance with State and Federal Standards	22
SECTION 7.5.	Access to Records.....	22
SECTION 7.6.	Covenant to Insure - Casualty.....	22
SECTION 7.7.	Authority as Named Insured.....	23
SECTION 7.8.	Covenant to Insure - Liability.....	23
SECTION 7.9.	Covenant Regarding Workers' Compensation.....	23
SECTION 7.10.	Application of Casualty Insurance Proceeds	23
SECTION 7.11.	Eminent Domain.....	23
SECTION 7.12.	Flood Insurance	24

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1.	Events of Default Defined	25
SECTION 8.2.	Remedies on Default.....	25
SECTION 8.3.	Appointment of Receiver.....	26
SECTION 8.4.	No Remedy Exclusive	26
SECTION 8.5.	Consent to Powers of Authority Under Act.....	26
SECTION 8.6.	Waivers	26
SECTION 8.7.	Agreement to Pay Attorneys' Fees and Expenses.....	26

ARTICLE IX

MISCELLANEOUS PROVISIONS

SECTION 9.1.	Approval not to be Unreasonably Withheld	27
SECTION 9.2.	Approval	27
SECTION 9.3.	Effective Date	27
SECTION 9.4.	Binding Effect.....	27
SECTION 9.5.	Severability	27
SECTION 9.6.	Assignability	27
SECTION 9.7.	Execution in Counterparts	27
SECTION 9.8.	Applicable Law	27
SECTION 9.9.	Captions	27
SIGNATURES		28
EXHIBIT A - PROJECT SPECIFICS		A-1
EXHIBIT B - REQUISITION FORM.....		B-1
EXHIBIT C - SCHEDULE OF SERVICE CHARGES		C-1
EXHIBIT D - RESOLUTION		D-1
EXHIBIT E - LEGAL OPINION		E-1
EXHIBIT F - SCHEDULE OF PAYMENTS		F-1
EXHIBIT G - ADDITIONAL COVENANTS AND AGREEMENTS.....		G-1

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, prescribe, 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.

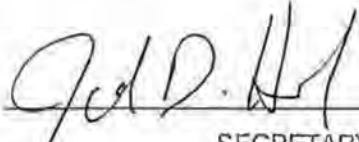
Section 9.8. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

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


Title: SECRETARY

By: 
Title: EXECUTIVE DIRECTOR

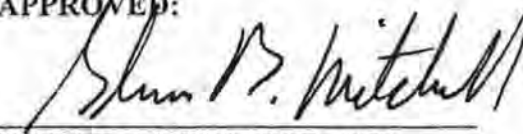
ATTEST:

GOVERNMENTAL AGENCY:
MEADE COUNTY WATER DISTRICT

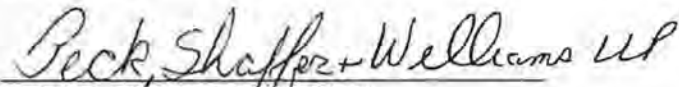

Title: SECRETARY

By: 
Title: CHAIRMAN

APPROVED:


SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:


LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENVIRONMENTAL AND PUBLIC PROTECTION
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: 
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

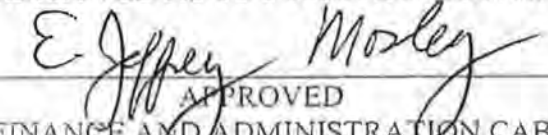

APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
Meade County Water District
PROJECT SPECIFICS
F08-02

GOVERNMENTAL AGENCY:

Name: Meade County Water District
 1003 Armory Place
 Brandenburg, Kentucky 40108

Contact
 Person: Joe Bartley
 270-422-5006

SYSTEM: Drinking Water

PROJECT: Phase VII Water System Improvements - This project will extend approximately 97,000 linear feet of 6 and 8-inch water mains to serve 240 new customers along eight county and state roads (KY 2727, KY 144, KY 79, KY 428, Fred Fackler Road, Hog Wallow Road, Knotts Road, and Rabbit Run Road). Also included is the construction of a new 500,000 gallon elevated water storage tank. The project is needed to provide potable water to 240 potential customers that are currently unserved. Many of these potential customers are currently utilizing water wells and cisterns that do not have adequate disinfection systems. These potential health hazards will be eliminated by this project.

PROJECT BUDGET:

	Fund F Loan	HB 380 Grant	HB 380 Grant	Total
Administrative Expenses	-	5,000	-	\$ 5,000
Legal Expenses	-	5,000	-	\$ 5,000
Land, Easements	-	-	10,000	\$ 10,000
Engineering Fees	-	239,749	5,000	\$ 244,749
Construction	1,801,200	200,000	15,000	\$ 2,016,200
Contingency	149,749	50,251	-	\$ 200,000
Total	1,950,949	500,000	30,000	\$ 2,480,949

FUNDING SOURCES:

	Amount	%
Fund F Loan	\$ 1,950,949	79%
HB 380 Grant	\$ 500,000	20%
HB 380 Grant	\$ 30,000	1%
Total	\$ 2,480,949	100%

KIA DEBT SERVICE:

Construction Loan	\$	1,950,949
Interest Rate		3.00%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	130,429
Administrative Fee (0.25%)	\$	4,877
Total Estimated Annual Debt Service	\$	135,307

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 6/1/09).

Full principal and interest payments will commence within one year of initiation of operation (estimated 6/1/10).

REPLACEMENT RESERVE ACCOUNT: \$ 4,800 ANNUAL AMOUNT
 \$ 48,000 TOTAL AMOUNT

The annual replacement cost is \$4,800. This amount should be added to the replacement account each December 1 until the balance reaches \$48,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	Outstanding	Maturity
Series 2001A KY Rural Water Bonds	\$533,000	12/01/24
1992 Water Works Revenue Bonds	\$370,000	12/01/32
Note Payable - Meade Co. Fiscal Court	\$468,000	01/01/15
1998 Fund C Loan - KIA	\$152,500	06/01/22
Note Payable - Meade Co. Fiscal Court	\$270,000	01/01/15
2003 Fund F Loan - KIA	\$363,169	12/01/24
Total	\$2,156,669	

LIABILITY INSURANCE COVERAGE:

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

\$ 1,000,000
1,000,000
SEE ATTACHED

ARCH INSURANCE COMPANY

WATER DISTRICTS INSURANCE PROGRAM PROPERTY AND INLAND MARINE COVERAGE PART SUPPLEMENTAL DECLARATIONS

These Supplemental Declarations form a part of policy number GWPKG0097701

SCHEDULE OF COVERAGES AND LIMITS OF INSURANCE

Policy Limit of Insurance:

Real and Personal Property (Owned) and Mobile Equipment (Owned) Blanket Limit Per Schedule on file

Deductibles: Property	\$ 1,000 Per Occurrence
Inland Marine	\$ 500 Per Occurrence

Covered Property**Limit of Insurance**

Aboveground Piping	\$100,000 Per Occurrence
Above and Belowground Penstock	\$100,000 Per Occurrence
Communication Equipment	\$100,000 Per Occurrence
Computer Equipment and Electronic Media	\$100,000 Per Occurrence
Fine Arts	\$5,000 Per Occurrence
Mobile Equipment (Non-owned)	\$100,000 Per Occurrence
Outdoor Property including Signs	\$100,000 Per Occurrence
Paved Surfaces	\$100,000 Per Occurrence
Property in the Course of Construction	\$100,000 Per Occurrence
Real and Personal Property (Of Others)	\$100,000 Per Occurrence
Trees, Shrubs, and Landscape Plantings	\$1,000 Per Occurrence, No more than \$1,000 any one tree, shrub or landscape planting.
Underground Piping (Within 100-feet of Premises)	\$100,000 Per Occurrence
Valuable Papers and Records	\$100,000 Per Occurrence

Coverage Extensions**Limit of Insurance**

Accounts Receivable	\$100,000 Per Occurrence
Ammonia Contamination	\$100,000 Per Occurrence
Arson and Crime Reward	\$10,000 Per Occurrence
Bridges	\$1,000 Per Occurrence
Collapse	Included in Policy Limit of Insurance
Debris Removal	\$25,000 Per Occurrence
Demolition and Increased Cost of Construction	\$100,000 Per Occurrence
Expediting Expenses	\$100,000 Per Occurrence
Extra Expense	\$100,000 Per Occurrence
Fire Department Service Charge	\$25,000 Per Occurrence
Loss of Income	\$100,000 Per Occurrence
Pollutant Clean Up and Removal	\$25,000 Per 12-Month Policy Period
Preservation of Property	\$100,000 Per Occurrence
Rental Value	\$100,000 Per Occurrence
Utility Interruption	\$100,000 Per Occurrence
Vacant Buildings	\$100,000 Per Occurrence

Mortgageholder Name And Mailing Address: MEADE COUNTY BANK
P. O. BOX 278
BRANDENBURG, KY 40108

Forms And Endorsements

Forms and endorsements applying to this Coverage Part and made part of this policy at time of issue: See SD069 00

Premium: \$ Included

THIS SUPPLEMENTAL DECLARATIONS AND THE COMMON POLICY DECLARATIONS, TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE PART(S), FORMS AND ENDORSEMENTS, IF ANY, COMPLETE THE ABOVE NUMBERED POLICY.

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED NOVEMBER 1, 2008
LOAN NO. F08-02**

Request No.: _____

Dated: _____

Original sent to: Division of Water
Water Infrastructure Branch
SRF and SPAP Section
200 Fair Oaks Lane, 4th Floor
Frankfort, Kentucky 40601

Copy sent to: Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

FROM: MEADE 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 here by 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>
-------------------	----------------------------------	-----------------------------

Totals:

ALLOCATION OF FUNDING FOR EXPENSES

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

Signature of Professional Engineer

Typed Name of Professional Engineer

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

[SEE ATTACHED]

Exhibit C
Fund F08-02 Assistance Agreement

APPENDIX A



APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2007-00034 DATED December 13, 2007

The following rates and charges are prescribed for the customers in the area serviced by Meade County Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Monthly Water Rates

5/8 X 3/4 Inch Meter	
First 2,000 Gallons	\$15.85 Minimum Bill
Next 5,000 Gallons	7.66 Per 1,000 Gallons
Next 10,000 Gallons	7.35 Per 1,000 Gallons
Next 20,000 Gallons	6.65 Per 1,000 Gallons
Over 37,000 Gallons	5.65 Per 1,000 Gallons
Doe Valley Water	\$3.26 Per 1,000 Gallons
Otter Creek Water	3.37 Per 1,000 Gallons
Bulk Sales	5.25 Per 1,000 Gallons

Non-Recurring Charges

Tap Fees	
5/8 Inch	\$632
1 Inch and Above	Actual Cost
Connection/Turn-On Charge	25
Field Visit	25
Customer Request Meter Re-Read	25
Service Call/Investigation	25
Returned Check Charge	25
Customer Request Meter Relocation	Actual Cost
Customer Request Meter Test	50
Reconnection Charge	50
Connection/Turn-On Fee After Hours	50
Customer Request Meter Re-Read After Hours	50
Service Call/Investigation After Hours	50
Meter Tampering Charge	50
Late Payment Penalty	10%

EXHIBIT D

RESOLUTION

RESOLUTION OF THE MEADE COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF NOVEMBER 1, 2008 BETWEEN THE MEADE COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Meade 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 November 1, 2008 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Meade 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 _____, 2008.

Chairman

Attest:

Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Meade 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 _____, 2008; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; 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 _____, 2008.

Recording Officer

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Meade County Water District, dated as of November 1, 2008

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 Meade 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
MEADE 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: _____

**MEADE COUNTY WATER DISTRICT
Governmental Agency**

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

42697.1

RESOLUTION

RESOLUTION OF THE MEADE COUNTY WATER DISTRICT
RATIFYING THE EXECUTION AND DELIVERY OF AN
ASSISTANCE AGREEMENT DATED AS OF NOVEMBER 1, 2008
BETWEEN THE MEADE COUNTY WATER DISTRICT AND THE
KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Meade 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 November 1, 2008 (the "Assistance Agreement") with the Authority; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Meade 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 JAN. 12, 2008⁹


Chairman

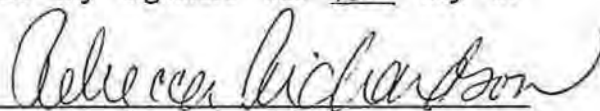
Attest:


Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Meade 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 JAN. 12, 200~~8~~⁹, 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 12th day of JAN., 200~~8~~⁹



Recording Officer

MEADE COUNTY WATER DISTRICT

Minutes ~ January 12, 2009 10:00am

Special Meeting

Meeting was brought to order by Mr. Cornett at 10:00 am.

PRESENT:

Meade Co. Water District Personnel: Doug Cornett (Chairman), Rebecca Richardson (Secretary), Keith Boothe (Commissioner), Joe Bartley (General Manager), and Donna Schenck (Office Manager).

Guests: Larry See, Meade Co. Messenger.

BUSINESS:

Mr. Cornett opened the meeting and gave the floor to Mr. Bartley. Mr. Bartley explained the purpose of the meeting was to approve the formal resolutions for funding for the Phase VII Project and to bring them up to date on the KY 228/Rhodella Road-Rural Development Project.

Mr. Bartley recommended that the Board approve the Fund F loan application and sign the necessary paperwork associated with the agreement. He explained that the district had already been pre-approved for up to \$1,950,949 but the engineers anticipated that we would only need to borrow \$900,000. Ms. Richardson made a motion to approve the resolution for the Fund F loan application; Mr. Boothe seconded. Motion passed unanimously. Mr. Cornett and Ms. Richardson signed all paperwork.

Mr. Bartley next recommended that the Board approve the Grant Assistance Agreement with KIA accepting the grant of \$1,449,000 funds from HB608 and also assigning Mr. Bartley as representative of the district concerning the funding and Mrs. Schenck as project administrator. Ms. Richardson made a motion to approve the resolution accepting the grant of \$1,449,000; Mr. Boothe seconded. Motion passed unanimously. Mr. Cornett and Mrs. Richardson signed all paperwork.

Mr. Bartley then presented the Board with an invoice from HDR/Quest Engineers for 50% of the cost for study and design for the KY 228/Rhodella Road-Rural Development Project. Unfortunately, the project is in danger if the needed sign-ups are not obtained from the residents of the area. To date only about \$14,000 of the required \$79,500 in sign-up fees had been collected. After a brief discussion the Board agreed to another public meeting in the Meade/Breck Center on Feb. 13, 2009 at 6:30pm. Hopefully, this will generate more interest. The Board was disappointed that the district would be paying out funds that they might not be able to recover if the project does not go forward. Ms. Richardson made a motion to approve payment to HDR/Quest for \$65,336.25; Mr. Boothe seconded. Motion passed unanimously.

Mr. Boothe made the motion to adjourn the meeting, at 10:20am, Mrs. Richardson seconded. Motion passed unanimously.

Respectfully submitted,
Rebecca Richardson
Secretary

Meade County Water District



*January 12, 2009
10:00 AM*

Special Meeting

— Agenda Topics —

- 1. Fund F Loan Application*
 - a. Resolution*
 - b. General Closing Certificate*
 - c. Sign Assistance Agreement*

- 2. Grant Assistance Agreement for HB608-2008*
Of \$1,449,000
 - a. Resolution*
 - b. Assignment of Representative and Administrator*

- 3. KY 228/Rhodelia Road~Rural Development Project*
 - a. HDR/Quest Pay Request*
 - b. General Information on Progress*

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: February 7, 2008 – 1:30 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Ms. Terri Fugate, Finance and Administration Cabinet
(proxy for Secretary Jonathan Miller, FAC)
Secretary Robert D. Vance, Environmental and Public Protection Cabinet
Mr. George Burgess, Economic Development Cabinet
(proxy for Secretary John Hindman, EDC)
Mr. Bob Amato, Deputy Executive Director, Public Service Commission
(proxy for Ms. Beth O'Donnell, Executive Director, PSC)
Mr. James L. Cauley, Acting Commissioner, Governor's Office for Local Development
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Gregory Heitzman, representing the American Water Works Association
Mr. Lyn Bailey, Mayor, City of Cadiz, representing the Kentucky League of Cities
Mr. Larry B. Whitaker, McLean County Judge/Executive, representing the Kentucky
Association of Counties

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies

Guests:

Ms. Kristi Culpepper, Legislative Research Commission
Ms. Lola Lyle, Division of Water
Ms. Donna Marlin, Division of Water
Mr. Bob Sturdivant, HDR/Quest Engineers
Mr. Vernon Barton, Western Fleming Water District
Mr. William Hunter, Western Fleming Water District
Mr. William Ray, Glasgow Electric Plant Board
Mr. Donald Blackburn, Berea Utilities
Mr. Ron McMaine, Bell Engineering
Mr. John Hodges, Paducah McCracken Joint Sewer Agency
Ms. Amy Neihoff, Paducah McCracken Joint Sewer Agency
Mr. Larry T. Ingram, Western Fleming Water District
Mr. Brent Tippey, HDR/Quest Engineers
Mr. Tony Harover, Harover Engineering and Design
Mr. David Billings, Frankfort Plant Board
Ms. Sharmista Dutta, Frankfort Plant Board
Ms. Vicki Goins, Governors Office of Policy and Management
Mr. Marty Nemes, Kentucky League of Cities
Mr. Joe Henry, GRW, Inc.

Mr. Vince Guenther, Louisville Water Company
Mr. Kevin Brian, HDR/Quest Engineers
Mr. Shafiq Amawi, DOW
Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Matt Sawyers, GOLD
Mr. Larry Cann, Cann-Tech Engineers

PROCEEDINGS

Vice Chair Lyn Bailey called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. He noted that a quorum was present and that the press had been notified regarding the meeting. Vice Chair Bailey asked all board members and guests to introduce themselves. He also welcomed and congratulated Secretary Robert D. Vance on his appointment to the EPPC and Mr. James L. Cauley as Acting Commissioner for GOLD.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Full Board Meeting of December 6, 2007

Mr. Damon Tally moved to approve the minutes of the December 6, 2007 meeting. Mr. Bob Amato seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING THE ELECTION OF CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY

Vice Chair Bailey opened the floor for nominations.

Secretary Robert Vance moved to nominate Mr. James L. Cauley, Acting Commissioner of GOLD, for the position of Board Chair. Mr. Bob Amato seconded the nomination. There being no further nominations, the motion carried unanimously.

Vice Chair Bailey requested a motion that Mr. Cauley be elected by acclamation.

Secretary Vance moved to elect Mr. Cauley by acclamation. Mr. Amato seconded and the motion carried unanimously.

Vice Chair Bailey continued to conduct the remainder of the meeting.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND B INTEREST RATES FOR THE PERIOD JANUARY 1, 2008 THROUGH MARCH 31, 2008

Mr. John Covington, KIA, introduced the Resolution establishing the Fund B

interest rates. The interest rate for all KIA Fund B loans approved by the Authority during the period January 1, 2008 through March 31, 2008 shall be as follows: the above median interest rate will be 2.6% and the below median interest rate will be 0.6%.

Mr. Amato asked about previous interest rates. Mr. Covington directed the board to the handout, "Infrastructure Revolving Fund (Fund B) Interest Rate History, Fiscal Years 2003 through 2008, July 1, 2002 through June 30, 2008".

Mr. Damon Talley moved to adopt the Resolution setting the Fund B Rate. Mr. George Burgess seconded, and the motion carried unanimously.

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 A LOAN IN THE AMOUNT OF \$1,600,000 TO THE PADUCAH MCCRACKEN JOINT SEWER AGENCY, MCCRACKEN COUNTY, KENTUCKY

Mr. John Covington, KIA, and Mr. Shafiq Amawi, DOW, presented the project to the board. The project consists of construction of an additional secondary clarifier, primary flow splitting box, new Return Activated Sludge pump station and other various hydraulic improvements within the Paducah Waste Water Treatment Plant increasing the hydraulic capacity from 9 to 18 MGD, reducing combined sewer overflows at the Paducah Waste Water Treatment Plant. Also construction of a bar screen building at the Paducah Waste Water Treatment Plant. The term of the loan is 20 years with an interest rate of 1.0% due to the Paducah McCracken Joint Sewer Agency qualifying as a multi-jurisdictional provider of service thus meeting the definition of a regional project. There is not a rate increase associated with this project and a uniform rate structure for all consumers is projected for the second half of 2009. The Paducah McCracken Joint Sewer Agency has three KIA loans that will be maturing in 2008 which will therefore reduce their debt service. The utility shows adequate cashflow to repay the KIA Fund A loan. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman moved to approve the resolution. Mr. Bob Amato seconded, and the motion carried unanimously.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A INFRASTRUCTURE REVOLVING FUND B LOAN IN THE AMOUNT OF \$1,100,000 TO GLASGOW ELECTRIC PLANT BOARD, BARREN COUNTY, KENTUCKY

Mr. John Covington, KIA, presented the project to the board. The Electric Plant Board of the City of Glasgow will contract with Tennessee Valley Authority to install a 24-count fiber optic cable to connect Glasgow's broadband network to Bowling Green's broadband network. This will increase the connection speed from a DS3 (45 Mbps) to an OC3 (155 Mbps). The term of the loan is 20 years with an interest rate of 0.6%. Glasgow was an early adaptor in providing Internet

service and has been recognized nationally as a leader in providing municipal Internet service. KIA recommends the project for approval with the standard conditions.

Mr. Gregory Heitzman asked for clarification of the advantages of the project. Mr. Covington explained it is a cost savings, it increases the connection speed and creates a connection between Glasgow and Bowling Green.

Judge Larry Whitaker noted it was remarkable, according to demographics presented, that such a large number of households in Glasgow are connected to broadband service. He also inquired if AT&T and Windstream were available to provide an OC3 connection speed. A representative from Glasgow Electric Plant Board stated they are available but the difference between the market rate that AT&T and Windstream would charge and the actual cost of building it themselves is dramatic.

Mr. George Burgess moved to approve the resolution. Judge Larry Whitaker seconded, and the motion carried unanimously.

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 F LOAN IN THE AMOUNT OF \$2,518,000 TO THE WESTERN FLEMING COUNTY WATER DISTRICT, FLEMING COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The Western Fleming County Water District is requesting a loan to construct Phase III Water System Improvements. The proposed improvements to the water treatment plant include a new raw water intake structure at the Licking River, new water pumps, a new flocculator, a new sedimentation basin, modifications to the existing filter units, chemical feed system, and miscellaneous piping improvements. DOW encourages Western Fleming County Water District to strive to meet the area-wide optimization program community goals to improve public health. The term of the loan is for 30 years with an interest rate of 1.0%. In 2006, due to a cashflow crunch, the Western Fleming County Water District commissioned the Kentucky Rural Water Association to do a rate study. The rate study has been completed, has been filed with the Public Service Commission and the district expects a positive outcome very soon. The rate increase will be on average about 89%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Damon Talley asked the reason for a 30 year repayment term instead of the 20 year term. Ms. Williams explained a Fund F borrower could qualify for a 30 year repayment term if they are identified as a disadvantaged community. KIA has defined that if the District meets the non-standard interest rate conditions from the median household income they also meet the definition of disadvantaged, and the District requested the term. Mr. Talley also asked if the Western Fleming Water District is a member of the Greater Fleming County Regional Water Commission and was this project more feasible than buying more water from the Commission. A representative from the Western Fleming

County Water District affirmed they are a member of the Commission and the Commission's main transmission is on the opposite end of the county from where they are located.

Mr. Gregory Heitzman noted and Ms. Williams confirmed the reason the debt coverage ratio projected in 2007 is .86 and the projected debt coverage ratio in 2008 increases to 4.21 is based on the assumption that the pending Public Service Commission rate increase is approved. Mr. Heitzman expressed concern that if the rate increase were not approved then the additional debt of this loan would contribute to a debt coverage ratio of less than 1. Ms. Williams said that was true, but one of KIA's standard conditions is, if a rate increase needed to be approved by the Public Service Commission, that approval would be necessary before an Assistance Agreement is entered into. Therefore, if the rate increase was not approved and the debt coverage ratio was less than 1, this project would have to be brought before the board again. Mr. Bob Amato noted and Ms. Williams confirmed there is clause in the Assistance Agreement stating should the revenues decrease and not be sufficient to pay the debt service, KIA would require the borrower to increase rates sufficient to cover the debt service.

Ms. Terri Fugate asked if there was a reason for the decline in revenues from 2005 to 2006. A representative from the Western Fleming County Water District stated a possible decline in the revenues could have been that 2005 was a dry year and 2006 was a very wet year, and during that time there was an increased effort to reduce leakage.

Mr. Gregory Heitzman moved to approve the resolution. Mr. James Cauley seconded, and the motion carried unanimously with Mr. Bob Amato abstaining.

6. 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 F LOAN IN THE AMOUNT OF \$1,950,949 TO THE MEADE COUNTY WATER DISTRICT, MEADE COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The Meade County Water District is requesting a loan to construct Phase VII Water System Improvements. This project will extend approximately 97,000 linear feet of 6 and 8-inch water mains to serve 240 new customers along eight county and state roads (KY 2727, KY 144, KY 79, KY 428, Fred Fackler Road, Hog Wallow Road, Knotts Road, and Rabbit Run Road). Also included is the construction of a new 500,000 gallon elevated water storage tank. The project is needed to provide potable water to 240 potential customers that are currently unserved. Many of these potential customers are currently utilizing water wells and cisterns that do not have adequate disinfection systems. These potential health hazards will be eliminated by this project. The term of the loan is 20 years with an interest rate of 3.0%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman asked for a clarification if Fund F loans could be used on extensions for an unserved need. Ms. Marlin answered that Fund F cannot be

used for growth purposes only but, if there is a demonstrated need, they can include growth into the project and must show how they comply with the Safe Drinking Water Act. The pressure, distribution and tank turnover issues are enough for this project to qualify. Also, the existing homes they are picking up are not new subdivisions and they have cistern and disinfection issues associated with the water wells.

Mr. Damon Talley moved to approve the resolution. Mr. George Burgess seconded, and the motion carried unanimously with Mr. Bob Amato abstaining.

7. 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 F LOAN IN THE AMOUNT OF \$4,000,000 TO THE CITY OF BERE, MADISON COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The City of Berea is requesting a loan to construct upgrades to the water treatment plant and the raw water intake. The major components of this project are a dissolved air flotation system to help meet total organic carbon (TOC) removal requirements, new filters, upgraded chemical feed, new high service pumps, new raw water pumps, new sludge treatment system, and replacement mains connecting Cowbell pump station with Cowbell reservoir (constructed fall 2007), and a replacement main connecting an existing 16" main and B Lake (construction fall 2007). A new low-level clearwell will be added to assist in meeting CT values when feeding chloramines. The mains and pump station improvements will allow the raw water system to meet demands. This project will enhance the quality of the water to the customers in the system by allowing it to meet the regulations on TOC removal. The sludge treatment process will remove a higher concentration of solids from plant wastewater, improving the quality of the water returned to the receiving stream. The loan has a term of 20 years with an interest rate of 1.0%. Both KIA and DOW recommend the project for approval with the standard conditions.

Mr. Gregory Heitzman asked if the current water treatment plan is a 4MGD plant. Ms. Marlin confirmed it is a 4MGD plant and will remain the same. Mr. Heitzman noted that according to the Cashflow Analysis of the Utility System the debt coverage ratio dropped in the projected years 2007 to 2011. He expressed concern that this was a rapid decline in the debt service coverage level over a 4-year period and noted, if projections were extended one more year, the ratio would drop less than 1. He wanted to know if there were any conditions set for stabilizing the drop or for any rate increases. Donald Blackburn, City of Berea Municipal Utilities, stated they have not had a rate increase since 1990. A rate study has recently been completed and approved by their finance committee and the utility will be addressing that issue in the very near future. Ms. Williams stated one reason for the sharp decline is in 2009 interest will be due on the Fund F loan, in 2010 the city will have to make half a year's payment, and then in 2011, the city will make the full principal and interest payment. As this debt service requirement increases, the debt coverage ratio will decrease. Ms. Williams stated KIA does not have a required rate increase but there is a

provision in the assistance agreement that if the utility is not able to meet their operation and maintenance requirements, as well as their debt service requirements, then they must increase their rate.

Mr. Gregory Heitzman moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0. Mr. George Burgess seconded, and the motion carried unanimously.

8. 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 F LOAN IN THE AMOUNT OF \$6,841,000 TO THE FRANKFORT ELECTRIC & WATER PLANT BOARD, FRANKLIN COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. This project will include the rehabilitation of the chemical feed facilities and installation of new on-site generation equipment to produce sodium hypochlorite for use as a disinfectant for drinking water. The Plant Board water treatment plant currently uses gaseous chlorine for disinfection, and this alternate method will improve the safety and efficiency of the treatment process. In particular, this will result in a reduction of the Trihalomethane precursors within the water system, which is necessary for LT2 compliance with the amendments to the Safe Drinking Water Act. A new building will be constructed to house the new generation equipment. The rehabilitation includes renovation of existing facilities in order to separate the various chemicals and provide adequate storage and chemical containment areas. These improvements will reduce the risks to plant personnel and to the community due to the hazardous nature of some of the chemicals used for water treatment. There will be no new customers with this project. The loan will have a term of 20 years and an interest rate of 1.0%. Currently the water treatment plant is at 50% of its designed capacity and they sell water to seven other regional water systems listed in the demographics. There is a projected increase in revenue for 2009 based on a proposed 5.3% rate increase. DOW recommends the project for approval. KIA staff recommends approval with the standard conditions and the following special condition: the proposed 5.3% water rate increase must be approved prior to September 2008 to go into effect no later than June 2009.

Judge Larry Whitaker asked if the rate increase would affect not only the residential customers but also the wholesale customers. Mr. David Billings, Frankfort Electric & Water Plant Board, confirmed that the rate increase would be across the board and affect all customers.

Mr. Gregory Heitzman noted that in the projected year of 2011 the debt coverage ratio of 1.19 drops from 2010's projected ratio of 1.46 and 2009's projected ratio of 1.49. Ms. Williams stated 2011 is when the loan's debt service begins.

Secretary Robert Vance stated his concern that only one year is projected after improvements go into place and he suggested perhaps more years should be added to pick up any trends. Mr. Heitzman stated that historically four years were shown but this project is taking longer than normal for the loan to kick in to

show any depreciation impact or debt service impact. He agreed that the board might need to look at projecting the analysis beyond the standard four years. Mr. Damon Talley added this is the result of his push to get conditional approval early in the process. He stated historically the bids would already be in hand and construction would start much sooner, so you would have adequate future years projected after the project had been put into place. By giving the borrowers the green light early, it is costing the board less information on the years after the project is completed. After a discussion by the board members, Mr. Tim Thomas agreed that KIA staff would research this issue.

Mr. Damon Talley asked if the process of converting from chlorine gas to sodium hypochlorite is the same process that Louisville Water Company is undergoing. Mr. Joe Henry, GRW Engineers, stated it was the same process and Frankfort Electric & Plant Board and Louisville Water Company have had some discussions over common needs. This conversion has become a standard practice since September 11, 2001 and has been a growing process in Southern and Western Kentucky in the last five to ten years.

Mr. Damon Talley moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0 and the condition indicated in the staff recommendation. Mr. Gregory Heitzman seconded, and the motion carried unanimously.

9. 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 F LOAN IN THE AMOUNT OF \$1,500,000 TO THE CITY OF MANCHESTER, CLAY COUNTY, KENTUCKY

Ms. Sandy Williams, KIA and Ms. Donna Marlin, DOW, presented the project to the board. The City of Manchester is requesting a loan to construct a new 3.2 MGD conventional design water treatment plant. The plant will include a flash mixer, flocculator, sedimentation basin, gravity filters, clearwell and chemical feed system. The chemical feed system will have additional feed points for activated carbon, potassium permanganate and filter aid to allow more flexibility in treatment to control disinfection by-products and secondary contaminants. The city is currently running the plant an average of 23 hours a day and they are currently under a water budget. The timely completion of a new water plant is critical to water supply in the area. Security for the water treatment plant will include fencing, video surveillance, alarms, signs, locked gates, and an intercom system. There is a water availability issue in the Clay County area of the State. The City of Manchester qualified as a disadvantaged community therefore the term of the loan is 30 years with an interest rate of 1.0%. DOW recommends the project for approval. KIA staff recommends approval with the standard conditions and the following special conditions: 1) A signed Engineering Procurement Certification must be submitted to Division of Water prior to release of funds; 2) Prior to release of funds, the Division of Water must receive an executed engineering contract(s) for any engineering services to be paid from Fund F loan funds; and 3) Prior to release of construction funds, the Division of Water must receive Letters of Commitment from all other project funding sources.

Mr. Gregory Heitzman inquired if there was a rate increase pending, and because of a delay in construction would there be adequate debt service coverage projected for the future. Ms. Williams stated a rate increase is not required at this point and there is no rate study being conducted at this time. Also, in the assistance agreement a provision is in place to require the city to raise rates if sufficient revenue is not generated to meet the debt service.

Mr. Bob Amato asked about the current status of the project. Mr. Larry Cann, Cann-Tech LLC, stated they were just waiting on the final commitment of funding. About 50% of the funding has been committed, and with the board's commitment today, the funding would increase to 75%. The funding from CDBG and KADD Small Issuer Loan are pending.

Mr. Gregory Heitzman moved to approve the resolution with the extra condition that rates are adequate to retain a debt coverage ratio of 1.0 and the conditions indicated in the staff recommendation. Mr. Bob Amato seconded, and the motion carried unanimously.

Mr. Robert Vance questioned if an Abandoned Mine Land (AML) loan could be used in conjunction with this Fund F loan. Ms. Marlin stated AML funding is taken into consideration, and has been used before, but it would not be applicable for this project.

10. RESOLUTION OF THE BOARD OF DIRECTORS 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, KIA noted that 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. Mr. Covington noted that this resolution was omitted from the December 2007 board meeting so the projects listed include all projects from December 2007 and February 2008.

APPLICANT	FUND	AMOUNT
Paducah McCracken Joint Sewer Agency	A	\$1,600,000
City of Prestonsburg	B	\$2,700,000
City of Glasgow-Broadband	B	\$1,100,000
Bullock Pen Water District	F	\$2,192,700
City of Hardinsburg	F	\$1,999,250
Western Fleming Water District	F	\$2,518,000
Meade County Water District	F	\$1,950,949
City of Berea	F	\$4,000,000
City of Frankfort	F	\$6,841,000
City of Manchester	F	\$1,500,000

Mr. Damon Talley moved to approve the resolution. Mr. George Burgess seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Mr. Tim Thomas presented to the board a handout of the proposed budget for the Kentucky Infrastructure Authority and provided an overview of the budgeting issues. Mr. Thomas noted that in the proposed budget the agency is authorized to issue bonds for the 20% state match for the two federal SRF programs. The budget does not incorporate the board's request for recapitalization of Fund B or the leverage bonding request for Fund A or Fund F. Discussions with the state budget director's office on the leveraging issue revealed concerns relating to the state's overall bond indebtedness and potential impact leveraging might have on the state's overall bond rating. There was also a decrease in KIA's administrative budget that will require some belt tightening.

Mr. Gregory Heitzman expressed concern over the spending down of the available loan pools and, if the loan pools are not restored in some way, the loan programs might actually shut down. Mr. Thomas made assurance the loan programs will not shut down, but would be limited to repayments coming back into the program and the yearly federal cap grant and state match. There is an increase of demand for wastewater infrastructure in Kentucky and more interest in KIA's loan programs. Mr. Thomas gave three reasons for this increase: a) the demand resulting from environmental compliance issues under the Clean Water Act and Safe Drinking Water Act, b) some of the larger municipalities are starting to face aging infrastructure issues to replace the infrastructure or expand capacity, and c) KIA has made improvements to its programs which make them more attractive and more accessible to the borrower.

Mr. Heitzman asked if the same amount of requests are being received as in the past or is there an increase based on the intended use plans coming into the agency. Ms. Donna Marlin, DOW, responded the number of requests have been about the same amount, possibly a little more, but the Division of Water is funding more and different applicants are coming in. She is hoping Kentucky will get a PACE award this year for the Drinking Water SRF from EPA. Mr. Damon Talley asked how much money will be left in Fund F after all the loans are made today. Ms. Marlin stated currently there are more commitments made than money, and there is no reserve. Mr. Tim Thomas explained that basically next year's money is committed for this year, which EPA allows the agency to do. KIA staff has the available amounts for Fund A (approximately \$32,000,000) and Fund F (approximately \$12,000,000) projected for FY 2009 if limited to just the cap grant and state match and the repayment funds. Mr. Heitzman suggested it might be beneficial to have a presentation regarding the potential need of the Commonwealth and then re-educate the board members on the value of leveraging, what other state's have done with the revolving pools, and refinancing, to get a better handle on the potential demand. Mr. Thomas stated that it would be valuable for KIA and DOW to gauge program demand regardless of how that demand is best addressed.

Mr. Gary Larimore, Kentucky Rural Water Association, wanted to make a statement regarding the needs of water and wastewater. He stated that leveraging would be worthwhile to explore and most beneficial and asked the board to find out what can or cannot be done on this issue. Mr. Gregory Heitzman added that he endorsed and supported further review to find out what is necessary to advance leveraging in light of the

tight budgets.

Judge Larry Whitaker expressed concern about the issue of storage capacity and if it was adequately addressed or reviewed when considering expansion or construction projects. Mr. Bob Amato, Public Service Commission, and Ms. Donna Marlin, Division of Water, both stated their agencies check to make sure water companies have a minimum of 1-day storage.

III. STATUS REPORT FOR FUNDS

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, March 6, 2008
1024 Capital Center Drive, Suite 340
Frankfort, KY

There being no further business, Mr. Damon Talley moved to adjourn. Mr. Gregory Heitzman seconded and the motion carried unanimously. The February 7, 2008, meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

M. Denise Pitts
M. Denise Pitts, CPA, Secretary
Kentucky Infrastructure Authority

2/27/08
Date



F08-02
CL
Phase VII

KENTUCKY INFRASTRUCTURE AUTHORITY

Steven L. Beshear
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

Tim Thomas
Executive Director

February 12, 2008

Joe Bartley, General Manager
Meade County Water District
1003 Armory Place
Brandenburg, Kentucky 40108

KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F08-02)

RECEIVED
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KENTUCKY INFRASTRUCTURE
AUTHORITY

Dear Mr. Bartley:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On February 7, 2008, the Authority approved your loan for Phase VII Water System Improvements subject to the conditions stated below. The total cost of the project shall not exceed \$2,480,949 of which the Authority loan shall provide \$1,950,949 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Meade County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (February 12, 2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$1,950,949.

2. The loan shall bear interest at the rate of 3.00% 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.
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. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. 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. The Authority 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 Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance 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.
5. 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.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.
10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications

Mr. Bartley
February 12, 2008
Page 4

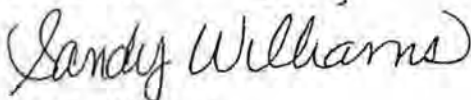
checklist shall be approved by the Division of Water prior to project bid.

12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority 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,

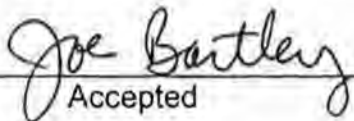


Sandy Williams
Financial Analyst

Attachments

cc: ~~Gonna Schenck, Meade County Water District~~
Kevin Brian, P.E., HDR/Quest Engineers
Lola Lyle, Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
Lonnie Campbell, State and 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

11/10/08
Date

ATTACHMENT A

**Meade County Water District
F08-02**

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	February 7, 2008
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number:	F08-02
REVOLVING LOAN FUND		WRIS Number	WX21163014
BORROWER:	Meade County Water District Meade County		
BRIEF DESCRIPTION:	Phase VII Water System Improvements - This project will extend approximately 97,000 linear feet of 6 and 8-inch water mains to serve 240 new customers along eight county and state roads (KY 2727, KY 144, KY 79, KY 428, Fred Fackler Road, Hog Wallow Road, Knotts Road, and Rabbit Run Road). Also included is the construction of a new 500,000 gallon elevated water storage tank. The project is needed to provide potable water to 240 potential customers that are currently unserved. Many of these potential customers are currently utilizing water wells and cisterns that do not have adequate disinfection systems. These potential health hazards will be eliminated by this project.		
PROJECT FINANCING:		PROJECT BUDGET	
Fund F Loan	\$ 1,950,949	Administrative Expenses	5,000
HB 380 Grant	500,000	Legal Expenses	5,000
HB 380 Grant	30,000	Land, Easements	10,000
TOTAL	2,480,949	Engineering Fees	244,749
		Construction	2,016,200
		Contingency	200,000
		TOTAL	\$ 2,480,949
REPAYMENT		Est. Annual	
	Rate	3.00%	Payment \$134,331
	Term	20 years	1st Payment 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	HDR/Quest Engineers	
	Bond Counsel	Peck, Shafer, & Williams	
PROJECT SCHEDULE			
	Bid Opening:	February 2008	
	Construction Start:	April 2008	
	Construction Stop:	March 2009	
DEBT PER CUSTOMER	Existing:	\$ 608.37	
	Proposed:	\$ 967.33	
OTHER DEBT	See Attached		
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached		
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	3,700	\$29.69 (for 4,000 gallons)
	Additional	240	\$31.17 (for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.		
CASHFLOW	Cash Available for	Income after Debt	
	Debt Service	Debt Service	Coverage Ratio
Audited 2004	387,736	189,166	2.05
Audited 2005	539,404	217,869	2.48
Audited 2006	495,124	207,999	2.38
Projected 2007	502,345	223,076	2.25
Projected 2008	509,263	243,253	2.09
Projected 2009	498,255	328,523	1.52
Projected 2010	480,828	369,911	1.30

Reviewer: Sandy Williams
Date: February 7, 2008
Loan Number: F08-02

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
MEADE COUNTY WATER DISTRICT, MEADE COUNTY
PROJECT REVIEW
WX21163014**

I. PROJECT DESCRIPTION

The Meade County Water District is requesting \$1,950,949 to construct Phase VII Water System Improvements. This project will extend approximately 97,000 linear feet of 6 and 8-inch water mains to serve 240 new customers along eight county and state roads (KY 2727, KY 144, KY 79, KY 428, Fred Fackler Road, Hog Wallow Road, Knotts Road, and Rabbit Run Road). Also included is the construction of a new 500,000 gallon elevated water storage tank. The project is needed to provide potable water to 240 potential customers that are currently unserved. Many of these potential customers are currently utilizing water wells and cisterns that do not have adequate disinfection systems. These potential health hazards will be eliminated by this project.

II. PROJECT BUDGET

	Total
Administrative Expenses	5,000
Legal Expenses	5,000
Land, Easements	10,000
Planning	5,000
Engineering Fees	142,935
Eng. Fees - Insp. and Other	86,814
Eng. Fees - Other	10,000
Construction	2,016,200
Contingency	200,000
Total	2,480,949

III. PROJECT FUNDING

Funding Sources	Amount	%
Fund F Loan	1,950,949	79%
HB 380 Grant	500,000	20%
HB 380 Grant	30,000	1%
Total	2,480,949	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 1,950,949
Interest Rate	3.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 130,429
Administrative Fee (0.20%)	3,902
Total Estimated Annual Debt Service	\$ 134,331

V. PROJECT SCHEDULE

Bid Opening:	February 2008
Construction Start:	April 2008
Construction Stop:	March 2009

VI. RATE STRUCTURE

Customers	Current	Proposed	Total
Residential	3700	240	3940
Commercial		0	0
Industrial		0	0
	3,700	240	3,940

Rates

The monthly charge for water utility service is:

Effective Date	10/1/2005	1/1/2008
First 2,000 gallons (Minimum Bill)	14.87	15.85
Next 5,000 gallons (per 1,000 gal.)	7.41	7.66
Next 10,000 gallons (per 1,000 gal.)	7.11	7.35
Next 20,000 gallons (per 1,000 gal.)	6.41	6.65
Over 37,000 gallons (per 1000 gal.)	5.41	5.65
 Residential Bill for 4,000 gallons	 \$29.69	 \$31.17

VII. DEMOGRAPHICS

The Water District serves approximately 3,700 households in Meade County, population 26,349. In 2000, the County's Median Household Income (MHI) level

was \$36,966. The MHI for the Commonwealth is \$33,672. Based on median household income, the project will qualify for the 3% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the utility was obtained from the audited financial statements of the Meade County Water District for the years ended December 31, 2004, 2005 and 2006.

HISTORICAL

Over the past three years, the Meade County Water District has shown the ability to generate a strong cashflow. Operating revenues increased steadily between 2004 and 2006 due to increases in customers and increased rates. Operating expenses also increased during the period from \$1,203,526 in 2004 to \$1,480,797 in 2006 primarily due to increases in salaries, cost of water purchased, and repairs and maintenance. In 2005, increases in revenues outpaced expenses and net operating income increased from \$92,799 to \$221,032. However, in 2006, increases in expenses outpaced revenues and net operating income fell to \$144,904. Cash available for debt service was strong for all three years, but was also volatile at \$387,736 in 2004, \$539,404 in 2005 and \$495,124. After debt service, cashflow continued to be strong with a debt coverage ratio greater than 2 for all three years. The Balance Sheet shows reasonable debt management with debt to equity less than 0.4 during the time span. The current ratio is also very strong remaining at a level greater than 4.5 for all years. The majority of the utility's assets are invested in the plant facilities, a long-term asset. This is matched by having the majority of the liabilities in the long-term category.

PROFORMA

The proforma is based on the following assumptions:

- Revenues for 2007 are projected to increase 4% based on historical growth.
- Revenues for 2008 are projected to increase 4% based on the proposed rate increase.
- Revenues for 2009 and 2010 are projected to increase 3%.
- O & M expense are projected to increase 5% per year.
- The annual replacement reserve is \$4,800 annually.
- KIA Fund F principal, interest and administrative fees totaling \$134,331 annually beginning in FY 2010.

Based on the aforementioned assumptions, the utility fund shows adequate cashflow to repay the KIA Fund F loan. The water rate increase has been approved by the water district board and has been submitted to the PSC for final approval. Based on these assumptions the Water District is projected to have a 1.30 coverage ratio in 2010.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$4,800. This amount should be added to the replacement account each December 1 until the balance reaches \$48,000 and maintained for the life of the system.

IX. DEBT OBLIGATIONS

Debt Issuance	Outstanding	Maturity
Series 2001A KY Rural Water Bonds	\$533,000	12/1/2024
1992 Water Works Revenue Bonds	\$370,000	12/1/2032
Note Payable - Meade Co. Fiscal Court	\$468,000	1/1/2015
1998 Fund C Loan - KIA	\$152,500	6/1/2022
Note Payable - Meade Co. Fiscal Court	\$270,000	1/1/2015
2003 Fund F Loan - KIA	\$363,169	12/1/2024
Total	\$2,156,669	

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding Source	Amount	Year
Phase V Water System Improve.	HB 269	\$ 250,000	2003
Phase V Water System Improve.	HB 502	\$ 175,000	2003
KY 1816 Grid - Tie WM Ext.	HB 267	\$ 118,597	2005
Phase VI Project - Molly Brown Rd.	HB 267	\$ 516,500	2005
Wolf Creek/KY 228 Water System	HB 267	\$ 150,000	2005
Phase VI Water System Improve.	HB 380	\$ 500,000	2007
Phase VII Water System Improve.	HB 380	\$ 500,000	2007
Phase V Water System Improve.	HB 269	\$ 250,000	2003

XI. CONTACTS

Applicant

Name	Meade County Water District
Address	1003 Armory Place
	Brandenburg, Kentucky 40108
County	Meade County
Contact	Joe Bartley
Phone	270-422-5006

Engineer

Name Kevin Brian, P.E.
Firm HDR/Quest Engineers
Address 401 W. Main, Suite 500
Brandenburg, Kentucky 40108
Phone 502-584-4118

Applicant Contact

Name Meade County Water District
Address 1003 Armory Place
Brandenburg, Kentucky 40108

Contact Donna Schenck
Phone 270-422-5006

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

EXHIBIT 1
**Meade County Water District
CASHFLOW ANALYSIS**

	Audited 2004	% Change	Audited 2005	% Change	Audited 2006	Projected 2007	Projected 2008	Projected 2009	Projected 2010
Revenues									
Charges for Services	1,296,325	22%	1,582,433	3%	1,625,701	1,690,729	1,758,358	1,811,109	1,865,442
Total Revenues	1,296,325	22%	1,582,433	3%	1,625,701	1,690,729	1,758,358	1,811,109	1,865,442
Expenses									
Administrative & Operating Expense	917,391	16%	1,063,277	9%	1,162,541	1,220,668	1,281,701	1,345,787	1,413,076
Depreciation	286,135		298,124		318,256	367,875	367,875	367,875	367,875
Replacement Reserve	0		0		0	0	0	0	4,800
Total Expenses	1,203,526	13%	1,361,401	9%	1,480,797	1,588,543	1,649,576	1,713,662	1,785,751
Net Income Cash	92,799	138%	221,032	-34%	144,904	102,186	108,782	97,447	79,691
Non-Operating Revenues and Expenses									
Investment Income	8,802		20,248		31,964	32,284	32,606	32,933	33,262
Other						0	0	0	0
Total Non-Operating Rev & Exp	8,802	130%	20,248	58%	31,964	32,284	32,606	32,933	33,262
Add Non-Cash Expenses									
Depreciation	286,135		298,124		318,256	367,875	367,875	367,875	367,875
Cash Available for Debt Service	387,736		539,404		495,124	502,345	509,263	498,255	480,828
Debt Service									
Existing Debt	189,166		217,869		207,999	223,076	228,621	232,093	235,580
New KIA Fund A Loan	0		0		0	0	14,632	96,430	134,331
Total Debt Service	189,166		217,869		207,999	223,076	243,253	328,523	369,911
Income After Debt Service	198,570		321,535		287,125	279,269	266,010	169,732	110,917
Debt Coverage Ratio	2.05		2.48		2.38	2.25	2.09	1.52	1.30

**Meade County Water District
BALANCE SHEETS**

	ASSETS	2004	2005	2006	Upon Project Completion
Current Assets					
Cash and Cash Equivalents		481,853	581,582	696,042	806,959
Prepaid Assets		4,250	9,877	12,095	12,095
Inventory		39,325	45,710	58,385	58,385
Receivables		87,756	110,875	121,018	127,069
Total Current Assets		613,184	748,044	887,540	1,004,508
Restricted Assets					
Restricted Cash and Cash Equivalents		271,644	241,977	479,496	479,496
Restricted Investments					0
Total Restricted Assets		271,644	241,977	479,496	479,496
Property, Plant and Equipment					
Utility Systems		9,896,828	10,241,384	10,928,120	13,409,069
Less: Depreciation		(2,011,903)	(2,310,027)	(2,586,808)	(2,648,832)
Total Fixed Assets		7,884,925	7,931,357	8,341,312	10,760,237
Other Assets					
Land		55,310	55,310	55,310	55,310
Net Bond Issuance Costs		17,393	16,427	15,481	14,495
Total Other Assets		72,703	71,737	70,771	69,805
Total Assets		8,842,456	8,993,115	9,779,119	12,314,046
LIABILITIES					
Current Liabilities					
Accounts Payable		26,863	44,603	48,645	49,618
Accrued Liabilities		25,729	43,502	51,757	51,757
Meter Deposits and Other Liabilities		67,286	76,781	77,228	78,773
Total Current Liabilities		119,878	164,886	177,630	180,147
Current Liabilities Payable From Restricted Assets					
Current Maturities of Long Term Debt		98,786	101,718	116,076	201,020
Total Current Liabilities		98,786	101,718	116,076	201,020
Long Term Liabilities					
Long Term Debt & Capital Leases, Less Current Portion		2,250,974	2,149,256	2,034,593	3,610,248
Total Long Term Liabilities		2,250,974	2,149,256	2,034,593	3,610,248
Total Liabilities		2,469,638	2,415,860	2,328,299	3,991,415
NET ASSETS					
Contributed Capital in Aid of Construction		1,454,950	1,537,190	1,818,605	1,943,756
Retained Earnings		4,917,868	5,040,065	5,832,215	6,378,874
Total Retained Earnings		6,372,818	6,577,255	7,450,820	8,322,630
Total Liabilities and Equity		8,842,456	8,993,115	9,779,119	12,314,046
Balance Sheet Analysis					
Current Ratio		5.12	4.54	5.00	5.58
Debt to Equity		0.39	0.37	0.31	0.48
Working Capital		493,306	583,158	709,910	824,360

91-06 Flaherty Interconnect

BOND RESOLUTION

MEADE COUNTY WATER DISTRICT

AUTHORIZING

MEADE COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2010

IN THE PRINCIPAL AMOUNT OF

\$2,150,000

TABLE OF CONTENTS

ARTICLE 1.	DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.	3
Section 101.	Definitions	3
Section 102.	Purpose	6
Section 103.	Construction Award Approved; Work Authorized	6
Section 104.	Declaration of Period of Usefulness	7
Section 105.	Authorization of Bonds	7
Section 106.	Recognition of Prior Bonds	7
Section 107.	Current Bonds Shall be Payable Out of Gross Revenues	7
Section 108.	Lien on Contracts	8
ARTICLE 2.	THE BONDS; BOND FORM; PREPAYMENT.	9
Section 201.	Principal Payments	9
Section 202.	Issuance of Current Bonds; Bond Form	9
Section 203.	Place of Payment and Manner of Execution	9
Section 204.	Provisions as to Prepayment	9
ARTICLE 3.	CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.	10
Section 301.	Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits	10
A.	Covenants Applicable if RD Purchases Current Bonds	10
B.	Application of Proceeds of Current Bonds	10
Section 302.	Interim Financing Authorization	12
A.	Interim Financing	12
B.	Multiple Advances by RD	14
Section 303.	Arbitrage Limitations on Investment of Proceeds	14
ARTICLE 4.	FLOW OF FUNDS	16
Section 401.	Funds	16
Section 402.	Flow of Funds	16

A.	Revenue Fund	16
B.	Prior Sinking Fund	16
C.	Current Sinking Fund	17
D.	Depreciation Fund	17
E.	Operation and Maintenance Fund	18
F.	Monthly Principal and Interest Payments if Requested by RD	18
G.	Surplus Funds	18
H.	Investment and Miscellaneous Provisions	18
Section 403.	Current Bonds are Subordinate to the Prior Bonds	19
ARTICLE 5.	COVENANTS OF DISTRICT	20
Section 501.	Rates and Charges	20
Section 502.	Books and Accounts; Audit	20
Section 503.	System to Continue to be Operated on Fiscal Year Basis; Annual Budget	21
Section 504.	General Covenants	22
Section 505.	Other Covenants Applicable So Long as RD Owns Any Bonds	22
Section 506.	Insurance on Motors, Tanks and Structures	22
ARTICLE 6.	INFERIOR BONDS AND PARITY BONDS	23
Section 601.	Inferior Bonds	23
Section 602.	Parity Bonds to Complete the Project	23
Section 603.	Parity Bonds to Finance Future Improvements	23
Section 604.	Covenants to be Complied with at Time of Issuance of Parity Bonds	24
Section 605.	Prepayment Provisions Applicable to Parity Bonds	25
Section 606.	Consent of the RD Regarding Future Bonds	25
Section 607.	Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities	25
ARTICLE 7.	DEFAULT AND CONSEQUENCES	27
Section 701.	Events of Default	27
Section 702.	Consequences of Event of Default	27
ARTICLE 8.	CONTRACTUAL PROVISIONS; GRANT APPROVAL; MISCELLANEOUS PROVISIONS.	28
Section 801.	Resolution Contractual with Bondowners	28

Section 802.	All Current Bonds are Equal	28
Section 803.	District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited	28
Section 804.	Approval and Acceptance of RD Grant Agreement	29
Section 805.	Authorization, Ratification and Confirmation of Approval and Execution of Various Documents	29
Section 806.	Authorization of Condemnation to Acquire Easements and/or Sites	29
ARTICLE 9.	SALE OF CURRENT BONDS	31
Section 901.	Sale of Current Bonds	31
Section 902.	Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed	31
ARTICLE 10.	CONCLUDING PROVISIONS	32
Section 1001.	Covenant of District to Take All Necessary Action To Assure Compliance with the Code	32
Section 1002.	Severability Clause	33
Section 1003.	All Provisions in Conflict Repealed	33
Section 1004.	Effective Immediately Upon Adoption	33
EXHIBIT A - Schedule of Principal Payments		
EXHIBIT B - Form of Fully Registered Bond		
EXHIBIT C - Requisition Certificate		

BOND RESOLUTION

RESOLUTION OF THE MEADE COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$2,150,000 PRINCIPAL AMOUNT OF MEADE COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2010 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Meade 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 \$2,150,000 (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 HDR Quest Engineers and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the District desires and intends that the Current Bonds be issued, subject to the vested rights and priorities in favor of the owners of the outstanding Prior Bonds, and

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

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$900,000, and by a contribution by the District in the amount of at least \$79,500, to provide the total cost of such construction,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE MEADE 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 and the Parity Bonds.

"Bonds of 1992" or "Series 1992 Bonds" refer to the outstanding Meade County Water District Waterworks Revenue Bonds of 1992, dated February 4, 1993, in the original authorized principal amount of \$415,000.

"Bond Resolution of 1992" or "1992 Bond Resolution" refer to the Resolution authorizing the Bonds of 1992, duly adopted by the Board of Commissioners of the District on July 21, 1992.

"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 Meade County Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

"Current Bonds" refers to the \$2,150,000 of Meade County Water District Waterworks Revenue Bonds, Series 2010 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Meade County Water District Waterworks Sinking Fund of 2010, created in Section 401 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is Meade County Bank, Brandenburg, Kentucky, or its successor.

"Depreciation Fund" refers to the Meade County Water District Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Meade County Water District of Meade County, Kentucky.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to HDR Quest Engineers, 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 Prior Sinking Fund, the Current Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

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

"Grant Proceeds" refers to the proceeds of the RD Grant.

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

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

"KACOLT Notes" refer to the two outstanding Kentucky Association of Counties Leasing Trust Notes of the District.

"KIA Loans" refer to the two outstanding Kentucky Infrastructure Authority Loans to the District.

"KRWFC Loan" refers to the outstanding Kentucky Rural Water Finance Corporation Loan to the District in the original authorized principal amount of \$605,000.

"Local Counsel" refers to David T. Wilson, II, Esq., Radcliff, 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 Meade 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 1992 Bonds, the KRWFC Loan, the KIA Loans and the KACOLT Notes.

"Prior Bond Resolution" refers to the 1992 Bond Resolution.

"Prior Sinking Fund" refers to the Meade County Water District Sinking Fund of 1992, 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 Meade 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 waterworks system of the District, together with all extensions, additions and improvements to said System.

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$3,129,500. 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 \$2,150,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$3,129,500
Less:		
RD Grant	\$900,000	
Connection Charges	<u>79,500</u>	
Total Non-Bond Funds:		<u>(979,500)</u>
Balance to be financed by Current Bonds		\$2,150,000

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 \$2,150,000 principal amount of Meade County Water District Waterworks Revenue Bonds, Series 2010.

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

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

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

Section 107. Current Bonds Shall be Payable on 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 solely 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 January 1, 2019, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2019, shall be subject to prepayment by the District on any date falling on and after January 1, 2018, 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 \$146,000 (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 \$146,000, 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 "Meade County Water District Waterworks Construction Account" hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim

financing owed by the District at the time of receipt of Grant Proceeds. Simultaneously with or prior to the delivery of the Current Bonds, there shall also be deposited in the Construction Account the proceeds of the District contribution in the minimum amount of \$79,500 (less any amounts theretofore used for authorized purposes), to supplement the proceeds of the Current Bonds and Grant Proceeds in order to assure completion of the Project.

(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 \$25,000) 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 may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

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

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

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the 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 Depreciation Fund.

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$2,150,000 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 \$2,150,000. 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 \$2,150,000 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) Meade County Water District Revenue Fund
- (b) Meade County Water District Sinking Fund of 1992
- (c) Meade County Water District Depreciation Reserve Fund
- (d) Meade County Water District Operation and Maintenance Fund

The is hereby created and established in this Resolution the Meade County Water District Waterworks Sinking Fund of 2010.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding. The District may change depository banks at its discretion.

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 \$25,000) 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 January 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. Depreciation Fund. 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 \$1,010 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$121,200, which amount shall be maintained, and when necessary, restored to said sum of \$121,200 so long as any of the Current Bonds are outstanding and unpaid.

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

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

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

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

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

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

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

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

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless

invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

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

Section 403. Current Bonds are Subordinate to the Prior Bonds. It is hereby certified and declared that the Current Bonds shall be subordinate to the lien and pledge of the Prior Bonds on the gross revenues of the System.

ARTICLE 5. COVENANTS OF DISTRICT

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

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

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

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

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

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

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

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

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

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

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

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;
- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding

Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;

- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account; and
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

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

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

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds.The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

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

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

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

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;
- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year,

plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

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

ARTICLE 7. DEFAULT AND CONSEQUENCES

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

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

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

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

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

Section 801. Resolution Contractual with BondownersThe 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 \$900,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

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

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

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

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites;

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

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 January 26, 2010.

MEADE 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 Meade County Water District of Meade 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 January 26, 2010, 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, 2010.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

<u>Payment Due</u> <u>January 1</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1</u>	<u>Principal</u> <u>Payment</u>
2012	\$22,000	2031	\$51,500
2013	23,000	2032	54,000
2014	24,000	2033	56,500
2015	25,000	2034	59,000
2016	26,000	2035	61,500
2017	27,500	2036	64,500
2018	28,500	2037	67,500
2019	30,000	2038	70,500
2020	31,500	2039	74,000
2021	32,500	2040	77,500
2022	34,000	2041	81,000
2023	36,000	2042	84,500
2024	37,500	2043	88,500
2025	39,000	2044	92,500
2026	41,000	2045	97,000
2027	43,000	2046	101,500
2028	45,000	2047	106,000
2029	47,000	2048	111,000
2030	49,000	2049	110,000

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
MEADE COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2009

No. R-1 Interest Rate: _____ % \$ _____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Meade County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Meade 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 January, in years and installments as follows:

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

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

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District

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

This Bond is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) Meade County Water District Waterworks Revenue Bonds of 1992, dated February 4, 1993 (the "1992 Bonds"), authorized by a Resolution adopted by the Commission of the District on July 21, 1992 (the "1992 Bond Resolution"); (ii) Kentucky Rural Water Finance Corporation Loan to the District (the "KRWFC Loan"); (iii) Kentucky Infrastructure Authority Loans to the District (the "KIA Loans"); and (iv) Kentucky Association of Counties Leasing Trust Notes (the "KACOLT Notes") [hereinafter the 1992 Bonds, KRWFC Loan, KIA Loans and KACOLT Notes are collectively referred to the as "Prior Bonds"]. 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.

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 "Meade County Water District Sinking Fund of 2009", created 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 January 1, 2018, 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 Meade 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

MEADE COUNTY WATER DISTRICT
Meade 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: Meade County Water District Waterworks Revenue Bonds, Series 2009, in the principal amount of \$2,150,000

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

Meade County Water District

HDR Quest Engineers

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

SUPPLEMENTAL BOND RESOLUTION

RESOLUTION OF THE MEADE COUNTY WATER DISTRICT SUPPLEMENTING A RESOLUTION PREVIOUSLY ADOPTED BY SAID DISTRICT ON JANUARY 26, 2010 RELATING TO THE AUTHORIZATION, ISSUANCE AND SALE OF \$2,150,000 PRINCIPAL AMOUNT OF MEADE COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2010; SETTING FORTH ADDITIONAL TERMS, CONDITIONS AND ELECTIONS IN CONNECTION WITH THE ISSUANCE OF SAID BONDS PURSUANT TO THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009.

WHEREAS, the Meade 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 \$2,150,000 of Meade County Water District Waterworks Revenue Bonds, Series 2010 (the "2010 Bonds"), authorized pursuant to a Resolution adopted by the Board of Commissioners of the District on January 26, 2010 (the "2010 Bond Resolution"), and

WHEREAS, the 2010 Bonds were sold by competitive sale on January 26, 2010 on a tax-exempt basis to the U.S. Department of Agriculture, acting through Rural Development ("RD"), and

WHEREAS, the American Recovery and Reinvestment Act of 2009 ("ARRA") provides for the issuance of "Build American Bonds - Direct Payment" ("BABs") to finance projects commenced on and after February 17, 2009, provided such BABs meet the requirements of ARRA and are issued on or prior to December 31, 2010, and

WHEREAS, in order to have the 2010 Bonds issued as BABs, it is necessary for the District to irrevocably elect to have the provisions of Section 54AA and subsection 54AA(g) of the Internal Revenue Code of 1986, as amended (the "Code") apply to said 2010 Bonds, and

WHEREAS, as a result of the designation of the 2010 Bonds as BABs, the District will receive payments from the U.S. Treasury Department equal to 35% of the interest payments on the 2010 Bonds, and

WHEREAS, it is necessary for the District to supplement the 2010 Bond Resolution in order to evidence the District's irrevocable election to have the 2010 Bonds issued as BABs and further to provide that the District will comply with the ARRA restrictions regarding BABs.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE MEADE COUNTY WATER DISTRICT AS FOLLOWS:

1. Tax Covenants Relating to 2010 Bonds. The District hereby makes an irrevocable election to designate the 2010 Bonds as "Build America Bonds" under Section 54AA of the Code

and also irrevocably elects to have the provisions of Section 54AA(g) of the Code apply to the 2010 Bonds so that said 2010 Bonds will be deemed "qualified bonds" and the District will receive a refundable credit under Section 6431 of the Code equal to 35% of the stated interest paid on the 2010 Bonds.

Pursuant to the provisions of ARRA, the District covenants and agrees that:

(i) All of the excess of (a) the available project proceeds (as defined in Section 54A of the Code to mean sale proceeds of the 2010 Bonds less not more than 2% of such proceeds used to pay costs of issuance plus investment proceeds thereon), over (b) any amounts in a reasonably required reserve fund (within the meaning of Section 150(a)(3) of the Code) with respect to such issue, shall be used for capital expenditures;

(ii) It shall comply with the requirements of Section 54AA(g) of the Code to assure eligibility of the District for receipt of the direct pay interest credit;

(iii) The issue price (reoffering price) of the 2010 Bonds of the same maturity does not exceed the par amount by more than .25% multiplied by the number of complete years to the earlier of the maturity date or the first optional redemption date for such 2010 Bonds; and

(iv) It shall not use or permit the use of any of the funds provided by the 2010 Bonds in such a manner as to, or take or omit to take any action which would, impair the status of the 2010 Bonds as "qualified bonds" under Section 54AA of the Code.

2. 2010 Bonds to be issued as taxable bonds. The 2010 Bonds shall be issued as taxable bonds and accordingly, the interest on the 2010 Bonds shall be includable in gross income for Federal income tax purposes. The District understands that pursuant to Section 54AA of the Code, the 2010 Bonds must meet all of the provisions of the Code relating to tax-exempt bonds and the District covenants and agrees to abide by all of such provisions.

3. District agrees to file necessary forms. The District hereby agrees to file or cause to be filed, in a timely manner, any and all necessary forms required by the Code, including, but not limited to IRS Form 8038-B, Information Return for Build America Bonds and Recovery Zone Economic Development Bonds and IRS Form 8038-CP, Return for Credit Payments for Issuers of Qualified Bonds. The District also agrees to complete and file or cause to be filed, in a timely manner, any and all other form and questionnaires received by the District, including, but not limited to IRS Form 14127, Direct Pay Bonds Compliance Questionnaire.

4. Post compliance agreement. The District hereby agrees to enter into a post compliance agreement, if necessary in the opinion of Rubin & Hays, Bond Counsel, in order to assure the continued compliance with all present and future requirements of the Code relating to BABs.

5. 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.

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

Introduced, read and adopted by the Board of Commissioners of the District on November 23, 2010.

Meade County Water District

By 
Chairman

(Seal of District)

Attest:


Secretary

CERTIFICATE OF SECRETARY

I, the undersigned, the duly qualified and acting Secretary of the Meade County Water District, do hereby certify that the foregoing is a true and correct copy of a Resolution which was read and adopted by the Board of Commissioners of said District on November 23, 2010, that said Resolution was then placed on file in my office for public inspection in its completed form, was executed by the Chairman and attested by the Secretary, and that said Resolution has been duly recorded in the official records of the District, as shown by the official records of said District in my custody and under my control. I further certify that said meeting was either a regular or special meeting, duly 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 such meeting, that said Resolution has not been modified, amended, revoked or repealed, and that the same is now in full force and effect.

IN WITNESS WHEREOF, I have hereto set my hand as Secretary and the official seal of the District this November 23, 2010.


Secretary

(Seal of District)

IN WITNESS WHEREOF said Meade 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 July 19, 2018.

MEADE COUNTY WATER DISTRICT

By *Ray C. Currett*
Chairman

Attest:

Norman K. Boothe
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
July 19, 2018	UNITED STATES OF AMERICA acting by and through the U.S. DEPARTMENT OF AGRICULTURE 771 Corporate Drive, Suite 200 Lexington, Kentucky 40503-5477	<i>Norman K. Boothe</i>

91-07 2019

BOND RESOLUTION

MEADE COUNTY WATER DISTRICT

AUTHORIZING

MEADE COUNTY WATER DISTRICT

WATERWORKS REVENUE BONDS, SERIES 2021

IN THE PRINCIPAL AMOUNT OF

\$2,506,170

TABLE OF CONTENTS

ARTICLE 1.	DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS; SECURITY.	2
Section 101.	Definitions	2
Section 102.	Purpose	6
Section 103.	Construction Award Approved; Work Authorized	6
Section 104.	Declaration of Period of Usefulness	6
Section 105.	Authorization of Bonds	6
Section 106.	Recognition of Prior Bonds	6
Section 107.	Current Bonds Shall be Payable Out of Gross Revenues	7
Section 108.	Lien on Contracts	7
ARTICLE 2.	THE BONDS; BOND FORM; PREPAYMENT.	8
Section 201.	Principal Payments	8
Section 202.	Issuance of Current Bonds; Bond Form	8
Section 203.	Place of Payment and Manner of Execution	8
Section 204.	Provisions as to Prepayment	8
ARTICLE 3.	CONSTRUCTION ACCOUNT; INTERIM FINANCING; APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.	9
Section 301.	Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits	9
A.	Covenants Applicable if RD Purchases Current Bonds	9
B.	Application of Proceeds of Current Bonds	9
Section 302.	Interim Financing Authorization	11
A.	Interim Financing	11
B.	Multiple Advances by RD	12
Section 303.	Arbitrage Limitations on Investment of Proceeds	13
ARTICLE 4.	FLOW OF FUNDS	14
Section 401.	Funds	14
Section 402.	Flow of Funds	14

A.	Revenue Fund	14
B.	Prior Sinking Fund	14
C.	Current Sinking Fund	15
D.	Depreciation Fund	15
E.	Operation and Maintenance Fund	16
F.	Monthly Principal and Interest Payments if Requested by RD	16
G.	Surplus Funds	16
H.	Investment and Miscellaneous Provisions	16
Section 403.	Current Bonds on a Parity with Series 2010 Bonds, Subordinate to the Prior First Lien Bonds	17
ARTICLE 5.	COVENANTS OF DISTRICT	18
Section 501.	Rates and Charges	18
Section 502.	Books and Accounts; Audit	18
Section 503.	System to Continue to be Operated on Fiscal Year Basis; Annual Budget	18
Section 504.	General Covenants	19
Section 505.	Other Covenants Applicable So Long as RD Owns Any Bonds	20
Section 506.	Civil Right and Equal Opportunity	20
Section 507.	Insurance on Motors, Tanks and Structures	21
ARTICLE 6.	INFERIOR BONDS AND PARITY BONDS	22
Section 601.	Inferior Bonds	22
Section 602.	Parity Bonds to Complete the Project	22
Section 603.	Parity Bonds to Finance Future Improvements	22
Section 604.	Covenants to be Complied with at Time of Issuance of Parity Bonds	24
Section 605.	Prepayment Provisions Applicable to Parity Bonds	24
Section 606.	Consent of the RD Regarding Future Bonds	24
Section 607.	Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities	24
ARTICLE 7.	DEFAULT AND CONSEQUENCES	26
Section 701.	Events of Default	26
Section 702.	Consequences of Event of Default	26
ARTICLE 8.	CONTRACTUAL PROVISIONS; MISCELLANEOUS PROVISIONS. ...	27
Section 801.	Resolution Contractual with Bondowners	27
Section 802.	All Current Bonds are Equal	27

Section 803.	District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited	27
Section 804.	Authorization, Ratification and Confirmation of Approval and Execution of Various Documents	28
Section 805.	Authorization of Condemnation to Acquire Easements and/or Sites	28
ARTICLE 9.	SALE OF CURRENT BONDS	30
Section 901.	Sale of Current Bonds	30
Section 902.	Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed	30
ARTICLE 10.	CONCLUDING PROVISIONS	31
Section 1001.	Covenant of District to Take All Necessary Action To Assure Compliance with the Code	31
Section 1002.	Severability Clause	32
Section 1003.	All Provisions in Conflict Repealed	32
Section 1004.	Effective Immediately Upon Adoption	32
EXHIBIT A - Schedule of Principal Payments		
EXHIBIT B - Form of Fully Registered Bond		
EXHIBIT C - Requisition Certificate		

BOND RESOLUTION

RESOLUTION OF THE MEADE COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$2,506,170 PRINCIPAL AMOUNT OF MEADE COUNTY WATER DISTRICT WATERWORKS 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 WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Meade 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 \$2,506,170 (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 HDR 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 on a parity with the Series 2010 Bonds, subject to the vested rights and priorities in favor of the owners of the outstanding Prior First Lien Bonds, and

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

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE MEADE 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 and the Parity Bonds.

"Bonds of 1992" or "Series 1992 Bonds" refer to the outstanding Meade County Water District Waterworks Revenue Bonds of 1992, dated February 4, 1993, in the original authorized principal amount of \$415,000.

"Bonds of 2010" or "Series 2010 Bonds" refer to the outstanding Meade County Water District Waterworks Revenue Bonds, Series 2010 (Build America Bonds - Direct Payment), dated December 20, 2010, in the original authorized principal amount of \$2,150,000.

"Bonds of 2017" or "Series 2017 Bonds" refer to the outstanding Meade County Water District Waterworks Revenue Bonds, Series 2017, dated July 19, 2018, in the original authorized principal amount of \$2,000,000.

"Bond Resolution of 1992" or "1992 Bond Resolution" refer to the Resolution authorizing the Bonds of 1992, duly adopted by the Board of Commissioners of the District on July 21, 1992.

"Bond Resolution of 2010" or "2010 Bond Resolution" refer to the Resolution authorizing the Bonds of 2010, duly adopted by the Board of Commissioners of the District on January 26, 2010.

"Bond Resolution of 2017" or "2017 Bond Resolution" refer to the Resolution authorizing the Bonds of 2017, duly adopted by the Board of Commissioners of the District on September 26, 2017.

"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 Meade County Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

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

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

"Current Bonds" refers to the \$2,506,170 of Meade County Water District Waterworks Revenue Bonds, Series 2021 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Meade County Water District Waterworks Sinking Fund of 2010, described in Section 401 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is Meade County Bank, Brandenburg, Kentucky, or its successor.

"Depreciation Fund" refers to the Meade County Water District Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Meade 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 HDR 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 Prior Sinking Fund, the Current Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

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

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

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

"KIA Loans" refer to the two outstanding Kentucky Infrastructure Authority Loans to the District.

"KRWFC Loan" refers to the outstanding Kentucky Rural Water Finance Corporation Loan to the District in the original authorized principal amount of \$605,000.

"Local Counsel" refers to Dustin C. Humphrey, Esq., Radcliff, 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 Meade 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 1992 Bonds, the KRWFC Loan, the KIA Loans, the Series 2010 Bonds and the Series 2017 Bonds.

"Prior Bond Resolution" refers to the 1992 Bond Resolution, the 2010 Bond Resolution and the 2017 Bond Resolution.

"Prior First Lien Bonds" refers collectively to the Series 1992 Bonds, the KRWFC Loan and the KIA Loans.

"Prior Sinking Fund" refers to the Meade County Water District Sinking Fund of 1992, 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.

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

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

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

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

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

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

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

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial deposits required and all incidental expenses, will not exceed \$2,506,170. Therefore, it is hereby determined to be necessary in order for the District to finance the cost of the Project that the District issue a total of \$2,506,170 of Current Bonds.

Accordingly, for the purpose of financing the cost of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$2,506,170 principal amount of Meade County Water District Waterworks 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 January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current

Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

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

Section 107. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds, the Series 2010 Bonds, the Series 2017 Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely out of the gross revenues of the System, subject to the priority of the Prior First Lien Bonds.

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

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

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

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

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

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

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2030, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2030, shall be subject to prepayment by the District on any date falling on and after January 1, 2029, 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 \$325,000 (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 \$325,000, 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. 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 "Meade County Water District Waterworks Construction Account" hereby created, which shall be established at the Depository Bank.

(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 \$30,000) 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 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 Depreciation Fund.

Section 302. Interim Financing Authorization.

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

The borrowing of up to the aggregate sum of \$2,506,170 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 \$2,506,170. 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 \$2,506,170 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 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.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds, 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 are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

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 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) Meade County Water District Revenue Fund
- (b) Meade County Water District Sinking Fund of 1992
- (c) Meade County Water District Depreciation Reserve Fund
- (d) Meade County Water District Operation and Maintenance Fund

The was created and established in the 2010 Bond Resolution the Meade County Water District Waterworks Sinking Fund of 2010.

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding. The District may change depository banks at its discretion.

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 First Lien Bonds, a sum equal to the total of the following:

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

Said 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 First Lien 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 \$30,000) 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 2010 Bonds and the Series 2017 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 2010 Bonds and the Series 2017 Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds, Series 2010 Bonds and Series 2017 Bonds maturing on the next succeeding January 1.

The Current Sinking Fund is hereby pledged for the payment of the interest and the principal of the Current Bonds, the Series 2010 Bonds and the Series 2017 Bonds, but subject to the vested rights and priorities of the Prior First Lien Bonds.

D. Depreciation Fund. 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 \$750 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$90,000, which amount shall be maintained, and when necessary, restored to said sum of \$90,000 so long as any of the Current Bonds are outstanding and unpaid.

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

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

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

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

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

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

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 2010 Bonds and Series 2017 Bonds, Subordinate to the Prior First Lien Bonds. It is hereby certified and declared that prior to the issuance of any of the Current Bonds, there will have been procured and filed with the District (i) a letter from the RD to the effect that the RD agrees to the issuance of the Current Bonds ranking on a parity as to security and source of payment with the Series 2010 Bonds and the Series 2017 Bonds, all of which are owned by the RD, together with (ii) a certification signed by the RD to the effect that a legend has been typed, stamped or otherwise affixed on each of the Series 2010 Bonds and the Series 2017 Bonds held by the RD, evidencing the agreement of the RD as the then Owner of the Series 2010 Bonds and the Series 2017 Bonds, to the issuance of the Current Bonds so as to rank on a parity with the Series 2010 Bonds and the Series 2017 Bonds, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$2,506,170 of Meade County Water District Waterworks Revenue Bonds, Series 2021 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 2010 Bonds and Series 2017 Bonds from the gross income and revenues of the System, subject to the priorities of the Prior First Lien Bonds.

ARTICLE 5. COVENANTS OF DISTRICT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 506. 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 RD 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. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this Title.

(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. Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. The District agrees to display posters (provided by RD) informing users of these requirements, and RD will monitor the District's compliance with these requirements during compliance reviews.

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 waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more

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

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

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

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

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

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

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

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

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

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

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

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

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

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

- (a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;
- (b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement

of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

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

ARTICLE 7. DEFAULT AND CONSEQUENCES

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

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

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

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

ARTICLE 8. CONTRACTUAL PROVISIONS; 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. 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 805. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

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

Section 806. 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 23, 2021.

MEADE COUNTY WATER DISTRICT


Chairman

(Seal of District)

Attest:

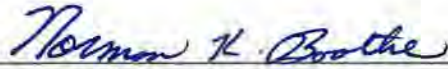

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Meade 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 23, 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 February 23, 2021.



Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

<u>Payment Due</u> <u>January 1</u>	<u>Principal</u> <u>Payment</u>	<u>Payment Due</u> <u>January 1</u>	<u>Principal</u> <u>Payment</u>
2022	\$42,500	2042	\$62,000
2023	43,500	2043	63,000
2024	44,000	2044	64,000
2025	45,000	2045	65,500
2026	46,000	2046	66,500
2027	47,000	2047	68,000
2028	47,500	2048	69,000
2029	48,500	2049	70,500
2030	49,500	2050	71,500
2031	50,500	2051	73,000
2032	51,500	2052	74,500
2033	52,500	2053	76,000
2034	53,500	2054	77,500
2035	54,500	2055	78,500
2036	55,500	2056	80,000
2037	56,500	2057	81,500
2038	57,500	2058	83,000
2039	58,500	2059	85,000
2040	59,500	2060	86,500
2041	60,500	2061	86,670

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

**UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
MEADE COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2021**

No. R-1

Interest Rate: _____ %

\$ _____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Meade 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 January, in years and installments as follows:

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

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

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

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

This Bond ranks on a parity with the outstanding (i) Meade County Water District Waterworks Revenue Bonds, Series 2010 (Build American Bond - Direct Payment), dated December 20, 2010 (the "2010 Bonds"), authorized by a Resolution adopted by the Commission of the District on January 26, 2010 (the "2010 Bond Resolution"); and (ii) Meade County Water District Waterworks Revenue Bonds, Series 2017, dated July 19, 2018 (the "2017 Bonds"), authorized by a Resolution adopted by the Commission of the District on September 26, 2017 (the "2017 Bond Resolution"); and is issued subject to the vested rights and priorities in favor of the owners of the outstanding (i) Meade County Water District Waterworks Revenue Bonds of 1992, dated February 4, 1993 (the "1992 Bonds"), authorized by a Resolution adopted by the Commission of the District on July 21, 1992 (the "1992 Bond Resolution"); (ii) Kentucky Rural Water Finance Corporation Loan to the District (the "KRWFC Loan"); and (iii) Kentucky Infrastructure Authority Loans to the District (the "KIA Loans") [hereinafter the 1992 Bonds, KRWFC Loan and KIA Loans are collectively referred to as "Prior First Lien Bonds"]. Accordingly, this Bond, the 2010 Bonds, the 2017 Bonds 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 First Lien 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 "Meade County Water District Sinking Fund of 2010", created 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 January 1, 2029, 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 Meade 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

MEADE 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: Meade County Water District Waterworks Revenue Bonds, Series 2021, in the principal amount of \$2,506,170

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

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20____.

Meade County Water District

HDR 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

KBC

Series 2019B

LEASE AGREEMENT

THIS LEASE AGREEMENT, dated the date shown on the cover page hereof (together with any amendments hereto made in accordance herewith, this "Lease"), is entered into by and between the Kentucky Bond Corporation (the "Lessor"), as the lessor hereunder, a nonprofit corporation duly created and existing under the laws of the Commonwealth of Kentucky (the "State"), and the Lessee shown on the cover page hereof (the "Lessee"), as lessee hereunder, a body politic and corporate validly existing under the constitution, statutes and laws of the State.

WITNESSETH:

WHEREAS, the governing body of the Lessee (the "Governing Body") has the power, pursuant to Section 65.940 *et seq.* of the Kentucky Revised Statutes to enter into lease agreements with or without the option to purchase in order to provide for the use of property for public purposes;

WHEREAS, the Governing Body has previously determined, and hereby further determines, that the Lessee is in need of the Project, as defined herein;

WHEREAS, the Governing Body has determined and hereby determines that it is in the best interests of the Lessee that the Lessee and the Lessor enter into this Lease for the leasing by the Lessee from the Lessor of the Project and to become a Participant in the Program, as defined in the Indenture;

WHEREAS, the execution, delivery and performance of this Lease, have been authorized, approved and directed by the Governing Body by a resolution finally passed and adopted by the Governing Body; and

WHEREAS, the Lessor desires to lease the Project to the Lessee, and the Lessee desires to lease the Project from the Lessor, pursuant to the terms and conditions and for the purposes set forth herein;

NOW, THEREFORE, for and in consideration of the mutual promises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. All words and phrases will have the meanings specified below unless the context clearly requires otherwise. Terms not defined herein will have the meanings assigned to them in the Indenture. References to Sections mean Sections of this Lease unless otherwise indicated.

"Additional Rentals" means the aggregate of (i) any expenses (including attorneys' fees and expenses) of the Lessor and/or the Trustee in defending an action or proceeding in connection with this Lease or in enforcing the provisions of this Lease; (ii) any taxes or any other expenses, including, but not limited to, licenses, permits, state and local sales and use or ownership taxes or property taxes and recording fees and/or other fees which the Lessor is expressly required to pay as a result of or in connection with this Lease; and (iii) the Lessee's Proportionate Share of any Administrative Expenses and Fiduciary Fees to the extent the same are not included in and paid as Base Rentals.

"Administrative Expenses" means the fees and expenses of the Lessor in administering the Program.

"Base Rentals" means the payments payable by the Lessee which constitute the principal component and interest component of Lease Rental Payments hereunder and other amounts set forth in Exhibit B.

"Bonds" mean the Bonds issued by the Kentucky Bond Corporation to fund this Lease.

"Code" means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein will be deemed to include the United States Treasury Regulations proposed or in effect with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

"Costs" means, with respect to the Project, all or any part of the cost of construction, installation and acquisition of all land, buildings, structures, machinery and equipment; finance charges; extensions, enlargements, additions, replacements, renovations and improvements; engineering, financial and legal services; plans, specifications, studies, surveys, estimates of cost of revenue, administrative expenses, expenses necessary or incidental to determining the feasibility or practicability of constructing a Project; and such other expenses as the Lessor determines may be necessary

or incidental to the construction, installation and acquisition of the Project, the financing of such construction, installation and acquisition, interest during construction, installation or acquisition and the placing of the Project in service.

"Fiduciary Fees" shall mean the contractual fees and expenses (including reasonable attorney's fees) of the Trustee under the terms of the Indenture.

"Indenture" means the General Trust Indenture dated as of July 1, 2010, as supplemented and amended, and the Series Indenture related to this Lease, which is entered into in accordance therewith.

"Late Payment Rate" means the per annum rate equal to 2.00% plus the greater of (i) the average interest rate on investments in the Debt Service Reserve Fund and (ii) the rate used to determine the interest component of Lease Rental Payments during the applicable period.

"Lease" means this Lease Agreement and any amendments or supplements hereto entered into in accordance with the provisions hereof, including the Exhibits attached hereto.

"Lease Rental Payments" means Base Rentals and Additional Rentals, which constitute the payments payable by the Lessee for and in consideration of the right to use and the option to purchase the Project and constitute Financing Payments under the Indenture.

"Lease Term" means the term of this Lease as determined pursuant to Sections 5 and 6 hereof.

"Lessee" means the Lessee identified on the cover page hereto.

"Lessor" means Kentucky Bond Corporation, acting as lessor under this Lease, or any successor thereto acting as lessor under this Lease.

"Optional Prepayment Price" means the amount determined by the Lessor and provided to the Trustee, which a Participant may, in its discretion, pay hereunder in order to prepay in full its Lease Rental Payments, which amount shall be equal to the unpaid principal component of Lease Rental Payments increased by the sum of (a) the amount of any due or past due Lease Rental Payments together with interest on such past due Lease Rental Payments to the date of such prepayment in full; (b) the unpaid accrued interest on the outstanding principal component of the Lease Rental Payments to the next date on which the related Bonds can be redeemed; (c) an amount of Defeasance Obligations which, together with the interest income thereon (as certified by the Program Administrator, Bond Counsel or other entity satisfactory to the Trustee), will be sufficient to pay Lease Rental Payments, which would have been due hereunder, if this Lease had not been prepaid, between the date of the prepayment and the date the prepayment will be used to redeem Bonds; (d) any additional Lease Rental Payments to the extent known or determinable at the time the prepayment is made through the date that the prepayment will be used to redeem Bonds; and (e) an amount equal to the premium, if any, payable on any Bonds to be redeemed on account of the payment of such Optional Prepayment Price. A Lease may not be prepaid if for any reason the Optional Prepayment Price cannot be calculated.

"Participant Disbursement Account" means the account by that name established for the Lessee by the Trustee under the Indenture.

"Program Administrator" means the Lessor or such other entity or unincorporated association as may be appointed in accordance with the Indenture to administer the Program and perform the duties and obligations of Program Administrator under the Indenture.

"Project" means property, the Costs of which are financed or refinanced, or the Costs of which are reimbursed hereunder, as more particularly described in Exhibit A hereto.

"Proportionate Share" means, as of a date of calculation, a fraction, the numerator of which is the unpaid principal components of Base Rentals hereunder, and the denominator of which is the sum of the unpaid principal components under all Financing Agreements related to the same Series of Bonds.

"State" means the Commonwealth of Kentucky.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee under the Indenture, and any successor trustee at the time serving as such under the Indenture.

Section 2. Representations, Covenants and Warranties of the Lessee. The Lessee represents, covenants and warrants, in addition to any additional representations, covenants and warranties as may be set forth in Exhibit G, that (a) it is a body politic and corporate of the State; (b) it has full power and authority to enter into and to perform its obligations under, this Lease and all related documents; (c) it has duly authorized this Lease and all related documents; (d) this Lease and all related documents are valid, legal and binding obligations of the Lessee, enforceable against the Lessee in accordance with its terms; (e) the execution and delivery of this Lease and all related documents does not conflict with or result in a breach of the terms of any agreement or instrument by which the Lessee is bound, or conflicts with or results in a violation of any provision of law or regulation applicable to the Lessee; (f) there is no action, suit, proceeding or investigation before or by any court or public body wherein an unfavorable decision would materially and adversely affect the transactions contemplated by this Lease; (g) it will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the designated interest component of Lease Rental Payments; (h) the Project furthers the Lessee's governmental purposes, serves a public purpose and is in the best interests of the Lessee and at the time of execution and delivery of the Lease, the Lessee intends to annually appropriate the Lease Rental Payments due hereunder; and (i) during the Lease Term, the Project will at all times be used only for the purpose of performing one or more lawful governmental functions of the Lessee.

The Lessee acknowledges that it has requested that the Lessor act on its behalf to issue the Bonds and that this Lease is being funded with the proceeds of bonds which may require the Lessee to comply with certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"). The Lessee covenants and agrees that it will not take or omit to take any actions that conflict with the requirements of the Code that are applicable to the Bonds.

Section 3. Representations, Covenants and Warranties of Lessor. The Lessor represents, covenants and warrants that (a) it is a nonprofit corporation duly created and validly existing under the laws of the State, has all necessary power and authority to perform its obligations under, this Lease, and has duly authorized the execution and delivery of this Lease; (b) the execution and delivery of this Lease does not conflict with or result in a breach of the terms of any agreement or instrument by which the Lessor is bound, or conflicts with or results in a violation of any provision of law or regulation applicable to the Lessor; (c) there is no litigation or proceeding pending or threatened against the Lessor or any other person affecting the right of the Lessor to execute or deliver this Lease or to comply with its obligations under this Lease.

Section 4. Demising Clause: Title; Security Interest. The Lessor leases the Project to the Lessee, and the Lessee leases the Project from the Lessor, in accordance with the provisions of this Lease, to have and to hold for the Lease Term. The Lessee will take possession of the Project upon delivery thereof.

Legal title to the Project and all fixtures, appurtenances and other permanent accessories thereto and all interests therein will be held by the Lessee, subject to Lessor's rights under this Lease. Lessor and Lessee agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Project and the Lease.

In order to secure all of its obligations hereunder, the Lessee hereby (i) grants to the Lessor a first and prior security interest in any and all right, title and interest of the Lessee in the portions of the Project that constitute personal property and in all additions, attachments, accessions, and substitutions thereto, and on any proceeds therefrom, (ii) agrees that this Lease may be filed as a financing statement evidencing such security interest, and (iii) agrees to execute and deliver all financing statements, certificates of title and other instruments necessary or appropriate to evidence such security interest.

The Lessor's interest shall terminate upon (a) the Lessee's exercise of the purchase option granted in Section 24 hereof, or (b) the complete payment and performance by the Lessee of all of its obligations hereunder; provided, however, that title shall immediately and without any action by the Lessee vest in the Lessor and the Lessee shall immediately surrender possession of the Project to the Lessor upon (i) any termination of this Lease without the Lessee exercising its option to purchase pursuant to this Lease or (ii) the occurrence of an Event of Default. In any of such cases, the Lessee agrees to execute such instruments and do such things as the Lessor reasonably requests and as may be required by law in order to effectuate transfer of any and all of the Lessee's right, title and interest in the Project, as is, to the

Lessor. It is hereby acknowledged by the Lessor and the Lessee that the Lessee intends to purchase the Project on the terms set forth in this Lease.

Section 5. Duration of Lease Term. The Lease Term will commence and terminate on the dates shown on the cover page hereof unless earlier terminated as provided in Section 6. No provision of this Lease will be construed as creating a general obligation or other indebtedness of the Lessee within the meaning of any constitutional or statutory debt limitation.

Section 6. Termination of Lease Term. The Lease Term will terminate upon the earliest of (a) the termination of Lessor's interest in the Project pursuant to Section 24; or (b) an Event of Default and termination of this Lease as provided in Section 27.

Termination of the Lease Term will terminate the Lessee's rights to use, possess or occupy the Project (unless a conveyance of the Project to the Lessee has occurred).

Section 7. Enjoyment. The Lessor hereby covenants that the Lessee will during the Lease Term peaceably and quietly have and hold and enjoy the Project without suit, trouble or hindrance from the Lessor, except as expressly required or permitted by this Lease. The Lessor will, at the request of the Lessee and at the cost of the Lessee, join and cooperate fully in any legal action regarding the Project and the Lessee may, at its own expense, join in any legal action affecting the Project.

Section 8. Lease Rental Payments. The Lessee shall pay Base Rentals in the amounts and at the times set forth in Exhibit B, as said Exhibit B is in effect on the first day of each fiscal year during the Lease Term.

The Lessee will pay Additional Rentals within fifteen (15) days after a written request therefor is mailed to the Lessee by or on behalf of the Lessor.

Any Lease Rental Payment that is not paid within 10 days of the date due shall bear interest thereon at the Late Payment Rate. Amounts due pursuant to this paragraph will be deemed to be Additional Rentals due and payable when incurred and without further written demand therefor.

The Lessee agrees and acknowledges that (a) the Trustee is authorized under the Indenture to draw amounts from the Debt Service Reserve Fund if the Lessee fails to make any part of a Lease Rental Payment when due and (b) Exhibit B will be deemed automatically amended if the Trustee draws on such account to cure deficiencies in the payment of Lease Rental Payments, to increase the principal component of Lease Rental Payments due on the next applicable payment dates (which monthly payment dates may be established if there are less than 48 remaining payment dates) so that the amount such draw has caused the amount remaining on deposit in the Debt Service Reserve Fund to be less than the Debt Service Reserve Requirement (as determined in accordance with the Indenture) is repaid no later than 48 months from the date of such draw and to increase the interest component of Lease Rental Payments due on such dates on the unpaid amount so drawn at the rate per annum equal to the Late Payment Rate. Promptly following any such automatic amendment, the Lessor will mail to the Lessee a revised Exhibit B (identified by date or other means), by first class mail, postage prepaid; provided that any failure to mail such revised Exhibit B will not affect the obligation of the Lessee to make the revised Lease Rental Payments. Amounts drawn from the Debt Service Reserve Fund and applied to payment of all or any portion of Lease Rental Payments will satisfy such Lease Rental Payment to the extent so applied.

Each Lease Rental Payment will be applied first to the Base Rentals then due and payable, then as Additional Rentals then due and payable.

This Lease will be deemed and construed to be a "net lease," and the Lessee will pay absolutely net during the Lease Term, the Lease Rental Payments and all other payments required hereunder, free of any deductions, and without abatement, deduction or set-off (other than credits against Lease Rental Payments expressly provided for in this Lease).

Section 9. Manner of Payment. Unless Lessee has submitted a properly executed ACH service agreement acceptable to the Trustee or has otherwise provided for the electronic transfer of payments, all Lease Rental Payments will be paid by check made payable and delivered to the Trustee. The obligation of the Lessee to pay the Lease Rental Payments and to perform and observe the covenants and conditions contained herein during the Lease Term will be absolute and unconditional except as otherwise expressly provided in this Lease, and payment of the Lease Rental Payments may not be abated through accident or unforeseen circumstances or payment of this Lease from the Debt

Service Reserve Fund or damage to, destruction of, or failure to complete, the Project. Lessee will not assert any right of set-off or counterclaim against its obligation to make such payments required hereunder. No action or inaction on the part of the Lessor (or any of its assigns) will affect the Lessee's obligation to pay all Lease Rental Payment during the Lease Term.

Section 10. Expression of Lessee's Need for the Project; Determination as to Useful Life. The Lessee hereby declares its current need for the Project and further determines and declares its expectations that the Project will (so long as it is subject to the terms hereof) adequately serve the needs for which it is being acquired throughout the Lease Term. The Lessee hereby determines and declares that, to the best of its knowledge, the period during which the Lessee has an option to purchase the Project (i.e. the maximum term of this Lease) does not exceed the useful life of the Project.

Section 11. [Reserved]

Section 12. Agreement to Acquire, Construct and Install the Project and Lease to the Lessee. The Lessee will provide for completion of the acquisition, construction, installation and equipping of the Project by the Lessee as the agent of the Lessor. The Lessee agrees that it will do all things which may be necessary or proper for the construction, acquisition, installation and equipping of the Project, on behalf of the Lessor. So long as this Lease is in full force and effect and no Event of Default has occurred, the Lessee will have full power to carry out the acts and agreements provided in this Section, and such power is granted and conferred under this Lease to the Lessee, and is accepted by the Lessee, and will not be terminated or restricted by act of the Lessor or the Trustee, except as provided in this Section. All contracts relating to the Project are hereby assigned to the Lessor.

Section 13. Disbursements from the Participant Disbursement Account. As long as no Event of Default has occurred, and the Lessee's right to control acquisition, construction, installation and equipping of the Project has not otherwise been terminated, disbursements from the Participant Disbursement Account may be made to pay or reimburse the Lessee for Costs of the Project. The Lessee must provide to the Lessor for approval, and thereafter to the Trustee, a request for disbursement substantially in the form set forth in Exhibit F hereto.

If an Event of Default occurs prior to the completion of the Project or if the right of the Lessee to control the acquisition, construction, installation and equipping of the Project has been otherwise terminated, amounts on deposit in the Participant Disbursement Account may be utilized by the Lessor to complete the Project.

Section 14. Risk of Loss; Damage; Destruction. Lessee assumes all risk of loss or damage to the Project from any cause whatsoever. No loss of or damage to, or appropriation by governmental authorities of, or defect in or unfitness or obsolescence of, the Project will relieve Lessee of the obligation under this Lease. Lessee will promptly repair or replace any portions of Project lost, destroyed, damaged or appropriated which are necessary to maintain the Project in sound operating condition so that at all times during the Lease Term the Project will be able to carry out its intended functions.

The net proceeds of any insurance policies, performance bonds, condemnation awards or net proceeds received as a consequence of default or breach of warranty under a construction contract or other contract relating to the Project will be deposited in the Participant Disbursement Account, if received before the completion of the Project, or, if received thereafter, to be deposited in a separate trust fund held by the Trustee and will be applied in the same manner described in Section 13. The balance remaining after repair, restoration, modification, improvement or replacement of the Project has been completed will be applied to satisfy payment of Lease Rental Payments.

Section 15. Disclaimer of Warranties. THE LESSOR, THE TRUSTEE AND THE OWNERS OF THE BONDS MAKE NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR FITNESS FOR USE OF THE PROJECT OR ANY PORTION THEREOF OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT OR ANY PORTION THEREOF.

Section 16. Financial Reports; Notice. The Lessee will provide the Lessor with a copy of the Lessee's annual audited financial report within thirty (30) days of its receipt by the Lessee. The Lessee will immediately notify the Lessor and the Trustee of any Event of Default hereunder. If an audited financial report is not available to be submitted by the Lessee within 180 days of the end of Lessee's fiscal year, Lessee shall provide an unaudited financial report in form and substance satisfactory to Lessor.

Section 17. Inspection and Lessee Reports. The Lessor, the Trustee and their respective authorized representatives shall at any time during normal business hours have the right to enter the premises where the Project may be located for the purpose of inspecting and examining the Project and its condition, use, and operation and the books and records of the Lessee relating thereto.

Section 18. Maintenance of the Project by the Lessee. The Lessee agrees that, at all times during the Lease Term, the Lessee will maintain, preserve and keep the Project or cause the Project to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, ordinary wear and tear excepted, and that the Lessee will from time to time promptly make or cause to be made all necessary and proper repairs, except as otherwise provided in Section 14. The Lessor, the Trustee and the owners of the Bonds will not have any responsibility in any of these matters or for the making of any additions, modifications, improvements or replacements to the Project.

Section 19. Modification of the Project; Installation of Equipment and Machinery of the Lessee. Following acquisition of the Project, Lessee will not make any alterations, additions, substitutions or replacements to the Project which would have an adverse effect on either the nature of the Project or the functionality or value of the Project, unless such alterations, additions, substitutions, replacements or improvements may be readily removed without damage to the Project. Any alterations, additions or improvements to the Project which may not be readily removed without damage to the Project, and any substitutions or replacements, shall be and be considered to constitute a part of the Project.

The Lessee may also install machinery, equipment and other tangible property in or on the Project; provided that such machinery, equipment and other tangible property which becomes permanently affixed to the Project will be subject to this Lease if the Lessor reasonably determines that the Project would be damaged or impaired by the removal of such machinery, equipment or other tangible property.

Section 20. Provisions Regarding Casualty, Public Liability and Property Damage Insurance. The Lessee, at its expense, will cause casualty and property damage insurance with a company or self-insurance fund acceptable to the Lessor to be carried and maintained with respect to the Project in an amount equal to the aggregate principal components of Lease Rental Payments payable during the maximum term of this Lease or the replacement cost (excluding foundations) of the Project, if less than such principal components. Any casualty and property damage insurance policy required by this Section will name the Lessor and the Trustee as additional named insureds and will be so written or endorsed as to make losses, if any, payable to the Trustee (for application as provided in Section 14).

The Lessee will cause public liability insurance to be carried and maintained with a company or self-insurance fund acceptable to the Lessor with respect to the Project in such amount as is approved by the Lessor. Any public liability insurance policy required by this Section will name the Lessor and the Trustee as additional named insureds.

Section 21. No Encumbrance, Mortgage or Pledge of Project. The Lessee will not directly or indirectly create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or claim on or with respect to the Project, unless specifically consented to in writing by the Lessor.

Section 22. Assignment by Lessor. As security for the payment and performance by the Lessor of all of its obligations under the Indenture, including particularly the payment of the principal of, premium, if any, and interest on the Bonds, the Lessor has assigned to the Trustee, under and pursuant to the Indenture, all of the Lessor's right, title and interest in, to and under this Lease, including but not limited to the right to receive the Lease Rental Payments and other amounts due hereunder. The Lessee acknowledges and agrees that this assignment will entitle the Trustee to enforce any obligation of the Lessee hereunder and to exercise any remedy or right of the Lessor hereunder. The Lessee further acknowledges and agrees that, as provided in the Indenture, the function of the "Lessor" under this Lease may be performed by the Program Administrator (which may be a person or entity other than the Lessor) and its agents and representatives.

Section 23. Assignment and Subleasing by the Lessee. This Lease may not be assigned by the Lessee for any reason. The Project may be subleased by the Lessee, as a whole or in part, but only with the prior written consent of the Lessor.

Section 24. Purchase Option. The Lessee may, in its discretion, prepay in full its Lease Rental Payments under the Lease by paying to the Lessor the Optional Prepayment Price with respect to the Lease. The Optional

Prepayment Price shall be used as provided in the Indenture. Upon payment of the Optional Prepayment Price, the Lessor will transfer and convey the Project to the Lessee pursuant to Section 4 hereof.

Section 25. Release and Indemnification Covenants. To the extent permitted by law, the Lessee will and hereby agrees to indemnify and save the Lessor and the Trustee (each, an "Indemnatee") harmless against and from any or all claims, by or on behalf of any person, firm, corporation or other legal entity, and all liabilities, obligations, losses and damages whatsoever, regardless of the cause thereof and the expenses, penalties and fees in connection therewith (including counsel fees and expenses), arising from or as a result of the operation, ordering, ownership, acquisition, construction, use, condition, delivery, rejection, storage, return or management of the Project during the Lease Term, or the entering into of the Lease or any other document or instrument relating thereto (collectively, "Indemnified Claims"), including, but not limited to: (i) any condition of the Project; (ii) any act of negligence of the Lessee or of any of the agents, contractors or employees or any violation of law by the Lessee or breach of any covenant or warranty by the Lessee hereunder; (iii) any accident in connection therewith resulting in damage to property or injury or death to any person; and (iv) the incurring of any cost or expense in connection with the acquisition of the Project in excess of the moneys available therefor in the Participant Disbursement Account. To the extent permitted by law, the Lessee will indemnify and save each Indemnatee harmless from any such Indemnified Claim, or in connection with any action or proceeding brought thereon and, upon notice from such Indemnatee, will defend or pay the cost of defending such Indemnatee, in any such action or proceeding.

The indemnification arising under this Section will continue in full force and effect notwithstanding the full payment of all obligations under this Lease or the termination of this Lease for any reason.

Section 26. Events of Default Defined. The following will be "Events of Default" under this Lease and the term "Event of Default" or "Default" will mean, whenever it is used in this Lease, any one or more of the following events:

- (a) Failure by the Lessee to pay any Lease Rental Payments at the time specified herein;
- (b) failure by the Lessee to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than referred to in subsection (a) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied will have been given to the Lessee by the Lessor unless the Lessor agrees in writing to an extension of such time prior to its expiration.

Section 27. Remedies on Default. Whenever any Event of Default has occurred and is continuing, the Lessor may, without any further demand or notice, take one or any combination of the following remedial steps:

- (a) Terminate the Lease Term and give notice to the Lessee to vacate or surrender the Project within 60 days from the date of such notice;
- (b) take legal title to, and sell or re-lease the Project or any portion thereof;
- (c) declare an amount equal to all Base Rentals and Additional Rentals under this Lease to be immediately due and payable, whereupon that amount shall become immediately due and payable; or
- (d) take whatever action at law or in equity may appear necessary or desirable to enforce its rights in and to the Project under this Lease (including, without limitation, the right to possession of the Project and the right to sell or re-lease or otherwise dispose of the Project in accordance with applicable law and to appoint a receiver to operate the Project) and to recover damages for the breach thereof.

No remedy herein conferred upon or reserved to the Lessor 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. If any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

The Lessee will remain liable for all covenants and obligations under this Lease, and for all legal fees and other costs and expenses, including court costs awarded by a court of competent jurisdiction, incurred by the Lessor with respect to the enforcement of any of the remedies under this Lease, when a court of competent jurisdiction has finally adjudicated that an Event of Default has occurred.

Section 28. Notices. All notices, certificates, requests or other communications hereunder will be in writing and mailed (postage prepaid, and certified or registered with return receipt requested) or delivered (including delivery by courier service) as follows: if to the Lessor, Kentucky Bond Corporation, 100 East Vine Street, Suite 800, Lexington, Kentucky 40507, Attention: Administrator, if to Trustee, to The Bank of New York Mellon Trust Company, N.A., 614 West Main Street, Suite 2600, Louisville, Kentucky 40202, Attention: Corporate Trust Services and if to the Lessee, to the address shown on the cover page hereof. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications will be sent hereunder. All notices, certificates, requests and other communications pursuant to this Lease will be effective when received (if given by mail) or when delivered (if given by delivery).

Section 29. Amendments, Changes and Modifications. Except as provided in Section 8 with respect to Exhibit B, this Lease may not be amended, changed, modified or altered, or any provision hereof waived, without the written consent of the Lessor and the Lessee.

Section 30. Third Party Beneficiary. No person other than a party hereto and the Trustee will have any right, remedy or claim under or by reason of this Lease or otherwise be a third party beneficiary of any rights, remedies, claims or agreements hereunder.

Section 31. Lessee Acknowledgment of the Bonds. The Lessee acknowledges (i) that this Lease and the financing by the Lessor of the Project is a part of the Program and (ii) that the Lease Rental Payments under this Lease, together with lease rental payments under all other leases entered into by Lessors under the Program, are and will be applied to (A) pay the principal and premium, if any, and interest on the Bonds and (B) pay all other costs and expenses of the Program. The Lessee acknowledges and consents to the assignment by the Lessor pursuant to the Indenture and Section 22 hereof, to the Trustee, for the equal and ratable benefit of the Owners of the Bonds, of all right, title and interest of the Issuer and the Lessor, respectively, in, to and under this Lease.

Section 32. Miscellaneous. This Lease will inure to the benefit of and will be binding upon the Lessor and the Lessee and their respective successors and assigns (including, without limitation, security assigns). This Lease 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. This Lease will be governed by and construed in accordance with the laws of the State. 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 Lease. If any provision of this Lease, other than the requirement of the Lessee to pay Lease Rental Payments and the requirement of the Lessor to provide quiet enjoyment of the Project and to convey the Project to the Lessee under the conditions set forth herein, is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

[Signature Page to Follow]

[Signature Page to Lease]

IN WITNESS WHEREOF, the Lessor has executed this Lease in its name; and the Lessee has caused this Lease to be executed in its name and attested by duly authorized officers thereof. All of the above are effective as of the date first above written.

KENTUCKY BOND CORPORATION

By:


Secretary

MEADE COUNTY WATER DISTRICT

By:

Chair

Attest:

By:

Secretary

[Signature Page to Lease]

IN WITNESS WHEREOF, the Lessor has executed this Lease in its name; and the Lessee has caused this Lease to be executed in its name and attested by duly authorized officers thereof. All of the above are effective as of the date first above written.

KENTUCKY BOND CORPORATION

By: _____
Secretary

MEADE COUNTY WATER DISTRICT

By: Doug Carmelt
Chair

Attest:

By: Norman H. Bratcher
Secretary

EXHIBIT A

DESCRIPTION OF PROJECT

ESTIMATED COST OF THE PROJECT \$2,070,000

ESTIMATED DATE OF COMPLETION OF
THE PROJECT: June 1, 2021

DESCRIPTION

To refinance outstanding USDA obligations of the District: USDA Loan #03 outstanding in the amount of \$232,000 and USDA Loan #04 outstanding in the amount of \$1,880,000.

EXHIBIT B

Kentucky Bond Corporation

Financing Program Revenue Bonds, Series 2021B

Meade County Water District

Monthly Sinking Fund Schedule

Date	Principal Requirement	Interest Requirement	Expenses Requirement	Debt Service Reserve Fund Reduction	Deposit
06/01/2021	4,375.00	6,037.50	559.38	-	10,971.88
07/01/2021	4,375.00	6,037.50	559.38	-	10,971.88
08/01/2021	4,375.00	6,037.50	559.38	-	10,971.88
09/01/2021	4,375.00	6,037.50	559.38	-	10,971.88
10/01/2021	4,375.00	6,037.50	559.37	-	10,971.87
11/01/2021	4,375.00	6,037.50	559.37	-	10,971.87
12/01/2021	4,375.00	6,037.50	559.37	-	10,971.87
01/01/2022	4,375.00	6,037.50	559.37	-	10,971.87
02/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
03/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
04/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
05/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
06/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
07/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
08/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
09/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
10/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
11/01/2022	5,000.00	5,087.50	461.46	-	10,548.96
12/01/2022	5,000.00	5,087.50	461.45	-	10,548.95
01/01/2023	5,000.00	5,087.50	461.45	-	10,548.95
02/01/2023	5,416.67	4,937.50	448.96	-	10,803.13
03/01/2023	5,416.67	4,937.50	448.96	-	10,803.13
04/01/2023	5,416.67	4,937.50	448.96	-	10,803.13
05/01/2023	5,416.67	4,937.50	448.96	-	10,803.13
06/01/2023	5,416.67	4,937.50	448.96	-	10,803.13
07/01/2023	5,416.67	4,937.50	448.96	-	10,803.13
08/01/2023	5,416.67	4,937.50	448.95	-	10,803.12
09/01/2023	5,416.67	4,937.50	448.95	-	10,803.12
10/01/2023	5,416.66	4,937.50	448.96	-	10,803.12
11/01/2023	5,416.66	4,937.50	448.96	-	10,803.12
12/01/2023	5,416.66	4,937.50	448.96	-	10,803.12
01/01/2024	5,416.66	4,937.50	448.96	-	10,803.12
02/01/2024	5,416.67	4,775.00	435.42	-	10,627.09
03/01/2024	5,416.67	4,775.00	435.42	-	10,627.09
04/01/2024	5,416.67	4,775.00	435.42	-	10,627.09
05/01/2024	5,416.67	4,775.00	435.42	-	10,627.09
06/01/2024	5,416.67	4,775.00	435.41	-	10,627.08
07/01/2024	5,416.67	4,775.00	435.41	-	10,627.08
08/01/2024	5,416.67	4,775.00	435.41	-	10,627.08
09/01/2024	5,416.67	4,775.00	435.41	-	10,627.08
10/01/2024	5,416.66	4,775.00	435.42	-	10,627.08
11/01/2024	5,416.66	4,775.00	435.42	-	10,627.08
12/01/2024	5,416.66	4,775.00	435.42	-	10,627.08
01/01/2025	5,416.66	4,775.00	435.42	-	10,627.08
02/01/2025	5,833.34	4,612.50	421.87	-	10,867.71
03/01/2025	5,833.34	4,612.50	421.87	-	10,867.71
04/01/2025	5,833.34	4,612.50	421.87	-	10,867.71
05/01/2025	5,833.34	4,612.50	421.87	-	10,867.71
06/01/2025	5,833.33	4,612.50	421.88	-	10,867.71
07/01/2025	5,833.33	4,612.50	421.88	-	10,867.71
08/01/2025	5,833.33	4,612.50	421.88	-	10,867.71
09/01/2025	5,833.33	4,612.50	421.88	-	10,867.71
10/01/2025	5,833.33	4,612.50	421.88	-	10,867.71
11/01/2025	5,833.33	4,612.50	421.88	-	10,867.71
12/01/2025	5,833.33	4,612.50	421.87	-	10,867.70

Kentucky Bond Corporation

Financing Program Revenue Bonds, Series 2021B

Meade County Water District

Monthly Sinking Fund Schedule

Date	Principal Requirement	Interest Requirement	Expenses Requirement	Debt Service Reserve Fund Reduction	Deposit
01/01/2026	5,833.33	4,612.50	421.87	-	10,867.70
02/01/2026	5,833.34	4,437.50	407.29	-	10,678.13
03/01/2026	5,833.34	4,437.50	407.29	-	10,678.13
04/01/2026	5,833.34	4,437.50	407.29	-	10,678.13
05/01/2026	5,833.34	4,437.50	407.29	-	10,678.13
06/01/2026	5,833.33	4,437.50	407.30	-	10,678.13
07/01/2026	5,833.33	4,437.50	407.30	-	10,678.13
08/01/2026	5,833.33	4,437.50	407.29	-	10,678.12
09/01/2026	5,833.33	4,437.50	407.29	-	10,678.12
10/01/2026	5,833.33	4,437.50	407.29	-	10,678.12
11/01/2026	5,833.33	4,437.50	407.29	-	10,678.12
12/01/2026	5,833.33	4,437.50	407.29	-	10,678.12
01/01/2027	5,833.33	4,437.50	407.29	-	10,678.12
02/01/2027	5,833.34	4,262.50	392.71	-	10,488.55
03/01/2027	5,833.34	4,262.50	392.71	-	10,488.55
04/01/2027	5,833.34	4,262.50	392.70	-	10,488.54
05/01/2027	5,833.34	4,262.50	392.70	-	10,488.54
06/01/2027	5,833.33	4,262.50	392.71	-	10,488.54
07/01/2027	5,833.33	4,262.50	392.71	-	10,488.54
08/01/2027	5,833.33	4,262.50	392.71	-	10,488.54
09/01/2027	5,833.33	4,262.50	392.71	-	10,488.54
10/01/2027	5,833.33	4,262.50	392.71	-	10,488.54
11/01/2027	5,833.33	4,262.50	392.71	-	10,488.54
12/01/2027	5,833.33	4,262.50	392.71	-	10,488.54
01/01/2028	5,833.33	4,262.50	392.71	-	10,488.54
02/01/2028	6,250.00	4,087.50	378.13	-	10,715.63
03/01/2028	6,250.00	4,087.50	378.13	-	10,715.63
04/01/2028	6,250.00	4,087.50	378.13	-	10,715.63
05/01/2028	6,250.00	4,087.50	378.13	-	10,715.63
06/01/2028	6,250.00	4,087.50	378.13	-	10,715.63
07/01/2028	6,250.00	4,087.50	378.13	-	10,715.63
08/01/2028	6,250.00	4,087.50	378.12	-	10,715.62
09/01/2028	6,250.00	4,087.50	378.12	-	10,715.62
10/01/2028	6,250.00	4,087.50	378.12	-	10,715.62
11/01/2028	6,250.00	4,087.50	378.12	-	10,715.62
12/01/2028	6,250.00	4,087.50	378.12	-	10,715.62
01/01/2029	6,250.00	4,087.50	378.12	-	10,715.62
02/01/2029	6,666.67	3,900.00	362.50	-	10,929.17
03/01/2029	6,666.67	3,900.00	362.50	-	10,929.17
04/01/2029	6,666.67	3,900.00	362.50	-	10,929.17
05/01/2029	6,666.67	3,900.00	362.50	-	10,929.17
06/01/2029	6,666.67	3,900.00	362.50	-	10,929.17
07/01/2029	6,666.67	3,900.00	362.50	-	10,929.17
08/01/2029	6,666.67	3,900.00	362.50	-	10,929.17
09/01/2029	6,666.67	3,900.00	362.50	-	10,929.17
10/01/2029	6,666.66	3,900.00	362.50	-	10,929.16
11/01/2029	6,666.66	3,900.00	362.50	-	10,929.16
12/01/2029	6,666.66	3,900.00	362.50	-	10,929.16
01/01/2030	6,666.66	3,900.00	362.50	-	10,929.16
02/01/2030	6,666.67	3,700.00	345.83	-	10,712.50
03/01/2030	6,666.67	3,700.00	345.83	-	10,712.50
04/01/2030	6,666.67	3,700.00	345.83	-	10,712.50
05/01/2030	6,666.67	3,700.00	345.83	-	10,712.50
06/01/2030	6,666.67	3,700.00	345.83	-	10,712.50
07/01/2030	6,666.67	3,700.00	345.83	-	10,712.50

Kentucky Bond Corporation

Financing Program Revenue Bonds, Series 2021B

Meade County Water District

Monthly Sinking Fund Schedule

Date	Principal Requirement	Interest Requirement	Expenses Requirement	Debt Service Reserve Fund Reduction	Deposit
08/01/2030	6,666.67	3,700.00	345.83	-	10,712.50
09/01/2030	6,666.67	3,700.00	345.83	-	10,712.50
10/01/2030	6,666.66	3,700.00	345.84	-	10,712.50
11/01/2030	6,666.66	3,700.00	345.84	-	10,712.50
12/01/2030	6,666.66	3,700.00	345.84	-	10,712.50
01/01/2031	6,666.66	3,700.00	345.84	-	10,712.50
02/01/2031	7,083.34	3,500.00	329.16	-	10,912.50
03/01/2031	7,083.34	3,500.00	329.16	-	10,912.50
04/01/2031	7,083.34	3,500.00	329.16	-	10,912.50
05/01/2031	7,083.34	3,500.00	329.16	-	10,912.50
06/01/2031	7,083.33	3,500.00	329.17	-	10,912.50
07/01/2031	7,083.33	3,500.00	329.17	-	10,912.50
08/01/2031	7,083.33	3,500.00	329.17	-	10,912.50
09/01/2031	7,083.33	3,500.00	329.17	-	10,912.50
10/01/2031	7,083.33	3,500.00	329.17	-	10,912.50
11/01/2031	7,083.33	3,500.00	329.17	-	10,912.50
12/01/2031	7,083.33	3,500.00	329.17	-	10,912.50
01/01/2032	7,083.33	3,500.00	329.17	-	10,912.50
02/01/2032	4,583.34	3,287.50	311.46	-	8,182.30
03/01/2032	4,583.34	3,287.50	311.46	-	8,182.30
04/01/2032	4,583.34	3,287.50	311.45	-	8,182.29
05/01/2032	4,583.34	3,287.50	311.45	-	8,182.29
06/01/2032	4,583.33	3,287.50	311.46	-	8,182.29
07/01/2032	4,583.33	3,287.50	311.46	-	8,182.29
08/01/2032	4,583.33	3,287.50	311.46	-	8,182.29
09/01/2032	4,583.33	3,287.50	311.46	-	8,182.29
10/01/2032	4,583.33	3,287.50	311.46	-	8,182.29
11/01/2032	4,583.33	3,287.50	311.46	-	8,182.29
12/01/2032	4,583.33	3,287.50	311.46	-	8,182.29
01/01/2033	4,583.33	3,287.50	311.46	-	8,182.29
02/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
03/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
04/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
05/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
06/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
07/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
08/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
09/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
10/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
11/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
12/01/2033	5,000.00	3,150.00	300.00	-	8,450.00
01/01/2034	5,000.00	3,150.00	300.00	-	8,450.00
02/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
03/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
04/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
05/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
06/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
07/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
08/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
09/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
10/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
11/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
12/01/2034	5,000.00	3,000.00	287.50	-	8,287.50
01/01/2035	5,000.00	3,000.00	287.50	-	8,287.50
02/01/2035	5,416.67	2,850.00	275.00	-	8,541.67

Kentucky Bond Corporation

Financing Program Revenue Bonds, Series 2021B

Meade County Water District

Monthly Sinking Fund Schedule

Date	Principal Requirement	Interest Requirement	Expenses Requirement	Debt Service Reserve Fund Reduction	Deposit
03/01/2035	5,416.67	2,850.00	275.00	-	8,541.67
04/01/2035	5,416.67	2,850.00	275.00	-	8,541.67
05/01/2035	5,416.67	2,850.00	275.00	-	8,541.67
06/01/2035	5,416.67	2,850.00	275.00	-	8,541.67
07/01/2035	5,416.67	2,850.00	275.00	-	8,541.67
08/01/2035	5,416.67	2,850.00	275.00	-	8,541.67
09/01/2035	5,416.67	2,850.00	275.00	-	8,541.67
10/01/2035	5,416.66	2,850.00	275.00	-	8,541.66
11/01/2035	5,416.66	2,850.00	275.00	-	8,541.66
12/01/2035	5,416.66	2,850.00	275.00	-	8,541.66
01/01/2036	5,416.66	2,850.00	275.00	-	8,541.66
02/01/2036	5,416.67	2,687.50	261.46	-	8,365.63
03/01/2036	5,416.67	2,687.50	261.46	-	8,365.63
04/01/2036	5,416.67	2,687.50	261.46	-	8,365.63
05/01/2036	5,416.67	2,687.50	261.46	-	8,365.63
06/01/2036	5,416.67	2,687.50	261.46	-	8,365.63
07/01/2036	5,416.67	2,687.50	261.46	-	8,365.63
08/01/2036	5,416.67	2,687.50	261.45	-	8,365.62
09/01/2036	5,416.67	2,687.50	261.45	-	8,365.62
10/01/2036	5,416.66	2,687.50	261.46	-	8,365.62
11/01/2036	5,416.66	2,687.50	261.46	-	8,365.62
12/01/2036	5,416.66	2,687.50	261.46	-	8,365.62
01/01/2037	5,416.66	2,687.50	261.46	-	8,365.62
02/01/2037	5,416.67	2,525.00	247.92	-	8,189.59
03/01/2037	5,416.67	2,525.00	247.92	-	8,189.59
04/01/2037	5,416.67	2,525.00	247.92	-	8,189.59
05/01/2037	5,416.67	2,525.00	247.92	-	8,189.59
06/01/2037	5,416.67	2,525.00	247.91	-	8,189.58
07/01/2037	5,416.67	2,525.00	247.91	-	8,189.58
08/01/2037	5,416.67	2,525.00	247.91	-	8,189.58
09/01/2037	5,416.67	2,525.00	247.91	-	8,189.58
10/01/2037	5,416.66	2,525.00	247.92	-	8,189.58
11/01/2037	5,416.66	2,525.00	247.92	-	8,189.58
12/01/2037	5,416.66	2,525.00	247.92	-	8,189.58
01/01/2038	5,416.66	2,525.00	247.92	-	8,189.58
02/01/2038	5,833.34	2,362.50	234.37	-	8,430.21
03/01/2038	5,833.34	2,362.50	234.37	-	8,430.21
04/01/2038	5,833.34	2,362.50	234.37	-	8,430.21
05/01/2038	5,833.34	2,362.50	234.37	-	8,430.21
06/01/2038	5,833.33	2,362.50	234.38	-	8,430.21
07/01/2038	5,833.33	2,362.50	234.38	-	8,430.21
08/01/2038	5,833.33	2,362.50	234.38	-	8,430.21
09/01/2038	5,833.33	2,362.50	234.38	-	8,430.21
10/01/2038	5,833.33	2,362.50	234.38	-	8,430.21
11/01/2038	5,833.33	2,362.50	234.38	-	8,430.21
12/01/2038	5,833.33	2,362.50	234.37	-	8,430.20
01/01/2039	5,833.33	2,362.50	234.37	-	8,430.20
02/01/2039	5,833.34	2,187.50	219.79	-	8,240.63
03/01/2039	5,833.34	2,187.50	219.79	-	8,240.63
04/01/2039	5,833.34	2,187.50	219.79	-	8,240.63
05/01/2039	5,833.34	2,187.50	219.79	-	8,240.63
06/01/2039	5,833.33	2,187.50	219.80	-	8,240.63
07/01/2039	5,833.33	2,187.50	219.80	-	8,240.63
08/01/2039	5,833.33	2,187.50	219.79	-	8,240.62
09/01/2039	5,833.33	2,187.50	219.79	-	8,240.62

Kentucky Bond Corporation

Financing Program Revenue Bonds, Series 2021B

Meade County Water District

Monthly Sinking Fund Schedule

Date	Principal Requirement	Interest Requirement	Expenses Requirement	Debt Service Reserve Fund Reduction	Deposit
10/01/2039	5,833.33	2,187.50	219.79	-	8,240.62
11/01/2039	5,833.33	2,187.50	219.79	-	8,240.62
12/01/2039	5,833.33	2,187.50	219.79	-	8,240.62
01/01/2040	5,833.33	2,187.50	219.79	-	8,240.62
02/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
03/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
04/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
05/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
06/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
07/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
08/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
09/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
10/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
11/01/2040	6,250.00	2,012.50	205.21	-	8,467.71
12/01/2040	6,250.00	2,012.50	205.20	-	8,467.70
01/01/2041	6,250.00	2,012.50	205.20	-	8,467.70
02/01/2041	6,250.00	1,825.00	189.59	-	8,264.59
03/01/2041	6,250.00	1,825.00	189.59	-	8,264.59
04/01/2041	6,250.00	1,825.00	189.59	-	8,264.59
05/01/2041	6,250.00	1,825.00	189.59	-	8,264.59
06/01/2041	6,250.00	1,825.00	189.58	-	8,264.58
07/01/2041	6,250.00	1,825.00	189.58	-	8,264.58
08/01/2041	6,250.00	1,825.00	189.58	-	8,264.58
09/01/2041	6,250.00	1,825.00	189.58	-	8,264.58
10/01/2041	6,250.00	1,825.00	189.58	-	8,264.58
11/01/2041	6,250.00	1,825.00	189.58	-	8,264.58
12/01/2041	6,250.00	1,825.00	189.58	-	8,264.58
01/01/2042	6,250.00	1,825.00	189.58	-	8,264.58
02/01/2042	6,666.67	1,637.50	173.96	-	8,478.13
03/01/2042	6,666.67	1,637.50	173.96	-	8,478.13
04/01/2042	6,666.67	1,637.50	173.96	-	8,478.13
05/01/2042	6,666.67	1,637.50	173.96	-	8,478.13
06/01/2042	6,666.67	1,637.50	173.96	-	8,478.13
07/01/2042	6,666.67	1,637.50	173.96	-	8,478.13
08/01/2042	6,666.67	1,637.50	173.95	-	8,478.12
09/01/2042	6,666.67	1,637.50	173.95	-	8,478.12
10/01/2042	6,666.66	1,637.50	173.96	-	8,478.12
11/01/2042	6,666.66	1,637.50	173.96	-	8,478.12
12/01/2042	6,666.66	1,637.50	173.96	-	8,478.12
01/01/2043	6,666.66	1,637.50	173.96	-	8,478.12
02/01/2043	7,083.34	1,437.50	157.29	-	8,678.13
03/01/2043	7,083.34	1,437.50	157.29	-	8,678.13
04/01/2043	7,083.34	1,437.50	157.29	-	8,678.13
05/01/2043	7,083.34	1,437.50	157.29	-	8,678.13
06/01/2043	7,083.33	1,437.50	157.30	-	8,678.13
07/01/2043	7,083.33	1,437.50	157.30	-	8,678.13
08/01/2043	7,083.33	1,437.50	157.29	-	8,678.12
09/01/2043	7,083.33	1,437.50	157.29	-	8,678.12
10/01/2043	7,083.33	1,437.50	157.29	-	8,678.12
11/01/2043	7,083.33	1,437.50	157.29	-	8,678.12
12/01/2043	7,083.33	1,437.50	157.29	-	8,678.12
01/01/2044	7,083.33	1,437.50	157.29	-	8,678.12
02/01/2044	7,500.00	1,225.00	139.59	-	8,864.59
03/01/2044	7,500.00	1,225.00	139.59	-	8,864.59
04/01/2044	7,500.00	1,225.00	139.59	-	8,864.59

Kentucky Bond Corporation

Financing Program Revenue Bonds, Series 2021B

Meade County Water District

Monthly Sinking Fund Schedule

Date	Principal Requirement	Interest Requirement	Expenses Requirement	Debt Service Reserve Fund Reduction	Deposit
05/01/2044	7,500.00	1,225.00	139.59	-	8,864.59
06/01/2044	7,500.00	1,225.00	139.58	-	8,864.58
07/01/2044	7,500.00	1,225.00	139.58	-	8,864.58
08/01/2044	7,500.00	1,225.00	139.58	-	8,864.58
09/01/2044	7,500.00	1,225.00	139.58	-	8,864.58
10/01/2044	7,500.00	1,225.00	139.58	-	8,864.58
11/01/2044	7,500.00	1,225.00	139.58	-	8,864.58
12/01/2044	7,500.00	1,225.00	139.58	-	8,864.58
01/01/2045	7,500.00	1,225.00	139.58	-	8,864.58
02/01/2045	7,500.00	1,000.00	120.84	-	8,620.84
03/01/2045	7,500.00	1,000.00	120.84	-	8,620.84
04/01/2045	7,500.00	1,000.00	120.84	-	8,620.84
05/01/2045	7,500.00	1,000.00	120.84	-	8,620.84
06/01/2045	7,500.00	1,000.00	120.83	-	8,620.83
07/01/2045	7,500.00	1,000.00	120.83	-	8,620.83
08/01/2045	7,500.00	1,000.00	120.83	-	8,620.83
09/01/2045	7,500.00	1,000.00	120.83	-	8,620.83
10/01/2045	7,500.00	1,000.00	120.83	-	8,620.83
11/01/2045	7,500.00	1,000.00	120.83	-	8,620.83
12/01/2045	7,500.00	1,000.00	120.83	-	8,620.83
01/01/2046	7,500.00	1,000.00	120.83	-	8,620.83
02/01/2046	7,500.00	775.00	102.09	-	8,377.09
03/01/2046	7,500.00	775.00	102.09	-	8,377.09
04/01/2046	7,500.00	775.00	102.09	-	8,377.09
05/01/2046	7,500.00	775.00	102.09	-	8,377.09
06/01/2046	7,500.00	775.00	102.08	-	8,377.08
07/01/2046	7,500.00	775.00	102.08	-	8,377.08
08/01/2046	7,500.00	775.00	102.08	-	8,377.08
09/01/2046	7,500.00	775.00	102.08	-	8,377.08
10/01/2046	7,500.00	775.00	102.08	-	8,377.08
11/01/2046	7,500.00	775.00	102.08	-	8,377.08
12/01/2046	7,500.00	775.00	102.08	-	8,377.08
01/01/2047	7,500.00	775.00	102.08	-	8,377.08
02/01/2047	7,500.00	550.00	83.34	-	8,133.34
03/01/2047	7,500.00	550.00	83.34	-	8,133.34
04/01/2047	7,500.00	550.00	83.34	-	8,133.34
05/01/2047	7,500.00	550.00	83.34	-	8,133.34
06/01/2047	7,500.00	550.00	83.33	-	8,133.33
07/01/2047	7,500.00	550.00	83.33	-	8,133.33
08/01/2047	7,500.00	550.00	83.33	-	8,133.33
09/01/2047	7,500.00	550.00	83.33	-	8,133.33
10/01/2047	7,500.00	550.00	83.33	-	8,133.33
11/01/2047	7,500.00	550.00	83.33	-	8,133.33
12/01/2047	7,500.00	550.00	83.33	-	8,133.33
01/01/2048	7,500.00	550.00	83.33	-	8,133.33
02/01/2048	7,500.00	325.00	64.59	-	7,889.59
03/01/2048	7,500.00	325.00	64.59	-	7,889.59
04/01/2048	7,500.00	325.00	64.59	-	7,889.59
05/01/2048	7,500.00	325.00	64.59	-	7,889.59
06/01/2048	7,500.00	325.00	64.58	-	7,889.58
07/01/2048	7,500.00	325.00	64.58	-	7,889.58
08/01/2048	7,500.00	325.00	64.58	-	7,889.58
09/01/2048	7,500.00	325.00	64.58	-	7,889.58
10/01/2048	7,500.00	325.00	64.58	-	7,889.58
11/01/2048	7,500.00	325.00	64.58	-	7,889.58

Kentucky Bond Corporation

Financing Program Revenue Bonds, Series 2021B

Meade County Water District

Monthly Sinking Fund Schedule

Date	Principal Requirement	Interest Requirement	Expenses Requirement	Debt Service Reserve Fund Reduction	Deposit
12/01/2048	7,500.00	325.00	64.58	-	7,889.58
01/01/2049	7,500.00	325.00	64.58	-	7,889.58
02/01/2049	3,333.34	100.00	45.83	(3,129.17)	350.00
03/01/2049	3,333.34	100.00	45.83	(3,479.17)	-
04/01/2049	3,333.34	100.00	45.83	(3,479.17)	-
05/01/2049	3,333.34	100.00	45.83	(3,479.17)	-
06/01/2049	3,333.33	100.00	45.84	(3,479.17)	-
07/01/2049	3,333.33	100.00	45.84	(3,479.17)	-
08/01/2049	3,333.33	100.00	45.84	(3,479.17)	-
09/01/2049	3,333.33	100.00	45.84	(3,479.17)	-
10/01/2049	3,333.33	100.00	45.83	(3,479.16)	-
11/01/2049	3,333.33	100.00	45.83	(3,479.16)	-
12/01/2049	3,333.33	100.00	45.83	(3,479.16)	-
01/01/2050	3,333.33	100.00	45.83	(3,479.16)	-
Total	\$2,070,000.00	\$963,150.00	\$93,312.50	(41,400.00)	\$3,085,062.50

RSA Advisors, LLC

Proceeds of certain of the Bonds (such Bonds being referred to as "Related Reserve Fund Bonds") were deposited in the Debt Service Reserve Fund (the "Related Reserve Fund Deposit"). The Base Rentals due on February 1, 2049 to January 1, 2050 shall be paid from the Related Reserve Fund Deposit and Lessee will receive a credit for investment earnings accrued in the Debt Service Reserve Fund on the Related Reserve Fund Deposit (the "Earnings") on February 1, 2049 as a credit for the Fees Requirement so that the total Deposit on such Dates shall be an amount equal to the difference between such credits and the Total Deposit Required. The provisions of this paragraph are subject to the third paragraph of Section 8 of this Lease.

[Acknowledgment Page to Follow]

[Acknowledgment Page to Lease Payment Schedule]

ACKNOWLEDGED:

MEADE COUNTY WATER DISTRICT

By: 
Chair

EXHIBIT C

RESOLUTION NO. _____

A RESOLUTION APPROVING A LEASE FOR THE FINANCING OF A PROJECT; PROVIDING FOR THE PAYMENT AND SECURITY OF THE LEASE; AND AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS RELATED TO SUCH LEASE

WHEREAS, the governing body of the Meade County Water District (the "Lessee") has the power, pursuant to Section 65.940 et seq. of the Kentucky Revised Statutes to enter into lease agreements with or without the option to purchase in order to provide for the use of property for public purposes;

WHEREAS, the governing body of the Lessee (the "Governing Body") has previously determined, and hereby further determines, that the Lessee is in need of the Project, as defined in the Lease hereinafter described;

WHEREAS, the Governing Body has determined and hereby determines that it is in the best interests of the Lessee that the Lessee and the Kentucky Bond Corporation (the "Lessor") enter into a Lease Agreement (the "Lease") for the leasing by the Lessee from the Lessor of the Project;

NOW THEREFORE, BE IT RESOLVED BY THE MEADE COUNTY WATER DISTRICT, AS FOLLOWS:

Section 1. Recitals and Authorization. The Lessee hereby approves the Lease Agreement (the "Lease"), in substantially the form presented to this Governing Body. The recitals to this Resolution are incorporated herein as if set forth in this Section in their entirety and are hereby found and determined to be true and correct. It is further found and determined that the Project identified in the Lease is public property to be used for public purposes, that it is necessary and desirable and in the best interests of the Lessee to enter into the Lease for the purposes therein specified, and the execution and delivery of the Lease and all representations, certifications and other matters contained in the closing memorandum with respect to the Lease, or as may be required by the Lessor prior to delivery of the Lease, are hereby approved, ratified and confirmed. The General Manager and Secretary of the Lessee are hereby authorized to execute the Lease, together with such other agreements or certifications which may be necessary to accomplish the transaction contemplated by the Lease.

Section 2. Severability. If any section, paragraph or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Resolution.

Section 3. Open Meetings Law. This Governing Body hereby finds and determines that all formal actions relative to the adoption of this Resolution were taken in an open meeting of this Governing Body, and that all deliberations of this Governing Body and of its committees, if any, which resulted in formal action, were in meetings open to the public, in full compliance with applicable legal requirements.

Section 4. Conflicts. All resolutions, ordinances, orders or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed and the provisions of this Resolution shall prevail and be given effect.

Section 5. Effective Date. This Resolution shall take effect from and after its passage, as provided by law.

INTRODUCED, SECONDED AND ADOPTED, at a duly convened meeting of the Governing Body, held on _____, signed by the General Manager of the Lessee, attested by the Clerk, filed and indexed as provided by law.

By: _____
General Manager

Attest:

By: _____
Clerk

EXHIBIT D
OPINION OF LESSEE'S COUNSEL

April 21, 2021

The Bank of New York Mellon Trust Company, N.A., Trustee
Corporate Trust Services
614 West Main Street, Suite 2600
Louisville, Kentucky 40202

Kentucky Bond Corporation
100 East Vine Street, Suite 800
Lexington,, Kentucky 40507-3500

Re: Lease Agreement between Kentucky Bond Corporation, as lessor, and Meade County Water District, as lessee

Ladies and Gentlemen:

We have acted as counsel to the lessee identified above (the "Lessee") in connection with the authorization, execution, and delivery by the Lessee of the Lease Agreement identified above, (the "Lease"), between the Lessee and Kentucky Bond Corporation (the "Lessor"). We have reviewed (i) the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), (ii) certain proceedings taken by the Governing Body of the Lessee, (iii) an executed copy of the Lease, and (iv) such other information and documents as we have deemed necessary or appropriate in order to render this opinion.

Based on the foregoing, we are of the opinion that:

1. The Lessee is a body politic and corporate, validly organized and existing in good standing under the laws of the Commonwealth and has full power and authority to enter into and to perform its obligations under the Lease.
2. The Lease has been duly authorized, executed and delivered by the Lessee and (assuming the due authorization, execution and delivery thereof by the other parties thereto) constitute legal, valid and binding obligations of the Lessee, enforceable against the Lessee in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general principles of equity.
3. All consents, approvals or authorizations of any governmental entity and all filings and notices required on the part of the Lessee in connection with the authorization, execution and delivery of the Lease and the consummation of the transactions contemplated thereby have been obtained and are in full force and effect.
4. Neither the execution and delivery of the Lease nor the consummation of the transactions contemplated thereby, nor the fulfillment of or compliance with the terms and conditions of the Lease conflict with or constitute a violation of any provision of any law or regulation applicable to the Lessee or, to the best of our knowledge after reasonable investigation, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Lessee is now a party or by which the Lessee is bound.
5. To the best of our knowledge, after reasonable investigation, there is no action, suit, proceeding or governmental investigation at law or in equity before or by any court, public board or body, pending of which the Lessee has been served with a summons, summons and complaint or other notice of commencement, or threatened against or affecting the Lessee, challenging the validity of the Lease or contesting the power and authority of the Lessee to execute and deliver the Lease or to consummate the transactions contemplated by the Lease.

Respectfully submitted,

EXHIBIT E

CERTIFICATE OF OFFICIALS OF LESSEE

Re: Lease Agreement between Kentucky Bond Corporation, as lessor, and the Meade County Water District, as lessee dated April 21, 2021

The undersigned officials of the lessee identified above (the "Lessee") under the Lease Agreement identified above (the "Lease") between the Lessee and the Kentucky Bond Corporation (the "Lessor"), DO HEREBY CERTIFY AS FOLLOWS:

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

2. That the Lessee is a body politic and corporate, validly organized, existing and in good standing under and by virtue of the laws of the Commonwealth of Kentucky with all requisite power and authority to lease property as lessee and to carry on its business as now being conducted.

3. That included in the transcript of which this Certificate forms a part is a true, correct and complete copy of the resolution duly adopted by the Governing Body of the Lessee on November 24, 2020 (the "Official Action"), authorizing the appropriate officials of the Lessee to execute the Lease. The Official Action was duly adopted in accordance with all applicable laws.

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

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

<u>Name</u>	<u>Title</u>	<u>Signature</u>
_____	General Manager	_____
_____	Secretary	_____

6. The Lease has been duly authorized, executed and delivered by the Lessee and constitutes legal, valid and binding obligations of the Lessee, enforceable against the Lessee in accordance with its terms.

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

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

9. There is no claim, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, or public board or body, pending or, to the best of our knowledge, threatened against or affecting the Lessee wherein an unfavorable decision, ruling or finding would materially adversely affect the business, properties,

condition (financial or otherwise) or the results of operations of the Lessee or the ability of the Lessee to perform its obligations under the Lease.

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

11. Any certificate signed by any official of the Lessee and delivered to the Lessor will be deemed to be a representation by the Lessee to the Lessor as to the statements made therein.

[Remainder of Page Intentionally Left Blank]

[Signature Page to Certificate of Officials]

WITNESS our hands effective as of the date first set forth above.

By:


Chair

Attest:

By:


Secretary

EXHIBIT F

REQUEST FOR DISBURSEMENT

Re: Lease Agreement between Kentucky Bond Corporation, as lessor, and Meade County Water District, as lessee dated April 21, 2021.

Requisition Certificate No. 1

The Lessee hereby requests a disbursement from the Participant Disbursement Account in the amount of \$[] and hereby certifies, as follows (except that with respect to a disbursement to pay an interest component of Lease Rental Payments during construction of a Project, only the document described in (a) below will be required):

(a) Attached is a statement of the amount and nature of each item of the Costs of the Project to be paid and the name and address of the payee, with the payee's statement and, if reimbursement to the Lessee of amounts previously paid is requested, evidence of such payment;

(b) each item for which payment or reimbursement is requested is or was necessary in connection with the Costs of the Project and none of such items formed the basis for any previous payment from the Participant Disbursement Account;

(c) each contractor, subcontractor and materialman has filed with the Lessee receipts or waivers of liens for all amounts previously certified for payment, or any amount previously certified for reimbursement to the Lessee, or there is on file with the Lessee a cancelled check endorsed by the contractor, subcontractor or materialman evidencing such payment;

(d) all of the warranties and representations of the Lessee contained in the Lease are true and correct as of the date of such disbursement, as though such warranties and representations were made on such date, no Event of Default has occurred under the Lease, the right of the Lessee to control the acquisition, construction and installation of the Project has not otherwise been terminated pursuant to the Lease, and that amounts on deposit in the Participant Disbursement Account will be sufficient to complete the Project in accordance with the approved plans and specifications;

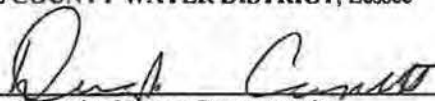
[Signature Page to Follow]

[Signature Page to Disbursement Request]

WITNESS our hands effective as of the date first set forth above.

MEADE COUNTY WATER DISTRICT, Lessee

By:


Authorized Lessee Representative

[EXHIBIT G]

**FURTHER REPRESENTATIONS, WARRANTIES AND
COVENANTS OF LESSEE**

Definitions. Terms used in this Exhibit G shall have the meanings ascribed to them in Section 1 of this Lease. In addition:

"Consulting Engineers" means an engineer or a firm of engineers, who, by virtue of experience, reputation and ability, bear a reputation in the field of water or sewer system engineering, as applicable, which is recognized and known, and upon whose professional judgment sophisticated investors rely in connection with securities which are issued for utility purposes.

"Debt Service Reserve" means the fund established in accordance with Section 4 of this Exhibit G.

"Depository Bank" or "Payee Bank" refers to the bank in which all of the funds established in accordance with Section 4 of this Exhibit G are deposited and maintained.

"Depreciation Fund" means the fund established in accordance with Section 4 of this Exhibit G.

"Depreciation Reserve Requirement" means an amount as shall be determined by the Consulting Engineers and set forth in a certificate filed with the Lessee to be necessary as a reserve for major repairs or replacements of the System.

"Revenues" means the investment income, connection fees and all other items of income established as reasonably anticipated annual income of the System based upon a certification of Consulting Engineers and/or certified public accountants.

"Operation and Maintenance Fund" means the fund established in accordance with Section 4 of this Exhibit G.

"Parity Obligations" means bonds or other obligations issued in the future, which bonds or other obligations issued in the future will, pursuant to the provisions of this Lease, rank on a basis of parity with this Lease, and shall not be deemed to include obligations ranking inferior in security to this Lease. Parity Obligations shall also include the obligations of the Lessee under this Lease.

"Required Reserve" means zero, provided that if the Lessee determines to establish a Debt Service Reserve in order to obtain a rating on any obligations payable from Revenues, or for any other purpose, Required Reserve shall mean the least of (a) the maximum annual principal and interest requirements scheduled to fall due on the Lease and any outstanding Parity Obligations, (b) an amount equal to 10% of the principal amount of the Lease and any Parity Obligations or (c) 125% of the average annual principal and interest requirements of the Lease and any Parity Obligations.

"Revenue Fund" means the fund established in accordance with Section 4 of this Exhibit G.

"Revenues" means the revenues of the System of any and all types and varieties imposed, enforced and collected by the Lessee for any services rendered by the System, together with other income received by the Lessee, if any, from any agency of government, both federal and state, as representing income or operating subsidies, as distinguished from capital grants, to the extent not otherwise required to be treated and applied and specifically excluding therefrom any funds received which result from assessments or assessment charges.

"Sinking Fund" means the fund established in accordance with Section 4 of this Exhibit G for the payment of any Parity Obligations.

"System" means the water and sewer system of the Lessee and any additions thereto and extensions thereof, and shall include the Project being financed under this Lease.

"System Funds" means the Revenue Fund, the Sinking Fund, the Debt Service Reserve, the Depreciation Fund and the Operation and Maintenance Fund.

Section 2. Reaffirmation of Declaration that System is a Public Project. The previous action of the Lessee in declaring the public water and sewer system of the Lessee to constitute a revenue-producing public project, is hereby approved, ratified and confirmed; and so long as any Parity Obligations shall remain outstanding, the System shall be owned, controlled, operated and maintained on a combined and consolidated, revenue-producing basis, for the security and source of payment of any Parity Obligations, under the authority hereinbefore stated.

Section 3. Security, Funds and Revenues Pledged Parity Obligations. Any Parity Obligations that may be issued and outstanding from time to time under the conditions and restrictions hereinafter set forth shall be payable out of the Sinking Fund, and the holders of any Parity Obligations shall have a claim against such Fund and against a sufficient portion or amount of the Revenues of the System pledged to such Fund.

Section 4. Creation of Special Funds.

A. Revenue Fund. There is hereby established the Revenue Fund, which shall be maintained so long as any Parity Obligations remains outstanding. The Revenues of the System shall be set aside monthly into the Revenue Fund which shall constitute a separate and special fund hereby established, which fund shall be maintained as provided herein. The Revenues of the System so set aside into the Revenue Fund shall then be expended, used and apportioned as follows.

There shall be transferred on or before the last day of each month, from the Revenue Fund:

- (1) To the Sinking Fund, so long as any Parity Obligations remains outstanding, an amount equal to one-twelfth (1/12) of the principal amount of all the Parity Obligations maturing on the next February 1.
- (2) To the Sinking Fund, so long as any Parity Obligations remains outstanding, an amount equal to the sum of one-sixth of the interest requirements of any Parity Obligations coming due on the next succeeding February 1 or August 1.
- (3) To the Debt Service Reserve, an amount equal to one-forty-eighth (1/48) of the maximum debt service requirements for any Parity Obligations, until such amount shall have been accumulated or restored, after which the monthly deposits may be discontinued, subject to resumption if, whenever, and so long as same shall be reduced, by such stipulated amount.
- (4) To the Depreciation Fund, if, whenever, and so long as an amount equal to the Depreciation Reserve Requirement is not then being held in the Depreciation Fund, an amount, equal to one-thirty-sixth (1/36) of the Depreciation Reserve Requirement so that the balance in the Depreciation Fund will equal the Depreciation Reserve Requirement in the month that is thirty-six months from the month such deficiency first existed. Thereafter such monthly payments may cease for so long as the required balance in the Depreciation Fund is maintained and such monthly payments shall resume again if at any time said balance is less than the Depreciation Reserve Requirement and shall continue until said balance is established.
- (5) To the Operation and Maintenance Fund, an amount which, together with any funds already on deposit therein, will be sufficient to pay, as they accrue, the proper and necessary costs of operating, maintaining and insuring the System, and to accumulate and maintain, in the Operation and Maintenance Fund, an amount sufficient to pay all costs of operating, maintaining and insuring the System for three (3) full months.
- (6) On a periodic basis, but no less frequently than annually, the Revenues remaining in the Revenue Fund at the end of the month, or, in the case of annual transfers, the preceding calendar year, after making the payments required by (1) through (5) above, including any balances to be accrued and maintained, may be transferred to any fund or used for any purpose deemed appropriate by the Lessee

B. Sinking Fund. There is hereby established the Sinking Fund, which shall be maintained so long as any Parity Obligations remains outstanding, which shall be used for the purpose of accumulating the amounts necessary to pay the principal of and interest on the outstanding Parity Obligations. No further payments need be made into the Sinking Fund whenever and so long as such amount of the outstanding Parity Obligations shall have been retired so that the amounts then held in the Sinking Fund (and in the Debt Service Reserve) are equal to the entire amount of the interest and principal that will be payable to and at the time of the retirement or maturity of all Parity Obligations then remaining outstanding. All funds on deposit in the Sinking Fund shall be kept separate and apart from all other funds of the Lessee and shall be deposited, secured and invested in the manner provided in subsection F below.

C. Debt Service Reserve. There is hereby established the Debt Service Reserve, which shall be maintained so long as any Parity Obligations remains outstanding and in which an amount equal to the Required Reserve shall be maintained. Amounts on deposit in the Debt Service Reserve may be withdrawn and used by the Lessee, when necessary, and shall be so withdrawn and used by if and to the extent necessary, to prevent a default in the payment of principal and interest on the outstanding Parity Obligations as and when due if the amount on deposit in the Sinking Fund is not sufficient to make such payments. In the event of any withdrawals from the Debt Service Reserve, or if and whenever the amount on deposit in the Debt Service Reserve is less than the Required Reserve, the Lessee shall remedy such deficiency through the deposit into the Debt Service Reserve in each month thereafter of an amount equal to one-one hundred twentieth (1/120) of the Required Reserve until the total Required Reserve shall have been accumulated or restored and is being maintained. All funds on deposit in the Debt Service Reserve shall be kept separate and apart from all other funds of the Lessee and shall be deposited, secured and invested in the manner provided in subsection F below.

D. Depreciation Fund. There is hereby established the Depreciation Fund, which shall be maintained so long as any Parity Obligations remains outstanding and in which an amount equal to the Depreciation Reserve Requirement shall be maintained.

Amounts in the Depreciation Fund may be withdrawn and used upon appropriate certification by whatever official is duly authorized by the Governing Body to make such certification, for the purpose of paying the cost of making unusual or extraordinary maintenance, repairs, renewals or replacements to the System, which would be necessary to keep the System in good operating condition, or for the purpose of paying the cost of constructing extensions, additions and/or improvements to the System which will either enhance the revenue-producing capacity of the System or provide a higher degree of service; provided, however, that if the combined available balances in the Sinking Fund and the Debt Service Reserve on any January 20 or July 20 shall be insufficient to pay the next maturing installment of interest or principal of the outstanding Parity Obligations, the Lessee shall withdraw and transfer from the Depreciation Fund to the Sinking Fund whatever amount may be required to eliminate the deficiency in the Sinking Fund and to avoid a default. However, the Lessee hereby certifies and represents that it is not reasonably anticipated that any amounts in the Depreciation Fund will be used to pay debt service on any Parity Obligations.

Deficiencies in the Depreciation Fund shall be remedied through the monthly deposits required from the Revenue Fund above, until the total required amount has been accumulated or restored and is being maintained. There shall also be deposited in the Depreciation Fund the proceeds of any property damage insurance not immediately used to replace the damaged or destroyed property and the cash proceeds of any surplus, worn out or obsolete properties of the System.

As and when additional Parity Obligations are issued, the Lessee shall determine at the time of issuance thereof, with the advice of the Consulting Engineers then employed by the Lessee, (a) whether additional amounts shall be accumulated in the Depreciation Fund, (b) the exact revision, if any, in the required deposits in the Depreciation Fund, and (c) the revised total amount necessary to be accumulated in the Depreciation Fund; whereupon covenants to that effect shall be incorporated in the proceedings authorizing the issuance of such Parity Obligations.

All funds on deposit in the Depreciation Fund shall be kept separate and apart from all other funds the Lessee and shall be deposited, secured and invested in the manner provided in subsection F below.

E. Operation and Maintenance Fund. There is hereby established the Operation and Maintenance Fund, which shall be maintained so long as any Parity Obligations remains outstanding. All costs of operating, maintaining and insuring the System shall be paid from the Operation and Maintenance Fund. All funds in the Operation and Maintenance Fund shall be kept separate and apart from all other funds of the Lessee and shall be deposited, secured and invested in the manner provided in Subsection F below.

F. Investment of Funds. All moneys held in the System Funds shall be deposited in the Depository Bank. Such bank or banks shall invest such portion of the System Funds as is designated by the Governing Body in investment obligations ("Investment Obligations") which constitute lawful investments for counties pursuant to Section 66.480 of the Kentucky Revised Statutes, as amended, subject, however, to the following limitations:

(1) Investment Obligations purchased as an investment of moneys in any System Fund held by the Lessee or the Depository Bank under the provisions of this Lease shall be deemed at all times to be a part of such System Fund and the income or interest earned, gains realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged thereto as the case may be, subject, in the case of the Debt Service Reserve, to the provisions of Section 4.C of this Exhibit G; provided that escrow agreements may provide otherwise.

(2) In computing the amount in all System Funds, including the accounts thereof, Investment Obligations purchased as an investment of moneys therein, shall be valued at the lesser of cost or fair market value. The value of investments in the Debt Service Reserve and the Depreciation Fund shall be determined as of the first day of each fiscal year. Valuation as of any date of computation shall include the amount of interest or gain realized to such date.

(3) The Lessee shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligations purchased by it pursuant to this Lease whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the System Fund for which such investment was made. The Depository Bank shall advise the Lessee in writing, at such times as may be requested by the Lessee, of the details of all Investments Obligations held for the credit of each System Fund in its custody under the provisions of this Lease. The Depository Bank shall review and advise the Lessee annually on the nature and value of investments in each fund or account. In the event that the value of investments in the Debt Service Reserve falls below the level required by this Lease, the Depository shall notify the Lessee and the Lessee shall cure such deficiency as provided in Section 4.C of this Exhibit G.

The Lessee represents and certifies that no investment shall be made of the proceeds of any Parity Obligations or the Revenues of the System which will cause any outstanding Parity Obligations to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

Section 5. Adoption of Budget of Current Expenses. The Lessee covenants and agrees that prior to the delivery of this Lease, the Governing Body will have adopted a budget of current expenses for the operation of the System for the remainder of the then current fiscal year ending June 30, and thereafter, on or before the first day of each fiscal year prior to the year of final maturity of any Parity Obligations, the Governing Body of the Lessee will adopt an annual budget of current expenses for the System (the "Annual Budget of Current Expenses") for the ensuing fiscal year, and will furnish a copy of such Annual Budget of Current Expenses or amendments thereto, upon request, to any holder of Parity Obligations. "Current Expenses" as used herein shall include all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into the Sinking Fund and the Debt Service Reserve. The Lessee further covenants that the Current Expenses incurred in any year shall not exceed the necessary and reasonable amounts required therefor, and that the Lessee will not expend any amount or incur any obligations for operation, maintenance and repair in excess of the amounts provided for Current Expenses in the current Annual Budget of Current Expenses, except on proper justification and resolution by the Governing Body of the Lessee, that such expenditures are necessary to operate and maintain the System. The Lessee further covenants that at the same time and in like manner, the Governing Body of the Lessee shall prepare an estimate of Revenues to be derived from the operation of the System for such fiscal year and that sufficient Revenues shall be provided, through the maintenance of proper rates and charges (and through the increase thereof if necessary) to satisfy the requirements of all of the provisions contained in this Lease, including the accumulation and maintenance of all required reserves specified herein.

Section 6. Rates and Charges for Services of the System. While any Parity Obligations remains outstanding and unpaid, the rates for all services and facilities rendered by the System to the Lessee and to its citizens, corporations or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of the 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 all outstanding Parity Obligations and the accruing interest on all such outstanding Parity Obligations, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Lease. Prior to the delivery of this Lease, a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Lease has been established and adopted and is now in full force and effect.

The Lessee covenants that it will not reduce the rates and charges for services rendered by the System without first filing with the Secretary a certification of the Consulting Engineers to the effect that the annual Net Revenues (defined below) of the then existing System for the fiscal year preceding the date on which such reduction is proposed, as such annual Net Revenues are adjusted, after taking into account the projected reduction in Revenues anticipated to result from such proposed rate decrease, are equal to not less than 120% of the maximum debt service requirements falling due in any fiscal year thereafter for the principal of and interest on all of the then outstanding Parity Obligations. For purposes of determining compliance with the coverage required by this Section and the tests contained in Section 7.B and C hereof relating to Parity Obligations, the interest rate borne by indebtedness bearing interest at a variable rate shall be assumed to be equal to the higher of (i) 5.00% or (ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt (issued pursuant to the provisions hereof) or by variable rate debt for which the interest rate is computed by reference to an index comparable to that to be utilized for the debt then proposed to be issued.

The Lessee also covenants to cause a report to be filed with the Governing Body within six (6) months after the end of each fiscal year by certified public accountants or Consulting Engineers, setting forth what was the precise percentage ("coverage") of the maximum debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then outstanding Parity Obligations, produced or provided by the Net Revenues (defined below) in that fiscal year and the Lessee 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 maximum debt service requirements, the Lessee shall increase the rates by an amount sufficient, in the opinion of such engineers or accountants, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 7. Inferior Obligations: Parity Obligations: and Surplus Facilities.

A. Inferior Obligations. Except as provided below in this Section, the Lessee shall not, so long as any Parity Obligations are outstanding, enter into any additional financing leases, issue any bonds or incur any indebtedness payable from the Revenues or any part thereof unless the lien or pledge of the Revenues to secure such additional bonds or indebtedness is made inferior and subordinate in all respects to the security of the outstanding Parity Obligations.

The Lessee expressly reserves the right at any time or times to issue its bonds or other obligations payable from the Revenues of the System and not ranking on a basis of equality and parity with the outstanding Parity Obligations, without any proof of previous earnings or Net Revenues, but only if such bonds or other obligations are issued to provide for extensions, additions, improvements or other benefits to the System, and provided such inferior bonds or obligations whenever issued or incurred may only be issued or incurred with express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the outstanding Parity Obligations; provided, however, that nothing in this Section is intended to restrict, or shall be construed as a restriction upon, the ordinary refunding of the outstanding Parity Obligations, if such refunding does not operate to increase, in any year until the final maturity of the refunding obligations, the aggregate of the principal and interest requirements of the Parity Obligations to remain outstanding and the Parity Obligations proposed to be refunded.

B. Parity Obligations to Finance Future Extensions, Additions or Improvements: Conditions or Showings Required. The Lessee further reserves the right to add new water and sewer and/or related auxiliary facilities, and/or to finance future extensions, additions or improvements to the System, by the issuance of one or more additional series of obligations to be secured by a lien on the basis of parity with the lien securing Parity Obligations, and ratably payable from the Revenues of the System, provided that:

(1) The facility or facilities to be constructed from the proceeds of the additional obligations issued for that purpose is or are made a part of the System and its or their Revenues are pledged as additional security for the additional obligations and the outstanding Parity Obligations.

(2) The Lessee is in compliance with all covenants and undertakings in connection with all of its bonds or other obligations then outstanding and payable from the Revenues of the System or any part thereof; and

(3) There shall have been procured and filed with the Secretary a statement by a certified public accountant, reciting the opinion based upon necessary investigation that the Net Revenues of the System for twelve (12) consecutive months out of the preceding eighteen (18) months (with adjustments as hereinafter provided) were equal to at least 1.25 times the maximum annual debt service that will become due in any fiscal year thereafter for both principal and interest on Parity Obligations, including the obligations then proposed to be issued. (The calculation of maximum net debt service requirements of or principal of and interest on the outstanding Parity Obligations, including the additional obligations to be issued shall, regardless of whether such obligations are to be serial or term obligations, be determined on the basis of the principal of, and interest on, such obligations being payable in approximately equal annual installments.)

"Net Revenues" as herein used are defined as Revenues less operating expenses, which shall include salaries, wages, cost of maintenance and operation, materials and supplies, pumping costs, insurance, and all other items that are normally and regularly so included under recognized accounting practices, exclusive of allowance for depreciation.

Such "Net Revenues" may be adjusted for the purpose of the foregoing computations to reflect (i) any revisions in the schedule of rates or charges being imposed at the time of the issuance of any such additional parity obligations, and also to reflect (ii) any increase in such Net Revenues projected by reason of the Revenues anticipated to be derived from the extensions, additions or improvements to the System being financed (in whole or in part) by such additional Parity Obligations; provided such latter adjustment shall be made only if contracts for the immediate acquisition or construction

of such extensions, additions or improvements have been or will have been entered into (secured by a 100% performance bond) prior to the issuance of such additional Parity Obligations. All of such adjustments shall be based upon the written certification of the Consulting Engineers.

(4) The interest payment dates for all such additional Parity Obligations shall be semiannually on August 1 and February 1 of each year, and the principal maturities thereof shall be on February 1 of the year in which any such principal is scheduled to become due.

C. Parity Obligations to Refund or Refinance Outstanding Obligations. In addition to obligations satisfying the requirements of Section 6.C above issued to refund outstanding Parity Obligations, the Lessee further reserves the right to issue one or more additional series of obligations to be secured by a parity lien on and ratably payable from the Revenues of the System, for the purpose of refunding or refinancing the outstanding Parity Obligations, or any portion thereof, provided that prior to the issuance of such additional Parity Obligations for that purpose, there shall have been procured and filed with the Secretary a statement by a certified public accountant, reciting the opinion based upon necessary investigation that:

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

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

The additional Parity Obligations, the issuance of which is restricted and conditioned by this Section, shall be understood to mean obligations payable from the income and Revenues of the System on a parity with the outstanding Parity Obligations, including this Lease, and shall not be deemed to include nor to prohibit the issuance of any other obligations, the security and source of payment of which is subordinate and subject to the priority of the payments into the Sinking Fund for the outstanding Parity Obligations and such additional Parity Obligations.

The interest payment dates for all such additional Parity Obligations shall be semiannually on August 1 and February 1 of each year, and the principal maturities thereof shall be on February 1 of the year in which any such principal is scheduled to become due.

D. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities; Conditions. The Lessee covenants and agrees that so long as any Parity Obligations is outstanding, the Lessee will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided for above, it will not create or permit to be created any charge or lien on the Revenues thereof ranking equal or prior to the charge or lien of the outstanding Parity Obligations. Notwithstanding the foregoing, the Lessee may at any time permanently abandon the use of, or sell at the fair market value, any part of the facilities of the System, provided that:

(1) It is in compliance with all covenants and undertakings in connection with all of the Parity Obligations then outstanding and payable from the Revenues of the System, and the Debt Service Reserve for such outstanding Parity Obligations is being maintained at the stipulated level; and

(2) It will in the event of any such sale, apply the proceeds to either (i) redemption of outstanding Parity Obligations in accordance with the provisions governing redemption of the outstanding Parity Obligations in advance of maturity, or purchase of outstanding Parity Obligations in the open market at not exceeding the next applicable redemption price, or (ii) replacement of the facility so disposed of by another facility, the Revenues of which shall be incorporated into the System as hereinbefore provided; and

(3) It certifies, in good faith, prior to any abandonment of use, that the facility or facilities to be abandoned is or are no longer economically feasible of producing substantial Net Revenues; and

(4) It 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 facility or 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 additional Parity Obligations; and

(5) Such sale or disposition will not have the effect of causing any Parity Obligations to become arbitrage bonds.

Section 8. All Parity Obligations Are Equal. The outstanding Parity Obligations authorized and permitted to be issued hereunder, including the Lease, 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 outstanding Parity Obligations authorized or permitted to be issued, regardless of the fact that they may be actually issued and delivered at different times, subject to the provisions of the previous Section.

Section 9. Insurance.

A. Fire and Extended Coverage. If and to the extent that the System includes structures above ground level, the Lessee shall, upon receipt of the proceeds of the sale of the Lease, 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.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the outstanding Parity 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 Lessee 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. The Lessee shall, if such insurance is not already in force, procure and maintain, so long as any Parity Obligations are outstanding, public liability insurance relating to the operation of the facilities of the System to protect the Lessee from claims for bodily injury or death and claims for damage to property of others which may arise from the Lessee's operations of the System and any other facilities constituting a portion of the System in amounts that are commercially reasonable for operators of utility systems that are similar the System.

C. Vehicle Liability Insurance. If and to the extent that the Lessee owns or operates vehicles in the operation of the System, the Lessee shall, if such insurance is not already in force, procure and maintain, so long as any Parity Obligations are outstanding, vehicular public liability insurance in amounts that are commercially reasonable for operators of utility systems that are similar the System to protect the Lessee from claims for bodily injury or death and damage to property of others which may arise from the operation of such vehicles by the Lessee.

Section 10. Records, Audits and Reports: Engineering Inspection. Insofar as consistent with the laws of Kentucky, the Lessee agrees that so long as any of the Parity Obligations remains outstanding, it will keep proper books of records and account showing complete and correct entry of all transactions relating to the System in accordance with generally accepted accounting principles (for facilities of like type and size), in which complete and correct entries shall be made of all pertinent transactions. All such records and books of account shall at all times during normal business hours be subject to inspection by the owners of 10% or more of the principal amount of the Parity Obligations then outstanding, or by their duly authorized representatives.

The Lessee further covenants that as soon as may be feasible after the close of each fiscal year, and in any event not later than one hundred twenty (120) days thereafter, the Lessee will cause an audit of the financial affairs of the System to be completed by independent state-licensed accountants, covering the operation of the System for the preceding fiscal year.

A copy of said audit report shall be kept on file in the office of the Secretary, where it will be subject to inspection at any reasonable time by or on behalf of any owner of outstanding Parity Obligations. A condensation of the important facts shown by such report will be mailed to any such owner upon request.

The Lessee further covenants and agrees to retain an Consulting Engineers or to inspect the System and its operation at least once in each period of three (3) years and to file with the Secretary a written report of the findings and recommendations as a result of such inspection.

Section 11. General Covenants. The Lessee covenants, so long as any Parity Obligations remains outstanding, as follows:

A. It will at all times own and operate the System as a public project on a revenue producing basis, and will permit no services to be rendered free of charge or without full compensation.

B. It will at all times maintain the System in good condition through application of Revenues accumulated and set aside for operation and maintenance as herein provided, and will make renewals and replacements as the same may be required, through application of Revenues accumulated and set aside into the Depreciation Fund.

C. To the extent permitted by law, it will not permit any competing water or sewer system, public or private, to sell or provide water or sewer services to customers within the service area of the Lessee.

D. It will perform all duties with reference to the System required by the Statutes and Constitution of Kentucky and will not sell, lease, mortgage or in any manner dispose of the System, or any part thereof except as authorized herein.

E. It will provide that, to the greatest extent permitted by law, utility service will be discontinued to any premises where there is a failure to pay any part of the aggregate charges billed, including such penalties and fees for disconnection or reconnection as may be prescribed from time to time.

Section 12. Events of Default; Remedies. The following items shall constitute an "event of default" on the part of the Lessee:

A. The failure to pay the principal of any Parity Obligations when due and payable, either at maturity or by proceedings for redemption.

B. The failure to pay any installment of interest on the outstanding Parity Obligations when the same shall become due and payable or within thirty (30) days thereafter.

C. The default by the Lessee in the due or punctual performance of any other of the covenants, conditions, agreements and provisions contained in this Lease, including this Exhibit.

D. The failure to promptly repair, replace or reconstruct needed or essential facilities of the System that have been damaged or destroyed.

E. The entering of an order or decree with the consent or acquiescence of the Lessee appointing a receiver of all or any part of the System or any Revenues thereof; or if such order or decree having been entered without the acquiescence or consent of the Lessee, its failure in not having the order vacated, discharged or stayed on appeal within sixty (60) days after entry.

F. The failure of the Lessee to fulfill any of its other obligations pursuant to this Lease, including this Exhibit G.

The Lessor may, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by the Lessee and its officers and agents of all duties imposed or required by law or by this Lease including this Exhibit G in connection with the operation of the System, including the making and collection of sufficient rates, the segregation of the Revenues of the System and the application thereof in accordance with the provisions of this Lease, including this Exhibit G.

Upon the occurrence of an "event of default" as defined above, then upon the filing of suit by the Lessor or any holder of any Parity Obligations, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Lessee, with power to charge and collect rates and charges for the services and facilities provided by the System sufficient to provide for the payment of any outstanding Parity Obligations and other obligations of the System, and the interest thereon, together with the expenses of operation and maintenance, and to apply the income and Revenues in accordance with the provisions of this Lease, including this Exhibit G, and of the applicable statutes of Kentucky, and to take such other legal action as may be appropriate for the protection of the Lessor or any such other holder.

The Lessee 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 Lessee's obligations, all contracts and other rights of the Lessee pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. In the event of default, the Lessor or the holder of any Parity Obligations may require the Governing Body of the Lessee by an action in mandamus to raise the rates a reasonable amount.

Section 13. Covenant to Require Use of System. The Lessee agrees that during the time any of the outstanding Parity Obligations are outstanding, it will take all such steps as may be necessary to cause the owners of all properties abutting upon any water and sewer lines of the Lessee to connect thereto and to keep connected thereto all water and sewer pipes on such properties. The foregoing covenant shall be in favor of and enforceable by the Lessor and holders of the outstanding Parity Obligations in accordance with the provisions herein contained. If the Lessee fails to take such steps, it may be required to do so by the Lessor or such other holders.

Section 14. Security. The Lease Rental Payments will constitute legal, valid and binding special and limited obligations of the Lessee, secured by a pledge of the Revenues of the System, and are payable out of the Sinking Fund created hereby. The Lessor and owners of the Parity Obligations shall have a first lien claim against the Sinking Fund and against the necessary designated portion or amount of the Revenues of the System. This Lease will rank on a parity as to security and source of payment with any other Parity Obligations. As security and source of payment of the Base Rentals payable under the Lease, the Lessee hereby pledges, assigns and grants to the Lessor a lien and security interest in the following for so long as the Lease shall remain in effect:

- (1) all Revenues of the System;
- (2) all net proceeds of insurance and condemnation, in each case after payment from time to time of costs of operating, maintaining, repairing and replacing the System;
- (3) all of the Lessee's right, title and interest in and to all leases and subleases of the System or any assignment thereof; and
- (4) all proceeds of the foregoing.

Except as may be otherwise expressly provided in this Lease or any amendment or supplement permitted hereunder, this pledge, assignment and grant of a lien and security interest shall be valid and binding from and after the date hereof, and all of the foregoing shall immediately be subject thereto without any physical delivery thereof or further act. The lien and security interest shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Lessee, irrespective of whether such parties have notice thereof, to the extent permitted by law; on a parity, however, with the lien and security interest granted as security for all Parity Obligations. The Lessee agrees to hold all of the foregoing collateral as agent for the Lessor and owners of any Parity Obligations, and to execute such additional documents, including financing statements, affidavits, notices and similar instruments, as may be required to perfect and maintain the security interest granted herein to the extent a security interest may be perfected and maintained in the collateral herein described.

Section 15. Obligations of Lessee Unconditional. The obligations of the Lessee to make the Lease Rental Payments due shall be absolute and unconditional, and shall not be subject to any diminution by right of set-off, counterclaim, recoupment or otherwise. During the term of this Lease, the Lessee shall not suspend or discontinue any Lease Rental Payments due hereunder.

EXHIBIT H

TAX CERTIFICATE

**CERTIFICATE UNDER SECTIONS 103(b)(2) AND 148
OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED**

PARTICIPANT: Meade County Water District

FINANCING AGREEMENT AMOUNT: \$2,070,000

DATED: April 21, 2021

The Participant hereby certifies with respect to a Financing Agreement (the "Financing Agreement") with the Kentucky Bond Corporation (the "Corporation"), funded with a portion of the proceeds of the Bonds, as defined in the Financing Agreement, issued by the Corporation on behalf of the Participant, which is entered into for the purpose of (i) redeeming certain outstanding obligations (the "Prior Obligations") which financed certain improvements (the "Project") and (ii) funding a debt service reserve and made as of the date hereof (the "Closing Date"), which is the date of delivery of, and payment for, the Bonds and the Financing Agreement, that the following facts, estimates and circumstances regarding the amount and use of all of the Proceeds, as defined in Treas. Reg. § 1.148-1(b), issued under the Internal Revenue Code of 1986, as amended (the "Code"), of the Financing Agreement are, as of the Closing Date and according to the Participant's best knowledge, information and belief, reasonably expected to exist or to occur (with capitalized terms not defined herein having the meanings given them in the Financing Agreement or the Tax Compliance Agreement attached hereto):

A. Proceeds. The Proceeds of the Financing Agreement consist, and will consist, of the Sale Proceeds, Replacement Proceeds and Investment Proceeds, each as defined in Treas. Reg. § 1.148-1(b), issued under the Code.

B. Purpose of Issue. The Proceeds of the Financing Agreement, together with certain other funds, will be used to fund a portion of a Reasonably Required Reserve or Replacement Fund (the "Reserve Fund") and redeem the Prior Obligations, each of which constitutes a valid governmental purpose (the "Governmental Purpose").

The total amount of Proceeds received by the Participant will not exceed the amount necessary to finance the Governmental Purpose. The Financing Agreement is being entered into at this time because the Prior Obligation has become due and payable.

C. Yield on the Financing Agreement. (1) The price at which a substantial amount of the Bonds related to the Financing Agreement were sold is set forth in the Certificate of Financial Advisor attached hereto.

(2) The Yield on the Financing Agreement, as defined in Treas. Reg. § 1.148-4, issued under the Code, is variable and will be determined under Treas. Reg. § 1.148-4(c).

(3) The Yield on the Financing Agreement is equal to the Yield on the portion of the Bonds the proceeds of which financed the Financing Agreement; therefore, the Yield on the Financing Agreement does not exceed the Yield on the portion of the Bonds the proceeds of which financed the Financing Agreement.

D. Application of Proceeds. All of the Sale Proceeds will be used to fund a portion of the Reserve Fund and to redeem the Prior Obligation and to pay issuance expenses. No amount received as Proceeds of the Financing Agreement will be used in the manner not set forth in this section.

E. Expenditure of Proceeds for the Project. The Prior Obligation will be redeemed within 90 days of the date hereof.

F. Investment of Proceeds. (1) The Participant has agreed in the Tax Compliance Agreement that it will not invest any of the Proceeds of the Financing Agreement without the express consent of the Corporation, and any such investments will be done so that such investment will not cause interest on either the Financing Agreement or the Bonds to be includable in the holder's gross income for purposes of federal income taxation or the debt to be treated as "arbitrage bonds" under Sections 103(b)(2) and 148 of the Code and the Treasury Regulations thereunder.

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

(3) No account or fund has been or will be established to pay principal of, premium, if any, or interest on the Financing Agreement. Other than the Reserve Fund, as described in Subsection (4) below, there are no moneys, sources of funds, securities or obligations that have been, or will be, pledged as collateral for the payment of principal of, premium, if any, or interest on the Financing Agreement, and there are no moneys, sources of funds, securities or obligations with respect to which the Issuer has given or will give any reasonable assurance to any holder of the Financing Agreement that such funds will be available to pay principal of, premium, if any, or interest on the Financing Agreement.

(4) The amounts on deposit in Reserve Fund, which secures the combination of the Financing Agreement and all other financing agreements entered into pursuant to the Program (the "Program Financing Agreements"), on an aggregate basis, should not exceed the least of (i) 10% of the stated principal amount of the Program Financing Agreements, if original issue discount does not exceed 2% times the stated redemption price of the Bonds, or the Issue Price of the Program Financing Agreements, if original issue discount does exceed 2% times the stated redemption price of the Program Financing Agreements, (ii) the maximum annual Debt Service of the Program Financing Agreements, or (iii) 125% of average annual Debt Service of the Program Financing Agreements, or the amount held in all Reasonably Required Reserve or Replacement Funds in excess of the lowest of these limits will not be invested at a Materially Higher Yield or, if the amount so invested satisfies Treas. Reg. § 1.148-5(c)(3)(i)(E), issued under the Code, appropriate Yield Reduction Payments will be timely made. For purposes of calculating any Rebate Payments and Yield Reduction Payments due in Connection with the Bonds, the amount of the Reserve Fund allocable to the Financing Agreement will be determined in accordance with Treas. Reg. § 1.148-6.

(5) Any unexpended portion of the Proceeds of the Financing Agreement, including any amounts in the Reserve Fund or any additional Reasonably Required Reserve or Replacement Fund, will be invested as provided in the Trust Indenture for the Bonds and other than any funds described herein invested during an Applicable Temporary Period permitted under Treas. Regs. §§ 1.148-1 through -11, issued under the Code, if any, or any amounts in any Reasonably Required Reserve or Replacement Fund, as described in Treas. Reg. § 1.148-2(f), no Proceeds of the Financing Agreement, or any moneys that may become Replacement Proceeds, as defined in Treas. Reg. § 1.148-1(c), of the Financing Agreement, in excess of the lesser of (i) five percent (5%) of such Proceeds or (ii) \$100,000, will be invested in "higher yielding investments," as defined in the Code and the Treasury Regulations thereunder.

G. General. (1) Neither the Project, nor any part thereof, will be sold or otherwise disposed of by the Participant prior to the final principal maturity date of the Financing Agreement.

(2) The Participant will allocate Proceeds of the Financing Agreement to reimburse itself only for capital expenditures paid not earlier than sixty (60) days prior to the Closing Date or not earlier than sixty (60) days prior to the date it adopted an official expression of intent to reimburse (the "Official Expression of Intent"), within the meaning of Treas. Reg. § 1.150-2, issued under the Code, if earlier, or as otherwise permitted pursuant to Treas. Reg. § 1.150-2.

(3) There are no amounts, other than the Gross Proceeds of the Financing Agreement that are available for the Governmental Purpose. Other than the Reserve Fund, here are no sinking funds or pledged funds and the term of the Financing Agreement is not longer than reasonably necessary for the Governmental Purpose.

(4) Any Rebate Payments and any Yield Reduction Payments, owed pursuant to Section 148(f) of the Code, will be remitted to the United States Treasury as directed by the Corporation, pursuant to the Tax Compliance Agreement entered into with respect to the Bonds.

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

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

(7) With respect to the Financing Agreement, the first, and each subsequent, "Bond Year", as defined in Treas. Reg. §1.148-1(b) shall end on February 1, commencing with the first February 1, subsequent to the Closing Date.

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

CHECK IF APPLICABLE

☐ (9) During this calendar year, the Participant, which has general taxing powers, has not issued and does not expect to issue tax-exempt bonds, including any tax-exempt bonds issued by any subordinate entities, but excluding "private activity bonds," as defined in the Section 141 of the Code, and any refunding bonds, as defined in Section 148(f)(4)(D)(iii) of the Code, exceeding \$5,000,000 in aggregate face amount.

☐ (10) Participant does not reasonably anticipate that the total principal amount of "tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the Participant or any subordinate entity of the Participant will issue during the calendar year in which the Financing Agreement is executed and delivered will exceed \$10,000,000; and, therefore, the Participant hereby designates the Financing Agreement as a "qualified tax-exempt obligation".

[Signature Page to Follow]

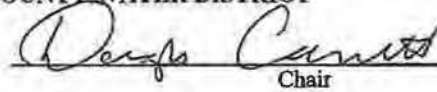
[Signature Page to No-Arbitrage Certificate]

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

WITNESS my hand effective as of the date first set forth above.

MEADE COUNTY WATER DISTRICT

By:


Chair

CERTIFICATE OF FINANCIAL ADVISOR

The undersigned hereby certifies on behalf Ross, Sinclaire & Associates, LLC (the "Financial Advisor") that (1) the Bonds were sold by competitive sale on March 31, 2021 (the "Sale Date") under a written and binding agreement, dated the Sale Date, the terms of which have not been materially altered since the Sale Date; (2) the purchase prices for the Bonds are set forth in Exhibit A hereto, which purchase prices were not less than the fair market value of each maturity of the Bonds as of the Sale Date; (3) it is of the opinion that the amount deposited in the Reserve Fund is reasonable and necessary because no reserve fund or a reserve fund in a lesser amount would adversely affect the interest rates at which the Bonds could be sold; and (4) this certificate may be relied upon by the Participant in executing the foregoing certificate and by Dinsmore & Shohl, LLP in rendering any opinion with respect to the Bonds or the Financing Agreement.

ROSS, SINCLAIRE & ASSOCIATES, LLC

By:



Title:

Vice President

Dated: April 21, 2021

**Attachment to No-Arbitrage Certificate
TAX COMPLIANCE AGREEMENT**

KENTUCKY BOND CORPORATION

PARTICIPANT: Meade County Water District

DATE OF AGREEMENT: April 21, 2021

FINANCING AGREEMENT AMOUNT: \$2,070,000

This Tax Compliance Agreement relates to a Financing Agreement between the Participant and the Kentucky Bond Corporation dated the date of this Tax Compliance Agreement.

TAX COMPLIANCE AGREEMENT

THIS TAX COMPLIANCE AGREEMENT (the "Tax Compliance Agreement") is made and entered into as of the date shown on the cover page hereto between the KENTUCKY BOND CORPORATION (the "Corporation") and the Participant shown on the cover page hereto (the "Participant"):

WITNESSETH:

WHEREAS, the Participant has agreed, in a lease agreement (the "Financing Agreement") dated the date hereof (with capitalized terms not defined herein having the meanings given them in the Financing Agreement) to borrow the Financing Agreement Amount shown on the cover page hereto pursuant to a Program administered by the Corporation and funded with the portion of the proceeds of Bonds issued by the Corporation on behalf of the Participant to fund a Reasonably Required Reserve or Replacement Fund and to redeem certain obligation of the Lessee (the "Prior Obligations") the proceeds of which were used to finance the project identified in the Financing Agreement (the "Project"); and

WHEREAS, it is necessary for the parties hereto to enter into this Tax Compliance Agreement to ensure that interest paid on the Bonds and on the Financing Agreement shall all be and shall all remain excludible from gross income for Federal income purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and is not and will not become a specific item of tax preference under Section 57(a)(5)(C) of the Code for the federal alternative minimum tax and to comply with the requirements of the No-Arbitrage Certificate (as hereinafter defined).

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

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. In addition to words and terms defined elsewhere in this Tax Compliance Agreement, the Code and Regulations, the No-Arbitrage Certificate, the Indenture and the Financing Agreement, the following capitalized words and terms used in this Tax Compliance Agreement shall have the following meanings, unless some other meaning is plainly intended:

"AMT Bond" means a Qualified Private Activity Bond, other than a Qualified 501(c)(3) Bond, the interest on which is a specific item of tax preference under Section 57(a)(5) of the Code, subject to the federal alternative minimum tax under Section 55 of the Code.

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

"Applicable Temporary Period" means the temporary investment period available for each particular category of Gross Proceeds of Governmental Obligations, as provided in Treas. Reg. § 1.148-2(e), issued under the Code, during which time the Gross Proceeds may be invested at a Materially Higher Yield. The Applicable Temporary Period for amounts in a Capital Acquisition Fund ends three years, after the Closing Date of Governmental Obligations, the Applicable Temporary Period for amounts deposited into a Bona Fide Debt Service Fund ends thirteen months after the date of deposit into the fund, the Applicable Temporary Period for Investment Proceeds of Governmental Obligations ends one year after the date of receipt or deemed receipt of the monies, the Applicable Temporary Period for Replacement Proceeds of Governmental Obligations ends thirty days after the date the amounts become Replacement Proceeds and the Applicable Temporary Period for Disposition Proceeds of Governmental Obligations will be determined under Treas. Reg. § 1.141-12(a), issued under the Code.

"Bona Fide Debt Service Fund" means a fund that is used primarily to achieve a proper matching of revenues with Debt Service of Governmental Obligations within each Bond Year and is depleted at least once each Bond Year, except for the Permitted Carryover.

"Bond Counsel" means a nationally recognized bond counsel experienced in municipal finance, particularly in the issuance of bonds the interest on which is excluded from gross income pursuant to the Code.

“Bond Year” means the period commencing on the Closing Date of Governmental Obligations and ending on a date no later than one year after the Closing Date and then each one-year period commencing the day after such date and each anniversary of such date thereafter.

“Capital Acquisition Fund” means a fund that is to be used to finance the acquisition or construction of assets that qualify as Capital Expenditures.

“Capital Expenditure” means any expense that is properly depreciable or amortizable or is otherwise treated as a capital expenditure under the Code, and for the purposes of determining eligible Reimbursement Allocations, Costs of Issuance.

“Closing Date” means the date of this Tax Compliance Agreement.

“Cost of Issuance” means any expenditure incurred in connection with the issuance of the Financing Agreement or the Participant’s share of such expenditures relating to the Bonds, including such costs as underwriters’ spread, rating agency fees, appraisal costs, attorneys’ and accounts’ fees and printing costs, but excluding Qualified Guarantee Fees or expenditures incurred in connection with the acquisition of the Project.

“Debt Service” means any principal and interest payments on obligations.

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

“Disproportionate Private Use” means the excess of Related Private Use over the Related Governmental Use.

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

“Governmental Entity” means any State and any political subdivision and agency of any State.

“Governmental Facility” means any property owned by one or more Governmental Entities financed or refinanced with Governmental Bonds, if no more than 10% of the property is used by Private Users.

“Governmental Issuer” means the Governmental Entity that is the debtor on or issuer of a Governmental Obligation.

“Governmental Obligation” means any debt obligation of a Governmental Entity.

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

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

“Investment Property” means any security (as defined in Section 165(g)(2)(A) or (B) of the Code), obligation (not including any Tax-Exempt Bond other than an AMT Bond), annuity contract or other investment-type property and any Residential Rental Property.

“Materially Higher Yield” means any Yield that is greater than the Yield permitted to be earned under Section 148 of the Code and Treas. Regs. §§ 1.148-1 through -11, issued under the Code.

“Minor Portion” means an amount of the Proceeds of Governmental Obligations, other than Proceeds invested in a Reasonably Required Reserve or Replacement Fund or Proceeds invested during an Applicable Temporary Period, not in excess of the lesser of (i) 5% of the Proceeds of the Financing Agreement, or (ii) \$100,000.

"No-Arbitrage Certificate" means the "Certificate under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as Amended," for the Bonds and the Financing Agreement given by the Participant, including certifications given with respect thereto by the Financial Advisor.

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

"Nonpurpose Investment" means any Investment Property other than a Purpose Investment.

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

"Private Activity Bond" means any Governmental Obligation if (i) there is more than 10% Private Use of the Proceeds of the obligations and more than 10% of the principal of or interest on the obligations is secured or to be paid, either directly or indirectly, by any Private User; (ii) more than the lesser of 5% of the Proceeds of the obligations or \$5,000,000 is used to make Private Loans; (iii) there is more than 5% in the aggregate of Unrelated Private Use and Disproportionate Private Use and more than 5% of the principal of or interest on the obligations is secured or to be paid, either directly or indirectly with respect to or from property financed with the Proceeds of the obligations that is used in an Unrelated Private Use or Disproportionate Private Use; all as described in Section 141 of the Code.

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

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

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

"Purpose Investment" means Investment Property purchased with Gross Proceeds of the Governmental Obligations to carry out the governmental purpose for which the obligations were issued, as provided in Treas. Reg. §1.148-1(b), issued under the Code.

"Qualified 501(c)(3) Bond" means any Qualified Private Activity Bond that satisfies the requirements of Section 145 of the Code.

"Qualified Private Activity Bond" means any Private Activity Bond that satisfies the requirements of Section 141(e) of the Code.

"Reasonably Required Reserve or Replacement Fund" means any fund that is pledged as security for or is available for payment of any Debt Service of any Governmental Obligation and is reasonably required by a lender, a State or other governmental or regulatory authority having jurisdiction over the Governmental Issuer, a national bond rating agency, or an underwriter or financial advisor and that satisfies the limitations of Treas. Reg. §1.148-2(f), issued under the Code.

"Rebate Amount" means the amount determined by the Corporation pursuant to the No-Arbitrage Certificate.

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

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

"Reimbursement Allocation" means a written allocation of the Proceeds of the Financing Agreement intended to reimburse the Participant for Capital Expenditures for the Project that were paid prior to the Closing Date, provided that any such allocation is made no later than eighteen (18) months after the later of the date the Capital Expenditure was paid or the date the Project was placed in service, but in no event later than three (3) years after the payment date. Any written allocation made within thirty (30) days after the Closing Date shall be treated as if made on the Closing Date.

"Reimbursement Resolution" means a declaration of intent, under Treas. Reg. §1.150-2, by the Participant to finance, by issuing debt, Capital Expenditures. For this purpose, the issuance of debt to finance specific facilities shall constitute a Reimbursement Resolution, the date of adoption of which shall be no later than the Closing Date of such debt.

"Related Private Use" means any Private Use that is not Unrelated Private Use.

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

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

"Residential Rental Property" means any residential rental property for family units not located in the jurisdiction of the Governmental Issuer or not acquired to implement a court ordered or approved housing desegregation plan.

"Sale Proceeds" means the Financing Agreement Amount shown on the cover page hereto.

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

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

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

"Tax-Exempt Bond" means (i) any Governmental Obligation the interest on which is excludible from gross income for federal income tax purposes, under Sections 103 and 150(a)(6) of the Code, (ii) any Pre-TRA Bond, (iii) certain tax-exempt mutual funds, as provided in Treas. Reg. § 1.150-1(b), issued under the Code, and (iv) any Demand Deposit SLGS.

"Transferred Proceeds" means transferred proceeds as defined in Treas. Reg. §1.148-9.

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

"Unrelated Private Use" means any Private Use that is not related to the Use by a Governmental Entity of Governmental Facilities.

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

"Yield Reduction Amount" means the amount determined by the Corporation pursuant to the Tax Regulatory Agreement.

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

SECTION 1.02. Interpretative Rules. For all purposes of this Tax Compliance Agreement, except as otherwise expressly provided or unless the context otherwise requires (a) "Tax Compliance Agreement" means this instrument, as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof; (b) all references in this instrument to designated "Articles," "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed; (c) the words "herein," "hereof," "hereunder" and "herewith" and other words of similar import refer to this Tax Compliance Agreement as a whole and not to any particular Article, Section or other subdivision; (d) the terms defined in this Article have the meanings assigned to

them in this Article and include the plural as well as the singular; (e) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; (f) the terms defined elsewhere in this Tax Compliance Agreement shall have the meanings therein prescribed for them; (g) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders; (h) the headings used in this Tax Compliance Agreement are for convenience of reference only and shall not define or limit the provisions hereof.

ARTICLE II

COVENANTS AND REPRESENTATIONS OF CORPORATION AND THE PARTICIPANT ACKNOWLEDGEMENTS BY, DIRECTIONS TO AND FROM CORPORATION AND THE PARTICIPANT

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

(b) The Corporation represents for the benefit of the Participant that (i) the Corporation is a nonprofit corporation duly organized and validly existing under the laws of the Commonwealth of Kentucky; and (ii) the Corporation has full power and authority granted to it by the Commonwealth of Kentucky to establish a program to enter into fixed rate financing agreements with cities, political subdivisions and public agencies of the Commonwealth of Kentucky.

SECTION 2.02. Use of Proceeds. The Participant represents that:

(a) No Private Use of Proceeds. No more than 10% of the Use of either the Proceeds of the Financing Agreement or the Project may be Private Use if more than 10% of the principal of or interest on the Financing Agreement is secured or to be paid, either directly or indirectly, by any Private User, no more than 5% of the Use of either the Proceeds of the Obligations or the Project may be for an Unrelated Private Use or Disproportionate Private Use and no more than the lesser of 5% of the Proceeds of the Financing Agreement or \$5,000,000 may be used to make Private Loans.

(b) Expectations. The Participant expects to redeem the Prior Obligation no later than 90 days after the Closing Date.

(c) Use of the Project. The Participant will own or lease and operate the Project during the entire term of the Financing Agreement and will not change the use or ownership of any part of a Project during the entire term of the Financing Agreement without consultation of Bond Counsel and the prior written consent of the Corporation.

(d) Investment Limitations. (i) The Participant will restrict the investment of the Proceeds of the Financing Agreement and take such other actions as may be necessary so that the Financing Agreement will not constitute Arbitrage Bonds. Except for an amount equal to the Minor Portion and amounts in Reasonably Required Reserve or Replacement Funds, neither the Gross Proceeds of the Financing Agreement nor any Disposition Proceeds of the Financing Agreement may be invested at a Materially Higher Yield after the expiration of any Applicable Temporary Periods, unless any permitted Yield Reduction Payments are made.

(ii) The Participant should invest the Proceeds of the Financing Agreement separately from its other investments.

(iii) No more than 50% of the Sale Proceeds of the Financing Agreement may be invested in Nonpurpose Investments with a substantially guaranteed Yield for four or more years.

(iv) Either no amount on deposit in all Reasonably Required Reserve or Replacement Funds for the combination of the Financing Agreement and all other financing agreements entered into pursuant to the Program (the "Program Financing Agreements") on an aggregate basis, should exceed the least of (i) 10% of the stated principal amount of the Program Financing Agreements, if original issue discount does not exceed 2% times the stated redemption price of the Obligations, or the Issue Price of the Program Financing Agreements, if original issue discount does exceed 2% times the stated redemption price of the Program Financing Agreements, (ii) the maximum annual Debt Service of the Program Financing Agreements, or (iii)

125% of average annual Debt Service of the Program Financing Agreements, or the amount held in all Reasonably Required Reserve or Replacement Funds in excess of the lowest of these limits may not be invested at a Materially Higher Yield or, if the amount so invested satisfies Treas. Reg. § 1.148-5(c)(3)(i)(E), issued under the Code, appropriate Yield Reduction Payments should be timely made.

(v) If at any time, either the Participant determines or is informed that the Yield on the investment of moneys held by itself or any other person must be restricted or limited in order to prevent the Bonds from becoming Arbitrage Bonds, the Participant shall and shall so instruct any holder of the Sale Proceeds or Investment Proceeds of the Financing Agreement to take such action or actions as may be necessary to restrict or limit the yield on such investments as set forth in, and in accordance with, such instruction.

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

SECTION 2.03. Service Contracts. The Participant represents that it will not enter into any Service Contracts or management contracts with respect to the Project without the prior written consent of Bond Counsel and the Corporation.

SECTION 2.04. Research Agreements. The Participant represents that it will not enter into any Research Agreements with respect to the Project without the prior written consent of the Corporation.

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

SECTION 2.06. Investments. The Participant will invest the Gross Proceeds of the Financing Agreement and any Disposition Proceeds of the Financing Agreement only under the Investment Agreement unless otherwise authorized in writing by the Corporation.

SECTION 2.07. Records. The Participant represents that proper records and accounts, containing complete and correct entries of all transactions relating to the Financing Agreement, the use of the Gross Proceeds of the Financing Agreement and the expenditures made in connection with the acquisition of the Project, will be maintained. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

SECTION 2.08. Payment of Arbitrage Compliance Amounts. The Participant represents that all actions necessary to comply with the Yield limitations applicable to investments of the Sale Proceeds and Investment Proceeds of the Financing Agreement and the Rebate requirements contained in Section 148(f) of the Code and the Treasury Regulations thereunder will be taken. Immediately upon the request of the Corporation, the Participant will assemble copies of records concerning investments of Gross Proceeds of the Financing Agreement, including any amounts held by any provider of a letter of credit or guarantor under a reimbursement or other similar agreement. In particular, the Participant will provide the Corporation with information that will enable the Corporation to determine if any Rebate Amount is payable. The Participant will pay any Rebate Payment and any Yield Reduction Payment owed with respect to the Gross Proceeds of the Financing Agreement, as determined by the Corporation. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

SECTION 2.09. Information Reporting Requirements. The Participant represents that it will timely execute and file any information reports required under Section 149(e) of the Code (Form 8038-G) or as required by the Corporation.

SECTION 2.10. Compliance with Tax Compliance Agreement. (a) The Participant and the Corporation may, at any time, employ bond counsel, independent certified public accountants, or other qualified experts acceptable to the Corporation to perform any of the requirements imposed upon the Participant by this Tax Compliance Agreement.

(b) The Participant and the Corporation agree, to the extent reasonably possible, to comply with any amendments to the Code or any applicable Regulations, effective retroactively, and the Participant and the Corporation shall take all actions necessary to amend this Tax Compliance Agreement to comply therewith.

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

SECTION 2.11. Section 265 Designation. (a) The Corporation hereby designates the Financing Agreement as “qualified tax-exempt obligations” for purposes and within the meaning of Section 265(b)(3) of the Code. In support of such designation, the Participant certifies that the Financing Agreement will not be at any time “private activity bonds” (as defined in Section 141 of the Code) other than “qualified 501(c)(3) bonds” (as defined in Section 145 of the Code). The Corporation further certifies that, as of the date hereof in the current calendar year, (i) no tax-exempt obligations of any kind other than the Bonds have been issued for the benefit of the Participant, and (ii) not more than \$10,000,000 of obligations of any kind (including the Bonds) benefitting the Participant during the current calendar year will be designated for purposes of Section 265(b)(3) of the Code.

(b) The Participant is not subject to Control by any entity, and there are no entities subject to Control by the Participant.

(c) On the date hereof, the Participant does not reasonably anticipate that for the current calendar year any Section 265 Tax-Exempt Obligations (except for the Financing Agreement) will be issued for its benefit. “Section 265 Tax-Exempt Obligations” are obligations the interest on which is excludible from gross income of the owners thereof under Section 103 of the Code, except for private activity bonds other than qualified 501(c)(3) bonds. The Corporation will not issue for the benefit of the Participant or any entity subject to control by the Participant (which may hereafter come into existence) of Section 265 Tax-Exempt Obligations (including the Financing Agreement) that exceed the aggregate amount of \$10,000,000 during the current calendar year unless it first obtains an opinion of Bond Counsel to the effect that such issuance will not adversely affect the treatment of the Bonds as “qualified tax-exempt obligations” for the purpose and within the meaning of Section 265(b)(3) of the Code.

[Signature Page to Follow]

[Signature Page to Tax Compliance Agreement]

IN WITNESS WHEREOF, the Participant and the Corporation have each caused this Tax Compliance Agreement to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth on the cover page hereto.

KENTUCKY BOND CORPORATION

By:

_____

Secretary

MEADE COUNTY WATER DISTRICT

By: _____

Chair

[Signature Page to Tax Compliance Agreement]

IN WITNESS WHEREOF, the Participant and the Corporation have each caused this Tax Compliance Agreement to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth on the cover page hereto.

KENTUCKY BOND CORPORATION

By: _____
Secretary

MEADE COUNTY WATER DISTRICT

By:
Chair

EXHIBIT I

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Agreement") is made and entered into as of _____, 2021, between the Meade County Water District (the "Participant") and Kentucky Bond Corporation, as disclosure agent (the "Disclosure Agent").

RECITALS

WHEREAS, the Participant has entered into a Lease (the "Lease") dated the date hereof with respect to which the Corporation issued its Bonds (the "Corporation Bonds") under the Indenture described in the Lease, and offered and sold the Corporation Bonds pursuant to an offering circular containing information regarding the Participant (the "Offering Document"); and

WHEREAS, the Disclosure Agent and the Participant, wish to provide for the disclosure of certain information concerning the Lease and the Corporation Bonds and other matters on an ongoing basis as set forth herein for the benefit of Holders of Corporation Bonds in accordance with the provisions of Securities and Exchange Commission Rule 15c2-12, as amended from time to time (the "Rule");

NOW, THEREFORE, in consideration of the mutual promises and agreements made herein and in the Lease, the receipt and sufficiency of which consideration is hereby mutually acknowledged, the parties hereto agree as follows:

Section 1. Definitions; Scope of this Agreement.

(A) All terms capitalized but not otherwise defined herein shall have the meanings assigned to those terms in the Lease, as amended and supplemented from time to time. Any such successor disclosure agent shall automatically succeed to the rights and duties of the Disclosure Agent hereunder, without any amendment hereto. The following capitalized terms shall have the following meanings:

"Annual Financial Information" shall mean a copy of the annual audited financial information prepared for the Participant which shall include, if prepared, a balance sheet, a statement of revenue and expenditure and a statement of changes in fund balances. All such financial information shall be prepared using generally accepted accounting principles, provided, however, that the Participant may change the accounting principles used for preparation of such financial information so long as the Participant includes as information provided to the public, a statement to the effect that different accounting principles are being used, stating the reason for such change and how to compare the financial information provided by the differing financial accounting principles.

"Beneficial Owner" shall mean any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Corporation Bonds (including persons holding Corporation Bonds through nominees, depositories or other intermediaries).

"Financial Obligation" shall mean (a) a debt obligation, (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (c) a guarantee of either (a) or (b). The term Financial Obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Holders of Bonds" shall mean any holder of the Corporation Bonds and any Beneficial Owner thereof.

"MSRB" shall mean the Municipal Securities Rulemaking Board.

"Material Event" shall mean, to the extent the Participant obtains knowledge, (i) principal and interest payment delinquencies; (ii) non-payment related defaults; (iii) unscheduled draws on debt service reserves reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers, or their failure to perform; (vi) adverse tax opinions or events affecting the tax-exempt status of the security; (vii) modifications to rights of security holders, if material; (viii) bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event; (ix) defeasances; (x) release, substitution or sale of property securing repayment of the securities; (xi) rating changes; (xii) bankruptcy, insolvency, receivership or similar

event; (xiii) the consummation of a merger, consolidation, or acquisition or the sale of all or substantially all of the assets of the Participant, other than in the ordinary course of business, or entering into or the terminating an agreement relating to any such actions; (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material (xv) incurrence of a Financial Obligation of the Issuer or Obligated Persons, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer or Obligated Person, any of which affect security holders, if material; (xvi) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer or Obligated Person, any of which reflect financial difficulties and (xvii) failure (of which the Participant has knowledge) to provide the required Annual Financial Information on or before the date specified herein; provided, that the occurrence of an event described in clauses (i), (iii), (iv), (v), (viii), (ix) and (xi) shall always be deemed to be material. The SEC requires the listing of (i) through (xvii) although some of such events may not be applicable to the Corporation Bonds.

"Operating Data" shall mean an update of the Operating Data contained in the Offering Document, if any.

"Participating Underwriter" shall mean any of the original underwriters of the Corporation Bonds required to comply with the Rule in connection with the offering of the Corporation Bonds.

"Release" shall mean Securities and Exchange Commission Release No. 34-34961.

"SEC" shall mean the Securities and Exchange Commission.

"SID" shall mean the state information depository ("SID"), as such term is used in the Release, if and when a SID is created for the State.

"State" shall mean the Commonwealth of Kentucky.

"Turn Around Period" shall mean (i) five (5) business days, with respect to Annual Financial Information and Operating Data delivered by the Participant to the Disclosure Agent; (ii) two (2) business days with respect to Material Event occurrences disclosed by the Participant to the Disclosure Agent; or (iii) two (2) business days with respect to the failure, on the part of the Participant, to deliver Annual Financial Information and Operating Data to the Disclosure Agent which period commences upon notification by the Participant of such failure, or upon the Disclosure Agent's actual knowledge of such failure.

(B) This Agreement applies to the Corporation Bonds and the Lease.

(C) The Disclosure Agent shall have no obligation to make disclosure about the Corporation Bonds or the Lease except as expressly provided herein; provided that nothing herein shall limit the duties or obligations of the Disclosure Agent, as Program Administrator, under the Indenture. The fact that the Disclosure Agent or any affiliate thereof may have any fiduciary or banking relationship with the Participant, apart from the relationship created hereby, shall not be construed to mean that the Disclosure Agent has actual knowledge of any event or condition except in its capacity as Program Administrator under the Indenture or except as may be provided by written notice from the Participant.

Section 2. Disclosure of Information.

(A) General Provisions. This Agreement governs the Participant's direction to the Disclosure Agent, with respect to information to be made public. In its actions under this Agreement, the Disclosure Agent is acting not as Program Administrator but as the Participant's agent; provided that the Disclosure Agent shall be entitled to the same protection in so acting under this Agreement as it has in acting as Program Administrator under the Indenture.

(B) Information Provided to the Public. Except to the extent this Agreement is modified or otherwise altered in accordance with Section 3 hereof, the Participant shall make or cause to be made public the information set forth in subsections (1), (2) and (3) below:

(1) Annual Financial Information and Operating Data. Annual Financial Information and Operating Data at least annually not later than 300 days after the end of Participant's current fiscal year and continuing with each fiscal year thereafter, for which the information is provided, taking into account the Turn Around Period, and, in addition, all information with respect to the Corporation Bonds required to be disseminated by the Trustee pursuant to the Indenture.

(2) Material Events Notices. Notice of the occurrence of a Material Event.

(3) Failure to Provide Annual Financial Information. Notice of the failure of Participant to provide the Annual Financial Information and Operating Data by the date required herein.

(C) Information Provided by Disclosure Agent to Public.

(1) The Participant directs the Disclosure Agent on its behalf to make public in accordance with subsection (D) of this Section 2 and within the time frame set forth in clause (3) below, and the Disclosure Agent agrees to act as the Participant's agent in so making public, the following:

(a) the Annual Financial Information and Operating Data;

(b) Material Event occurrences;

(c) the notices of failure to provide information which the Participant has agreed to make public pursuant to subsection (B)(3) of this Section 2;

(d) such other information as the Participant shall determine to make public through the Disclosure Agent and shall provide to the Disclosure Agent in the form required by subsection (C)(2) of this Section 2. If the Participant chooses to include any information in any Annual Financial Information report or in any notice of occurrence of a Material Event, in addition to that which is specifically required by this Agreement, the Participant shall have no obligation under this Agreement to update such information or include it in any future Annual Financial Information report or notice of occurrence of a Material Event; and

(2) The information which the Participant has agreed to make public shall be in the following form:

(a) as to all notices, reports and financial statements to be provided to the Disclosure Agent as Program Administrator by the Participant, in the form required by the Lease or other applicable document or agreement; and

(b) as to all other notices or reports, in such form as the Disclosure Agent shall deem suitable for the purpose of which such notice or report is given.

(3) The Disclosure Agent shall make public the Annual Financial Information, the Operating Data, the Material Event occurrences and the failure to provide the Annual Financial Information and Operating Data within the applicable Turn Around Period. Notwithstanding the foregoing, Annual Financial Information, Operating Data and Material Events shall be made public on the same day as notice thereof is given to the Holders of Bonds of outstanding Corporation Bonds, if required in the Indenture, and shall not be made public before the date of such notice. If on any such date, information required to be provided by the Participant to the Disclosure Agent has not been provided on a timely basis, the Disclosure Agent shall make such information public as soon thereafter as it is provided to the Disclosure Agent.

(D) Means of Making Information Public.

(1) Information shall be deemed to be made public by the Participant or the Disclosure Agent under this Agreement if it is transmitted as provided in subsection (D)(2) of this Section 2 by the following means:

(a) to the Holders of Bonds of outstanding Corporation Bonds, by the method prescribed by the Indenture;

(b) to the MSRB, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Participant or the Disclosure Agent is authorized to transmit information to a MSRB by whatever means are mutually acceptable to the Disclosure Agent or the Participant, as applicable, and the MSRB; and/or

(c) to the SEC, by (i) electronic facsimile transmissions confirmed by first class mail, postage prepaid, or (ii) first class mail, postage prepaid; provided that the Participant or the Disclosure Agent is authorized

to transmit information to a SEC by whatever means are mutually acceptable to the Disclosure Agent or the Participant, as applicable, and the SEC.

(2) Information shall be transmitted to the following:

(a) all Annual Financial Information and Operating Data shall be made available to the MSRB;

(b) notice of all Material Event occurrences and all notices of the failure to provide Annual Financial Information or Operating Data within the time specified in Section 2(B)(1) hereof shall be made available to the MSRB; and

(c) all information described in clauses (a) and (b) shall be made available to any Holder of Bonds upon request, but need not be transmitted to the Holders of Bonds who do not so request.

(d) to the extent any Annual Financial Information or Operating Data is included in a document filed with the MSRB or the SEC, the Participant shall have been deemed to have provided that information if a statement specifically referencing the filed document is filed with the MSRB as part of the Participant's obligation to file Annual Financial Information and Operating Data pursuant to this Agreement. Additionally, if the referenced document is a final official statement (as that term is defined in Rule 15c2-12(f)(3)), it must be available from the MSRB.

With respect to requests for periodic or occurrence information from Holders of Bonds, the Disclosure Agent may require payment by requesting of holders a reasonable charge for duplication and transmission of the information and for the Disclosure Agent's administrative expenses incurred in providing the information.

Nothing in this Agreement shall be construed to require the Disclosure Agent to interpret or provide an opinion concerning the information made public. If the Disclosure Agent receives a request for an interpretation or opinion, the Disclosure Agent may refer such request to the Participant for response.

(E) Disclosure Agent Compensation. The Participant shall pay or reimburse the Disclosure Agent for its fees and expenses for the Disclosure Agent's services rendered in accordance with this Agreement as provided in the Lease.

(F) Indemnification of Disclosure Agent. The Participant shall indemnify and hold harmless the Disclosure Agent and its respective officers, directors, employees and agents from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorney fees) which such indemnified party may incur by reason of or in connection with the Disclosure Agent's performance under this Agreement; provided that the Participant shall not be required to indemnify the Disclosure Agent for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of the Disclosure Agent in such disclosure of information hereunder. The obligations of the Participant under this Section shall survive resignation or removal of the Disclosure Agent and payment of the Corporation Bonds.

Section 3. Amendment or Waiver. Notwithstanding any other provision of this Agreement, the Participant and the Disclosure Agent may amend this Agreement (and the Disclosure Agent shall agree to any reasonable amendment requested by the Participant) and any provision of this Agreement may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel or counsel expert in federal securities laws acceptable to both the Participant and the Disclosure Agent to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule as well as any change in circumstance.

Section 4. Miscellaneous.

(A) Representations. Each of the parties hereto represents and warrants to each other party that it has (i) duly authorized the execution and delivery of this Agreement by the officer of such party whose signature appears on the execution pages hereto, (ii) that it has all requisite power and authority to execute, deliver and perform this Agreement under its organizational documents and any corporate resolutions now in effect, (iii) that the execution and delivery of this Agreement, and performance of the terms hereof, does not and will not violate any law, regulation, ruling, decision, order, indenture, decree, agreement or instrument by which such party is bound, and (iv) such party is not aware of any litigation or proceeding pending, or, to the best of such party's knowledge, threatened, contesting or questioning its existence, or its power and authority to enter into this Agreement, or its due authorization, execution and delivery of this Agreement, or otherwise contesting or questioning the issuance of the Corporation Bonds.

(B) Governing Law. This Agreement shall be governed by and interpreted in accordance with the laws of the State; provided that, to the extent that the SEC, the MSRB or any other federal or state agency or regulatory body with jurisdiction over the Corporation Bonds shall have promulgated any rule or regulation governing the subject matter hereof, this Agreement shall be interpreted and construed in a manner consistent therewith.

(C) Severability. If any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, the remaining provisions hereof shall survive and continue in full force and effect.

(D) Counterparts. This Agreement may be executed in one or more counterparts, each and all of which shall constitute one and the same instrument.

(E) Termination. This Agreement may be terminated by any party to this Agreement upon thirty days' written notice of termination delivered to the other party or parties to this Agreement; provided the termination of this Agreement is not effective until (i) the Participant, or its successor, enters into a new continuing disclosure agreement with a disclosure agent who agrees to continue to provide, to the MSRB and the Holders of Bonds, all information required to be communicated pursuant to the rules promulgated by the SEC or the MSRB, (ii) nationally recognized bond counsel or counsel expert in federal securities laws provides an opinion that the new continuing disclosure agreement is in compliance with all State and Federal Securities laws and (iii) notice of the termination of this Agreement is provided to the MSRB.

This Agreement shall terminate when all of the Corporation Bonds are or are deemed to be no longer outstanding by reason of redemption or legal defeasance or at maturity.

(F) Defaults: Remedies. A party shall be in default of its obligations hereunder if it fails to carry out or perform its obligations hereunder.

If an event of default occurs and continues beyond a period of thirty (30) days following notice of default given in writing to such defaulting party by any other party hereto or by a beneficiary hereof as identified in Section 4(G), the non-defaulting party or any such beneficiary may (and, at the request of the Participating Underwriter or the holders of at least 25% aggregate principal amount of Outstanding Corporation Bonds, the non-defaulting party shall), enforce the obligations of the defaulting party under this Agreement; provided, however, the sole remedy available in any proceeding to enforce this Agreement shall be an action in mandamus, for specific performance or similar remedy to compel performance.

(G) Beneficiaries. This Agreement is entered into by the parties hereof and shall inure solely to the benefit of the Participant, the Trustee, the Disclosure Agent, the Participating Underwriter and Holders of Bonds, and shall create no rights in any other person or entity.

Section 5. Additional Disclosure Obligations. The Participant acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, may apply to the Participant, and that under some circumstances compliance with this Agreement, without additional disclosures or other action, may not fully discharge all duties and obligations of the Participant under such laws.

Section 6. Notices. Notices shall be provided in the manner set forth in the Lease.

IN WITNESS WHEREOF, the Disclosure Agent and the Participant have each caused their duly authorized officers to execute this Agreement, as of the date set first set forth above.

KENTUCKY BOND CORPORATION

By:


Secretary

MEADE COUNTY WATER DISTRICT

By:

Chair

IN WITNESS WHEREOF, the Disclosure Agent and the Participant have each caused their duly authorized officers to execute this Agreement, as of the date set first set forth above.

KENTUCKY BOND CORPORATION

By: _____
Secretary

MEADE COUNTY WATER DISTRICT

By: Daryl Cantel
Chair

EXHIBIT J

AUTOMATED CLEARING HOUSE SERVICE AGREEMENT

This Agreement ("Agreement"), dated as of April 21, 2021, is between The Bank of New York Mellon Trust Company, N.A., as Trustee ("BNY Mellon") and the Meade County Water District, Kentucky (the "Participant"). Pursuant to certain services rendered by BNY Mellon on behalf of the Kentucky Bond Corporation for the Kentucky Bond Corporation Financing Program to the Participant, the Participant hereby authorizes BNY Mellon to initiate Automated Clearing House debit entries (the "ACH Entries") to its demand deposit account indicated below (the "Account"), maintained at the depository named below (the "Depository") and the Depository is authorized to debit the amount of each such ACH Entry to the Account and transfer the funds to the credit of The Bank of New York Mellon Trust Company, N.A. in accordance with the Automated Clearing House Operating Rules.

DEPOSITORY NAME: Meade County Bank BRANCH: Brandenburg, Ky
CITY: BRANDENBURG STATE: KY ZIP: 40108
TRANSIT/ABA NO.: 083901333 ACCOUNT NO.: 0011363

1. The parties agree as follows:
2. **NACHA Rules.** In providing services pursuant to this Agreement, BNY Mellon follows the Rules and Guidelines of the National Automated Clearing House Association, as amended from time to time (the "Rules"), except to the extent they are modified by the terms of this Agreement. The Rules are incorporated by reference into this Agreement. The terms that are used in this Agreement shall have the same meaning as they have under the Rules. The Participant and BNY Mellon agree to comply with and be subject to the Rules governing the transactions hereunder. By transmitting an entry BNY Mellon makes certain warranties under the Rules, such as correct account information, and the Participant hereby agrees to make the same warranties to BNY Mellon.
3. **Adjustment of Entries, Returns.** The Participant understands and agrees that any corrections, additions, deletions, or other adjustments to the entries requested by the Participant may be attempted by BNY Mellon but are not assured. The Participant further understands and agrees that BNY Mellon may not be able to adjust or correct any entry after such entry has been presented to the Originating Automated Clearing House serving BNY Mellon. BNY Mellon also reserves the right to terminate ACH transactions if they are returned and/or alter data if BNY Mellon receives a Notice of Change ("NOC") from the receiving financial institution. If an error in the ACH file or an ACH entry is discovered, the Participant may direct BNY Mellon to initiate a reversing entry within the time and in the manner prescribed by the NACHA Rules. The Participant agrees to reimburse BNY Mellon for all costs and expenses incurred by implementing a reversing file or a reversing entry, including all costs associated with the indemnification provisions of the NACHA Rules.

If a debit entry initiated by BNY Mellon is returned or rejected, BNY Mellon does not attempt a second collection or redeposit unless requested by the Participant, but BNY Mellon reserves the right to refuse to honor a second collection or redeposit request. If the designated Account does not have sufficient funds, BNY Mellon reserves the right to suspend any ACH Origination Service. The Participant shall then make any required payments to BNY Mellon via check or wire transfer.

BNY Mellon reserves the right to charge the applicable Account if an item (including but not limited to, an ACH debit) deposited or charged to the applicable Account is dishonored, returned or not paid even if BNY Mellon has not sent the Participant notice of the dishonor, return or nonpayment. BNY Mellon also reserves the right to charge an unpaid item against the applicable Account even if BNY Mellon could have made a claim for reimbursement on the item from the bank on which the item was drawn or from another bank. BNY Mellon may charge an item against the applicable Account even if the charge results in an overdraft.

4. **Limitation of Liability/Indemnity.** The Participant agrees, to the extent permitted by law, to indemnify and hold harmless BNY Mellon from all liabilities, losses, claims or damages, including reasonable attorney's fees, BNY Mellon incurs as a result of (i) the Participant's breach of warranty, (ii) the Participant's failure to perform under this Agreement, or (iii) BNY Mellon's performance under this Agreement except as a result of BNY Mellon's own negligence or willful misconduct. In no event shall BNY Mellon be liable for any indirect, special, incidental, consequential or punitive damages, or attorneys' fees. The Receiving Depository Financial Institution ("RDFI")

warrants the accuracy of any Notifications of Change and Returns pursuant to the NACHA Rules and BNY Mellon is not liable if the RDFI sends incorrect data to BNY Mellon and BNY Mellon acts upon their incorrect data.

5. **Termination.** Either party may terminate this Agreement upon prior written notice to the other party of at least thirty (30) days. This Agreement shall automatically terminate upon termination of the Financing Agreement between the Participant and Kentucky Bond Corporation (as defined in the Kentucky Bond Corporation Financing Program documents dated as of August 1, 2010). Notwithstanding such termination, this Agreement shall remain in full force and effect with respect to all transactions hereunder that occur prior to the date of such termination.
6. **Force Majeure.** Notwithstanding any other provision of this Agreement, BNY Mellon shall not be liable for any failure, inability to perform, or delay in performance hereunder, if such failure, inability, or delay is due to acts of God, war, civil commotion, governmental actions, fire, explosion, strikes, other industrial disturbances, terrorist attacks, delays by third parties, equipment malfunction, unusually severe weather conditions, or any other cause, event, or circumstance that is beyond its reasonable control.
7. **Notices.** All notices shall be in writing and shall be deemed to have been duly given three days after depositing in the mail, certified mail, return receipt requested, or one day after deposited with an overnight delivery system, addressed, in the case of notice to BNY Mellon, to:

The Bank of New York Mellon Trust Company, N.A.
614 West Main Street, Suite 2600
Louisville, KY 40202
Attn: Susanna N. Patterson

and in the case of Notice to the Participant, to:

Meade County Water District
1003 Armory Road
Brandenburg, Kentucky 40108

or to such other address as the party to receive notice may provide in writing to the other party in accordance with this Section.

8. **Parties Bound; Assignment.** This Agreement shall inure to the benefit of, and shall be binding upon, the respective successors and assigns of the parties hereto, but it may not be assigned in whole or in part by Participant without the prior written consent of BNY Mellon. BNY Mellon may assign this Agreement to any of its affiliates or, with notice to the Participant, to independent third parties.
9. **Governing Law.** The Agreement shall be governed by the laws of the Commonwealth of Kentucky.
10. **Miscellaneous.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, all of which together shall constitute one and the same Agreement. This Agreement contains the entire agreement of the parties relating to the subject matter hereof and supersedes any prior agreements. This Agreement may be amended only in writing executed by the parties hereto.
11. **Customer Information.** BNY Mellon and Participant agree that all information provided by Participant to BNY Mellon or to which BNY Mellon has access in the course of providing the Service under this Agreement to Participant, including but not limited to names, addresses, telephone numbers and account numbers ("Customer Information"), shall remain confidential. BNY Mellon agrees not to use the Customer Information for any purpose other than as required for the performance of BNY Mellon's obligations with regard to the Service, and BNY Mellon agrees not to duplicate or incorporate the Customer Information into BNY Mellon's own records or databases other than is necessary to provide the Service. Any dissemination of the Customer Information within BNY Mellon's affiliates and to BNY Mellon's subcontractors shall be on a "need to know" basis for the sole purpose of the performance of the Service.

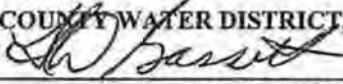
BNY Mellon agrees to implement appropriate measures designed to ensure the security and confidentiality of Participant's Customer Information, protect against reasonably foreseeable threats or Brandenburgs to the security or integrity of such information, and protect against unauthorized access to or use of such information. Such measures include, as appropriate, the establishment and maintenance of policies, procedures, and technical, physical, and administrative safeguards.

[Signature Page to Follow]

[Signature Page to ACH Agreement]

In witness whereof, the parties hereto have executed this Agreement as of the date first written above.

MEADE COUNTY WATER DISTRICT, KENTUCKY

By: 
Authorized Official

**THE BANK OF NEW YORK MELLON TRUST COMPANY,
N.A.**

By: _____

Title: _____

17067111.3

USDA/RD Loan



United States Department of Agriculture

May 22, 2025

Doug Cornett, Chairman
Meade County Water District
1003 Armory Place
Brandenburg, Kentucky 40108

SUBJECT: Letter of Conditions
Project Name: FY25 – 2023 Water System Improvements
CFDA NUMBER – 10.760

Agency Loan: \$7,659,000
Applicant: \$100

Dear Chairman Cornett:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to your application. The loan will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area staff of USDA Rural Development (RD), both of which are referred to throughout this letter as the Agency. Any changes in project cost, source of funds, scope of project, or any other significant changes in the project or applicant must be reported to and concurred with by the Agency by written amendment to this letter. This includes any significant changes in the Applicant's financial condition, operation, organizational structure or executive leadership. Any changes made without Agency concurrence shall be cause for discontinuing processing of the application.

This letter does not constitute loan approval, nor does it ensure that funds are or will be available for the project. The funding is being processed on the basis of a loan not to exceed \$7,659,000. The loan will be considered approved on the date Form RD 1940-1, "Request for Obligation of Funds" is signed by the Agency approval official.

The applicant will ensure projects are completed in a timely, efficient, and economical manner. You must meet all conditions set forth under Section III – Requirements Prior to Advertising for Bids within 1 year of this letter.

If you do not meet the conditions of this letter, the Agency reserves the right to withdraw Agency funding.

Rural Development • Kentucky State Office
771 Corporate Drive, Suite 200, Lexington, Kentucky 40502
Voice (859) 224-7300 • Fax (855) 661-8335 • TTY (859) 224-7422

USDA is an equal opportunity provider, employer and lender.

If you wish to file a Civil Rights program complaint of discrimination, complete the USDA Program Discrimination Complaint Form (PDF), found online at http://www.ascr.usda.gov/complaint_filing_cust.html, or at any USDA office, or call (866) 632-9992 to request the form. You may also write a letter containing all of the information requested in the form. Send your completed complaint form or letter to us by mail at U.S. Department of Agriculture, Director, Office of Adjudication, 1400 Independence Avenue, S.W., Washington, D.C. 20250-9410, by fax (202) 690-7442 or email at program.intake@usda.gov.

If you agree to meet the conditions set forth in this letter and desire further consideration be given to your application, please complete and return the following forms within 10 days:

Form RD 1942-46, "Letter of Intent to Meet Conditions"
Form RD 1940-1, "Request for Obligation of Funds"

All parties may access information and regulations referenced in this letter at our website located at: [Water and Environmental Programs | Rural Development \(usda.gov\)](#)

The conditions are as follows:

SECTION I - PROJECT SCOPE

1. Project Description – Funds will be used to upsize the existing Flaherty pump station and Flaherty transmission main. Additional improvements include a new pump station near the Payneville tank and new control valves to facilitate water turnover within the Payneville tank.

Facilities will be designed and constructed in accordance with sound engineering practices and must meet the requirements of Federal, State, and local agencies. The proposed facility design must be based on the Preliminary Engineering Report (PER), prepared by HDR dated February 5, 2025, as concurred with by the Agency.

2. Project Funding – The Agency is offering the following funding for your project:

Agency Loan - \$ 7,659,000

This offer is based upon the following additional funding being obtained.

Applicant Contribution - \$ 100

TOTAL PROJECT COST - \$ 7,659,100

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Prior to loan closing, any increase in non-Agency funding will be applied first as a reduction to Agency grant funds, up to the total amount of the grant, and then as a reduction to Agency loan funds.

The applicant must certify that they have exhausted all other funding avenues and have no pending funding considerations from any other sources. Further, the applicant must certify that they do not intend to apply anywhere else for funding for this project. If, after obligation of Agency funds, other funding becomes available, the Agency reserves the right to deobligate any and all funding for this project and to re-underwrite. This may result in the offering of a different funding package to for this project.

Prior to advertisement for construction bids, you must provide evidence of applicant contributions and other funding sources. This evidence should include a copy of the commitment letter. Agency funds will not be used to pre-finance funds committed to the project from other sources.

3. Project Budget – Funding from all sources has been budgeted for the estimated expenditures as follows:

<u>Project Costs:</u>	<u>Total Budgeted:</u>
Administration	\$ 15,000
Development	5,983,000
Contingency	598,300
Engineering Fees	820,800
Includes:	
Planning	45,000
Design	338,500
Construction Administration	81,300
Resident Project Representation (Inspection)	271,000
Additional Services	85,000
Interest - Interim	190,000
Land and Rights-of-Way	20,000
Legal Fees	32,000
TOTAL	7,659,100

Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. Obligated loan funds not needed to complete the proposed project will be deobligated. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. An "Amended Letter of Conditions" will be issued for any changes to the total project budget.

4. Project Timeline – To ensure that the project proceeds in a timely manner, key processing milestones have been established in accordance with the PER or other Agency approved documentation. **Projects should be completed and Agency funds fully disbursed within three years of obligation.** By agreeing to the terms herein, you agree to comply with the milestones identified below. If, for any reason, one or more of the milestones cannot be met, you must notify the Agency in writing at least 30 days prior to the referenced date. Should your final completion date become more than three years after obligation the written request will follow the procedures outlined in Section VI of this letter, including the submission of not less than 90 days prior to the benchmark. The correspondence must contain a valid explanation as to why the milestone cannot be met and include a proposed revised project completion schedule. If the Agency agrees to the modification, a written confirmation will be issued. The Agency reserves the right to de-obligate loan and/or grant funds, or take other appropriate action, if the established or amended deadlines are not met.

<u>Milestone</u>	<u>Date</u>
Land & Easement Acquisition	E bruary 2025
Plans & Specifications, and Design Complete	A pril 2025
Permits Acquisition Complete	A pril 2025
Initial Advertisement for Bids	M ay 2025
Award Contract(s)/Initiate Construction	June 2025/ September 2025
Substantial Completion	July 2026
Final Completion	August 2026

SECTION II – RATES & TERMS

5. Rates & Charges - Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing, and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

All Meter Sizes

First	2,000	Gallons	For	\$32.50	Per	Minimum	Gallons (Minimum Bill)
Next	5,000	Gallons	For	\$13.65	Per	1,000	Gallons
Next	10,000	Gallons	For	\$13.20	Per	1,000	Gallons
Next	20,000	Gallons	For	\$12.17	Per	1,000	Gallons
All Over	37,000	Gallons	For	\$10.72	Per	1,000	Gallons

Wholesale Doe Valley

All Over	0	Gallons	For	\$7.19	Per	1,000	Gallons
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Wholesale Otter Creek & Fort Knox

All Over	0	Gallons	For	\$7.36	Per	1,000	Gallons
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6. Interest Rates and Loan Terms – The interest rate will be the lower of the rate in effect at the time of loan approval or the time of loan closing, unless you request otherwise. Should the interest rate be reduced, the payment will be recalculated to the lower amount. The payment due date will be established as the day that the loan closes.

Your loan will be scheduled for repayment over a period of 40 years. Payments will be equal annual amortized installments, beginning one year after closing. For planning purposes, use a 4.250% interest which provides for an annual payment of \$401,485. The precise payment amount will be based on the interest rate at which the loan is closed and may be different than the one above.

7. Security – The loan will be secured by a Revenue bond with first lien position in the amount of \$7,659,000. The bond will be fully registered as to both principal and interest in the name of the "United States of America, Acting through the United States Department of Agriculture." Bond Counsel will be utilized in preparation of these documents.

The bond and any ordinance or resolution relating thereto must not contain any provision in conflict with the Agency Loan Resolution, applicable regulations, or associated laws. There must be no defeasance or refinancing clause in conflict with the graduation requirements of 7 U.S.C. 1983.

Additional security requirements are contained in RUS Bulletin 1780-27, "Loan Resolution (Public Bodies). A draft of all security instruments, including draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. Bond/loan resolutions must be duly adopted and executed prior to loan closing.

8. Reserves – Reserves must be properly budgeted and set aside to maintain the financial viability and sustainability of any operation. Reserves are important to fund unanticipated emergency repairs, to assist with debt service should the need arise, and for the replacement of assets which have a useful life less than the repayment period of the loan. The following reserves are required to be established as a condition of this loan:

a. **† Debt Service Reserve** – As a part of this Agency loan proposal, you must establish a debt service reserve fund equal to at least one annual loan installment that accumulates at the rate of 10% of one annual payment per year for ten years or until the balance is equal to one annual loan payment. For planning purposes, 10% of the proposed loan installment would equal \$3,350 per month; this amount should be deposited monthly until a total of \$402,000 has accumulated. Prior written concurrence from the Agency must be obtained before funds may be withdrawn from this account during the life of the loan. When funds are withdrawn during the life of the loan, deposits will continue as designated above until the fully funded amount is reached.

b. **† Short-Lived Asset Reserve** – In addition to the debt service reserve fund, you must establish a short-lived asset reserve fund. Based on the PER, you must deposit at least \$547,700 into the short-lived asset reserve fund annually for the life of the loan to pay for repairs and/or replacement of major system assets. It is your responsibility to assess your facility's short-lived asset needs on a regular basis and adjust the amount deposited to meet those needs.

SECTION III – REQUIREMENTS PRIOR TO ADVERTISING FOR BIDS

9. Organization – The Bond Counsel transcripts of proceedings must show that your organization is a duly incorporated public body and has continued legal existence. Your organization must have the authority to own, construct, operate, and maintain the proposed facility, as well as for borrowing money, pledging security and raising revenues.

10. Suspension and Debarment Screening – You will be asked to provide information on the principals of your organization. Agency staff must conduct screening for suspension and debarment of the entity, as well as its principals through the Do Not Pay Portal.

Principal –

- i. An officer, director, owner, partner, principal investigator, or other person within a participant with management or supervisory responsibilities related to a covered transaction; or
- ii. A consultant or other person, whether or not employed by the participant or paid with federal funds, who
 1. Is in a position to handle federal funds;
 2. Is in a position to influence or control the use of those funds; or,
 3. Occupies a technical or professional position capable of substantially influencing the development or outcome of an activity required to perform the covered transaction. (2 CFR §180.995)

11. Environmental Requirements –At the conclusion of the proposal's environmental review process, specific action(s) were determined necessary to avoid or minimize adverse environmental impacts. As outlined in the Environmental Report (ER) dated July, 12, 2024, the following actions are required for successful completion of the project and must be adhered to during project design and construction:

Applicant is responsible for acquiring the necessary permits for construction and operation of the projects and adhering to all environmental commitments made regarding construction and maintenance of the proposed projects. An inadvertent discovery provision, developed in accordance with 36 CFR § 800.13(b) and (c), will be included as a condition of obligation in order to address any historic properties which may be inadvertently discovered or affected during project construction. The project shall be in compliance with all requirements noted in the Office for Local Development letter dated April 23, 2024, from Ms. Billie R. Johnson.

The project, as proposed, has been evaluated to be consistent with the National Environmental Policy Act. Other Federal, State, tribal, and local laws, regulations and/or permits may apply or be required. If the project or any project element deviates from or is modified from the originally approved project, additional environmental review may be required.

12. Engineering Services – You have been required to complete an Agreement for Engineering Services, which should consist of the Engineers Joint Contract Documents Committee (EJCDC) documents as indicated in RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance," or other approved form of agreement. The Agency will provide concurrence prior to advertising for bids and must approve any modifications to this agreement.

13. Contract Documents, Final Plans, and Specifications- All development will be completed by contract in accordance with applicable provisions of RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, (copy available upon request), and in compliance with all statutory requirements. You are responsible to share this with your engineer before pre-design.

- a. The plans and specifications and all proposals required by law must be approved by Kentucky Division of Water.
- b. In preparing final design and providing service to the planned project area, you and your engineer will comply with all zoning and planning requirements of the appropriate governing bodies where service is to be provided.
- c. The Agency will need to concur in the plans and specifications prior to advertising for bids. The Agency may require an updated cost estimate if a significant amount of time has elapsed between the original project cost estimate and advertising for bids.
- d. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.
- e. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.

14. Build America, Buy America (BABAA) Requirements- Recipients of an award of Federal financial assistance from a program for infrastructure are hereby notified that none of the funds provided under this award may be used for a project for infrastructure unless:

- a. all iron and steel permanently installed in the project are produced in the United States-- this means all manufacturing processes, from the initial melting stage through the application of coatings, occurred in the United States;
- b. all manufactured products permanently installed in the project are produced in the United States--this means the manufactured product was manufactured in the United States; and the cost of the components of the manufactured product that are mined, produced, or manufactured in the United States is greater than 55 percent of the total cost of all components of the manufactured product, unless another standard for determining the minimum amount of domestic content of the manufactured product has been established under applicable law or regulation; and
- c. all construction materials permanently installed are manufactured in the United States-- this means that all manufacturing processes for the construction material occurred in the United States.

The BABAA requirement applies to the entirety of an infrastructure project even if only a portion of the project is funded by Federal funds.

The Buy America preference only applies to articles, materials, and supplies that are consumed in, incorporated into, or affixed to an infrastructure project. As such, it does not apply to tools, equipment, and supplies, such as temporary scaffolding, brought to the construction site and removed at or before the completion of the infrastructure project. Nor does a Buy America preference apply to equipment and furnishings, such as movable chairs, desks, and portable computer equipment, that are used at or within the finished infrastructure project but are not an integral part of the structure or permanently affixed to the infrastructure project.

Waivers

When necessary, recipients may apply for, and the agency may grant, a waiver from these requirements. The agency should notify the recipient for information on the process for requesting a waiver from these requirements.

When the Federal agency has made a determination that one of the following exceptions applies, the awarding official may waive the application of the domestic content procurement preference in any case in which the agency determines that:

- a. applying the domestic content procurement preference would be inconsistent with the public interest;
- b. the types of iron, steel, manufactured products, or construction materials are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or
- c. the inclusion of iron, steel, manufactured products, or construction materials produced in the United States will increase the cost of the overall project by more than 25 percent.

A request to waive the application of the domestic content procurement preference must be in writing. The agency will provide instructions on the format, contents, and supporting materials required for any waiver request. Waiver requests are subject to public comment periods of no less than 15 days and must be reviewed by the Made in America Office.

Definitions

"Construction materials" includes an article, material, or supply—other than an item of primarily iron or steel; a manufactured product; cement and cementitious materials; aggregates such as stone, sand, or gravel; or aggregate binding agents or additives—that is or consists primarily of:

- non-ferrous metals;
- plastic and polymer-based products (including polyvinylchloride, composite building materials, and polymers used in fiber optic cables);
- glass (including optic glass);
- lumber; or
- drywall.

"Domestic content procurement preference" means all iron and steel used in the project are produced in the United States; the manufactured products used in the project are produced in the United States; or the construction materials used in the project are produced in the United States.

"Infrastructure" includes, at a minimum, the structures, facilities, and equipment for, in the United States, roads, highways, and bridges; public transportation; dams, ports, harbors, and other maritime facilities; intercity passenger and freight railroads; freight and intermodal facilities; airports; water systems, including drinking water and wastewater systems; electrical transmission facilities and systems; utilities; broadband infrastructure; and buildings and real property. Infrastructure includes facilities that generate, transport, and distribute energy.

"Project" means the construction, alteration, maintenance, or repair of infrastructure in the United States.

Owners are ultimately responsible for compliance with the evidence standards as outlined in the Build America Buy America (BABAA) appendix to this Letter. Owners are required to maintain records as specified in their loan or grant agreement, but in all cases, they should maintain records for a minimum of three years after the final expenditure report. Minimum records include certifications from manufacturers, the architect/engineer, and the prime contractor. Supporting documentation includes purchasing records and notes and photos taken by the Resident Project Representative (RPR). Further guidance regarding certifications will be provided by the Agency.

15. Legal Services – A legal services agreement is required with your attorney and bond counsel, if applicable, for any legal work needed in connection with this project. The agreement should stipulate an hourly rate for the work, with a "not to exceed" amount for the services, including reimbursable expenses. RUS Bulletin 1780-7, "Legal Services Agreement," or similar format may be used. The Agency will provide concurrence prior to advertising for bids. Any changes to the fees or services spelled out in the original agreement must be reflected in an amendment to the agreement and have prior Agency concurrence.

16. Property Rights - Prior to advertising for bids, you and your legal counsel must furnish satisfactory evidence that you have adequate continuous and valid control over the lands and rights-of-way needed for the project. Acquisitions of necessary land and rights must be accomplished in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act. Such control over the lands and rights will be evidenced by the following:

- a. **Right-of-Way Map** – Your engineer will provide a map clearly showing the location of all lands and rights-of-way needed for the project. The map must designate public and private lands and rights and the appropriate legal ownership thereof.
- b. **Form RD 442-20, "Right-of-Way Easement"** – This form, or similar format, may be used to obtain any necessary easements for the proposed project.
- c. **Form RD 442-21, "Right-of-Way Certificate"** – You will provide a certification on this form that all right-of-way requirements have been obtained for the proposed project.
- d. **Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way"** – Your attorney will provide a certification and legal opinion on this form addressing rights-of-way, easements, and title.

- e. **Preliminary Title Work (Title Opinion)** – When applicable, your attorney or title company will provide a preliminary title opinion for any property related to the facility, currently owned and to be acquired, along with copies of deeds, contracts or options for purchasing said property. Form RD 1927-9, "Preliminary Title Opinion," may be used.
- e. **Title Work** (Title Insurance when a security interest is not taken in the real estate) – When applicable, your attorney or title company will secure an Owners' Title Insurance policy on all real estate to be acquired in connection with this project. This policy should be in an amount equal to the market value of the property as improved.

The approving official may waive title defects or restrictions, such as utility easements, that do not adversely affect the suitability, successful operation, security value, or transferability of the facility. Any such waivers must be provided by the approving official in writing prior to closing or the start of construction, whichever occurs first.

You are responsible for the acquisition of all property rights necessary for the project and for determining that prices paid are reasonable and fair. The Agency may require an appraisal by an independent appraiser or Agency employee in order to validate the price to be paid.

17. System Policies, Procedures, Contracts, and Agreements – The facility must be operated on a sound business plan which involves adopting policies, procedures, and/or ordinances outlining the conditions of service and use of the proposed system. Mandatory connection policies should be used where enforceable. The policies, procedures, and/or ordinances must contain an effective collection policy for accounts not paid in full within a specified number of days after the date of billing. They should include appropriate late fees, specified timeframes for disconnection of service, and reconnection fees. A draft of these policies, procedures, and/or ordinances must be submitted for Agency review and concurrence, along with the documents below, before closing instructions may be issued unless otherwise stated.

- a. **Conflict of Interest Policy** – Prior to obligation of funds, you must certify in writing that your organization has in place up-to-date written standards of conduct covering conflict of interest. The standards of conduct must include disciplinary actions in the event of a violation by officers, employees, or agents of the borrower. The standards identified herein apply to any parent, affiliate or subsidiary organization of the borrower that is not a state or local government, or Indian Tribe. Policies and accompanying documents shall be furnished to Rural Development upon request.

You must also submit a disclosure of planned or potential transactions related to the use of Federal funds that may constitute or present the appearance of personal or organizational conflict of interest. Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure in the same format is required if no conflicts are anticipated.

Sample conflict of interest policies may be found at the National Council of Nonprofits website, <https://www.councilofnonprofits.org/tools-resources/conflict-of-interest>, or in Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy," at <http://www.irs.gov/pub/irs-pdf/i1023.pdf>. Though these examples reference non-profit corporations, the requirement applies to all types of Agency borrowers.

Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

#b. Water Purchase Contract – You propose to purchase water services from Hardin County Water District No.1. This purchase arrangement must be evidenced by a water purchase contract. A draft of the proposed contract must be submitted to the Agency for review and concurrence prior to advertising for bids. The draft contract must meet the requirements of 7 CFR 1780.62.

#c. Water User Agreement Projects not involving mandatory connection require users to execute a Water Users Agreement. The draft agreement must receive Agency concurrence prior to advertising for bids. RUS Bulletin 1780-9, "Water Users Agreement," or similar format may be used.

#d. Contracts for Other Services/Lease Agreement – Drafts of any contracts or other forms of agreements for other services, including audit, management, operation, and maintenance, or lease agreements covering real property essential to the successful operation of the facility, must be submitted to the Agency for review and concurrence prior to advertising for bids.

Fully executed copies of any policies, procedures, ordinances, contracts, or agreements above must be submitted prior to loan closing, with the exception of the conflict of interest policy, which must be in place prior to obligation of funds.

18. Closing Instructions – The Agency will prepare closing instructions as soon as the requirements of the previous paragraphs are complete, as well as a draft of the security instrument(s). Both your bond and legal counsel must comply with these instructions when closing the Agency loan/grant.

19. System Users – This letter of conditions is based upon your indication at application that there will be at least 5,454 residential users, 268 non-residential users, and 3 bulk / wholesale users on the existing system when construction is completed.

Before the Agency can agree to the project being advertised for construction bids, you must certify that the number of users indicated at application are currently using the system or signed up to use the system once it is operational.

If the actual number of existing and/or proposed users that have signed up for service is less than the number indicated at the time of application, you must provide the Agency with a written plan on how you will obtain the necessary revenue to adequately cash flow the expected operation, maintenance, debt service, and reserve requirements of the proposed project (e.g., increase user rates, sign up an adequate number of other users, reduce project scope, etc.). Similar action is required if there is cause to modify the anticipated flows or volumes presented following approval.

- a. **Positive Program to Encourage Connections** – You must provide a positive program to encourage connection by all users as soon as service is available. The program will be reviewed by the Agency prior to advertising for bids. A guide for developing your positive program is available from the Agency.
- b. **Water User Agreements** – Users will be required to execute a Water Users Agreement prior to advertising for construction bids. The amount of cash contributions required will be set by you and concurred with by the Agency. Contributions should be an amount high enough to indicate sincere interest on the part of the potential user, but not so high as to preclude service to low-income families, and must have a deadline for the contribution to be used or forfeited. RUS Bulletin 1780-9, "Water Users Agreement," or similar agreement may be used.
- c. **Service Declination Statement** – Each potential user who is located along planned lines and declines the offered service will be provided an opportunity to sign a "Service Declination Statement."

20. Construction Account – A separate construction account is not required for project funds. However, the recipient must be able to separately identify, report and account for all Federal funds, including the receipt, obligation and expenditure of funds, in accordance with 2 CFR 200.305. These funds must be deposited in a bank with Federal Deposit Insurance Corporation (FDIC) insurance coverage. **If the balances at the financial institution where federal funds will be deposited exceeds the FDIC insurance coverage, the excess amount must be collaterally secured up to 100 percent of the highest amount of funds expected to be deposited in the account at any one time, per the Department of Treasury regulations and requirements.**

21. Interim Financing – The Agency's policy is to utilize interim financing for all loans exceeding \$500,000. Prepayment penalties on interim financing are not allowed. Borrowers are required to seek interim financing initially from private or cooperative lenders if funds can be borrowed at reasonable interest rates on an interim basis from those sources for the construction period. The fact that a commercial lender's rates are higher than current Agency interest rates does not necessarily mean that the commercial rate is not reasonable.

22. Proposed Operating Budget – You must establish and/or maintain a rate schedule that provides adequate income to meet the minimum requirements for operation and maintenance (O and M), debt service, and reserves. Prior to advertising for bids, you must submit a proposed annual operating budget to the Agency, as well as your proposed rate schedule.

The operating budget should be based on a typical year cash flow after completion of the construction phase and should be signed by the appropriate official of your organization. Form RD 442-7, "Operating Budget," or similar format may be utilized for this purpose. It is expected that O and M expenses will change over each successive year and user rates will need to be adjusted on a regular basis.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system. This assistance is available free to your organization. If you are interested, please contact our office for information.

23. Permits –The owner or responsible party will be required to obtain all applicable permits for the project, prior to advertising for bids. The consulting engineer must submit written evidence that all applicable permits required prior to construction have been obtained with submission to the Agency of the final plans, specifications, and bid documents.

24. Risk and Resilience Assessment/Emergency Response Plan (RRA/ERP) –The Agency requires all financed water and wastewater systems to have a RRA/ERP in place. New water or wastewater systems must provide a certification that an ERP is complete prior to the start of operation, and a certification that an RRA is complete must be submitted within one year of the start of operation. Borrowers with existing systems must provide a certification that an RRA/ERP has been completed prior to advertising for bids. Technical assistance is available in preparing these documents at no cost to you.

Before funds are drawn, you should have in place a cybersecurity plan, a supply chain plan, and a plan to comply with cybersecurity requirements of the National Institute of Science and Technology and the Cybersecurity and Infrastructure Security Administration. These items should be addressed in the RRA/ERP.

The RRA/ERP documents themselves are not submitted to the Agency. The RRA/ERP must address potential impacts from natural disasters and other emergency events. It should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. The documents should be reviewed and updated every five years at a minimum.

25. Bid Authorization - Once all the conditions outlined in Section III of this letter have been met, the Agency will authorize you to advertise the project for construction bids. Such advertisement must be in accordance with applicable State statutes.

SECTION IV - REQUIREMENTS PRIOR TO START OF CONSTRUCTION

26. Disbursement of Agency Funds - Agency funds will be disbursed electronically into the construction account as they are needed. SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form," must be completed and submitted to the Agency prior to commencement of construction.

The order of disbursement is as follows: 1) Applicant contribution, 2) other funding sources, 3) interim financing or Agency loan funds, and 4) Agency grant funds. Interim financing or Agency loan funds will be expended after all other funding sources unless a written agreement is reached with all other funding sources on how funds are to be disbursed prior the first disbursement. Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. Agency Grant funds must not be disbursed prior to loan funds except as authorized in 7 CFR 1780.45(d).

27. Bid Tabulation - Immediately after bid opening, you must provide the Agency with the bid tabulation and your engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of Section III of this letter have been satisfied, the Agency will authorize you to issue the Notice of Award.

- a. **Cost Overruns** – If bids are higher than expected, or if unexpected construction problems are encountered, you must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds. Cost overruns exceeding 20 percent of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.
- b. **Excess Funds** - If bids are lower than anticipated at time of obligation, excess funds must be deobligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully utilize obligated funds for those items. Amendments to the PER, ER, and Letter of Conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be deobligated, with grant funds being deobligated first. Excess funds do not include contingency funds as described in this letter.

28. Suspension and Debarment Screening – In accordance with 2 CFR Part 180, Subpart C, as a condition of the transaction and the responsibilities to persons at the next lower tier with whom you enter into transactions, you must conduct screening for suspension and debarment of lower tier recipients (e.g., vendors, contractors, etc.).

29. Contract Review – Your attorney will certify that the executed contract documents, including performance and payment bonds, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with 7 CFR 1780.61(b).

Once your attorney has certified that they are acceptable, the contract documents will be submitted to the Agency for concurrence. Construction cannot commence until the Agency has concurred in the construction contracts.

30. Final Rights of Way – Your attorney or title company must furnish a separate final title opinion or Title Insurance Policy on all real property related to the facility, now owned and to be acquired for this project, as of the day of loan closing or start of construction, whichever occurs first. Form RD 1927-10, "Final Title Opinion" may be used.

If any of the right-of-way forms listed previously in this letter contain exceptions that do not adversely affect the suitability, successful operation, security value, or transferability of the facility, the approving official must provide a written waiver prior to the issuance of the Notice to Proceed.

31. Insurance and Bonding Requirements – Prior to the start of construction or loan closing, whichever occurs first, you must acquire and submit to the Agency proof of the types of insurance and bond coverage for the borrower shown below. The use of deductibles may be allowed, providing you have the financial resources to cover potential claims requiring payment of the deductible. The Agency strongly recommends that you have your engineer, attorney, and insurance provider(s) review proposed types and amounts of coverage, including any exclusions and deductible provisions. It is your responsibility and not that of the Agency to assure that adequate insurance and fidelity bond coverage is maintained.

- a. **General Liability Insurance** – Include vehicular coverage.
- b. **Workers' Compensation** – In accordance with appropriate State laws.
- c. **Guaranty or Fidelity Insurance** – Coverage for all persons who have access to funds, including persons working under a contract or management agreement. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees. Each position is to be insured in an amount equal to the maximum amount of funds expected to be under the control of that position at any one time. The minimum coverage allowed will be an amount equal to the total annual debt service payment on the Agency loans. The coverage may be increased during construction based on the anticipated monthly advances.
- d. **National Flood Insurance** – If the project involves acquisition or construction in a designated special flood area, the community in which the acquisition or construction is situated must be currently participating in the national flood insurance program. Additionally, if the project involves acquisition or construction in designated special flood or mudslide prone areas, a flood insurance policy must be in place at the time of loan closing.
- e. **Real Property Insurance** – Fire and extended coverage will normally be maintained on all structures except reservoirs, pipelines and other structures if such structures are not normally insured, and subsurface lift stations except for the value of electrical and pumping equipment. The Agency will be listed as mortgagee on the policy when the Agency has a lien on the property. Prior to the acceptance of the facility from the contractor(s), you must obtain real property insurance (fire and extended coverage) on all facilities identified above.

The Agency is to be listed as "Other Insured" so as to receive notifications on all insurance, regardless of security. Insurance types described above are required to be continued throughout the life of the loan. See Section VII.

32. Initial Civil Rights Compliance Review – The Agency will conduct an initial civil rights compliance review of the borrower prior to loan closing or start of construction, whichever occurs first, in accordance with 7 CFR 1901, Subpart E. You are expected to comply with the completion of the review, including the furnishing of any documents, records, or other applicable material.

SECTION V – REQUIREMENTS PRIOR TO CLOSING

33. Interim Financing. Interim financing is being used. Generally, loan closing will occur near the end of construction when interim funds are fully disbursed. Documents detailed above from Sections II and III regarding security, electronic payments (Form 3550-28), and system policies, procedures, contracts, and agreements must be adopted and/or executed and submitted to the Agency prior to loan closing.

34. Electronic Payments – Payments will be made through an electronic preauthorized debit system. You will be required to complete Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," for all new and existing indebtedness to the Agency prior to loan closing.

35. Other Requirements All requirements contained in the Agency's closing instructions, as well as any requirements of your bond counsel and/or attorney, must be met prior to loan closing.

- a. **System for Award Management**. You will be required to maintain a Unique Entity ID (UEI) and maintain an active registration in the System for Award Management (SAM) database. Renewal can be completed online at: <http://sam.gov>. This registration must be renewed and revalidated every 12 months for as long as there is an active loan, grant, or guaranteed loan with the Agency.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process may take up to 10 business days. (See 2 CFR Part 25 and the "Help" section at <http://sam.gov>).

- ✱ b. **Litigation**. You are required to notify the Agency within 30 days of receiving notification of being involved in any type of litigation prior to loan closing or start of construction, whichever occurs first. Additional documentation regarding the situation and litigation may be requested by the Agency.
- c. **Certified Operator**. Evidence must be provided that your system has or will have a certified operator, as defined by applicable State or Federal requirements, available prior to the system becoming operational, or that a suitable supervisory agreement with a certified operator is in effect.

SECTION VI – REQUIREMENTS DURING CONSTRUCTION AND POST CONSTRUCTION

36. Construction Completion Timeframe – Following the benchmarks established in Section I, Item 4, Project Timeline, all projects should be completed and Agency funds fully disbursed within three years of the date of obligation. If funds are not disbursed within three years of obligation and you have not already done so per Section I, Item 4, you must submit a written request for extension of time to the Agency with adequate justification of the circumstances, including any beyond your control. The request must be submitted at least 90 days prior to the end of the three-year timeframe and include a revised estimated date of completion. The Agency will typically only allow one extension. Subsequent requests for waivers beyond the initial extension or requests that exceed five years from the initial date of obligation will be submitted to the RUS, Water and Environmental Programs for consideration. The Agency retains the right to de-obligate any loan and/or grant monies, or take other appropriate action, related to unliquidated funds that exceed the timeframes above and are not under an active extension.

37. Resident Inspector(s) – Full-time inspection is required unless you request an exception. Such requests must be made in writing and the Agency must provide written concurrence. Inspection services are to be provided by the consulting engineer unless other arrangements are requested in writing and concurred with by the Agency. A resume of qualifications of any resident inspector(s) will be submitted to the owner and Agency for review and concurrence prior to the pre-construction conference. The resident inspector(s) must attend the preconstruction conference.

38. Preconstruction Conference – A preconstruction conference will be held prior to the issuance of the Notice to Proceed. The consulting engineer will review the planned development with the Agency, owner, resident inspector, attorney, contractor, other funders, and other interested parties, and will provide minutes of this meeting to the owner and Agency.

39. Inspections - The Agency requires a preconstruction conference, pre-final, final, and warranty inspections. Your engineer will schedule a warranty inspection with the contractor and the Agency before the end of the one-year warranty period to address and/or resolve any outstanding warranty issues. The Agency will conduct an inspection with you of your records management system at the same time and will continue to inspect the facility and your records system every three years for the life of the loan. See Section VII of this letter.

40. Change Orders – A Change Order must be submitted for all modifications to the approved scope of work, including existing contracts. This includes non-physical modifications such as any time extension requests. Prior written Agency concurrence is required for all Change Orders.

41. Payments – Prior Agency concurrence is required for all invoices and requests for payment before Agency funds will be released. Requests for payment related to a contract or service agreement will be signed by the owner, project engineer, and contractor or service provider prior to Agency concurrence. Invoices not related to a construction contract or service agreement will include the owner's written concurrence.

42. Use of Remaining Funds – As stated above, applicant contribution and connection or tap fees will be the first funds expended in the project. Funds remaining after all costs incident to the basic project have been paid or provided will be handled as follows:

- a. Funds remaining after the applicant contribution and connection fees may be considered in direct proportion to the amounts of funding obtained from each source. The use of Agency funding will be limited to eligible loan and grant purposes, provided the use will not result in major changes to the original scope of work and the purpose of the loan and grant remains the same.
- b. Any reductions in the Agency funding will be first applied to the grant funds.
- c. Grant funds not expended for authorized purposes will be cancelled (de-obligated) within 180 days of final completion of project. Prior to actual cancellation, you, your attorney and engineer will be notified of the Agency's intent to cancel the remaining funds and given appropriate appeal rights.
- d. Under no circumstances is it appropriate to use remaining funds as contributions to a new project outside the scope of the funded project.
- e. Loan funds that are not needed will be cancelled (de-obligated) prior to loan closing.

43. Technical, Managerial and Financial Capacity - It is required that members of the Board of Directors, City Council members, trustees, commissioners and other governing members possess the necessary technical, managerial, and financial capacity skills to consistently comply with pertinent Federal and State laws and requirements. It is recommended members receive training within one year of appointment or election to the governing board, and a refresher training for all governing members on a routine basis. The content and amount of training should be tailored to the needs of the individual and the utility system. Technical assistance providers are available to provide this training for your organization, often at no cost. Contact the Agency for additional information.

44. Reporting Requirements Related to Expenditure of Funds – An annual audit under 2 CFR 200 is required if you expend more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law and must be submitted within 9 months of your fiscal year end. Both the audit and accompanying management report must be submitted for review.

If an audit is required, you must enter into a written agreement with the auditor and submit a copy of that agreement to the Agency prior to the advertisement of construction bids.

The audit agreement may include terms and conditions that the borrower and auditor deem appropriate; however, the agreement should include the type of audit to be completed, the time frame in which the audit will be completed, and how irregularities will be reported.

SECTION VII – SERVICING REQUIREMENTS DURING THE TERM OF THE LOAN

45. Prepayment and Extra Payments - Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.

46. Annual Financial Reporting/Audit Requirements – You are required to submit an annual financial report at the end of each fiscal year. The annual report will be certified by the appropriate organization official, and will consist of financial information, a current rate schedule, and listing of board members with their terms. Financial statements must be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). The annual report will include separate reporting for each water and waste disposal facility, and itemized cash accounts by type (debt service, short-lived assets, etc.) under each facility. All records, books and supporting material are to be retained for three years after the issuance of the annual report. Technical assistance is available, at no cost, with preparing financial reports.

The type of financial information that must be submitted is specified below:

- a. **Audits** – An audit under the Single Audit Act is required if you expend \$500,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

See Section VI for additional information regarding audits.

- b. **Financial Statements** – If you expend less than \$750,000 in Federal financial assistance per fiscal year, you may submit financial statements in lieu of an audit which include, at a minimum, a balance sheet and an income and expense statement. You may use Form RD 442-2, "Statement of Budget, Income and Equity," and 442-3, "Balance Sheet," or similar format to provide the financial information. The financial statements must be signed by the appropriate borrower official and submitted within 60 days of your fiscal year end.

47. Annual Budget and Projected Cash Flow - Thirty days prior to the beginning of each fiscal year, you will be required to submit an annual budget and projected cash flow to this office. The budget must be signed by the appropriate borrower official. Form RD 442-2, "Statement of Budget, Income and Equity," or similar format may be used.

Technical assistance is available at no cost to help you evaluate and complete a rate analysis on your system, as well as completing the annual budget.

48. Graduation - By accepting this loan, you are also agreeing to refinance (graduate) the unpaid loan balance in whole, or in part, upon request of the Government. If at any time the Agency determines you can obtain a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms, you will be requested to refinance. Your ability to refinance will be assessed every other year for those loans that are five years old or older.

49. Security/Operational Inspections - The Agency will inspect the facility and conduct a review of your operations and records management system and conflict of interest policy every three years for the life of the loan. You must participate in these inspections and provide the required information.

50. System for Award Management. You will be required to maintain a Unique Entity ID (UEI) and maintain an active registration in the System for Award Management (SAM) database. Further information can be found at paragraph 33 of this letter.

51. Risk and Resiliency Assessment/Emergency Response Plan (RRA/ERP) - The RRA/ERP is further outlined under Section III of this letter. You will be required to submit a certification to the servicing office every five years that the RRA/ERP is current and covers all sites related to the facility. The RRA/ERP documents themselves are not submitted to the Agency. The RRA/ERP must address potential impacts from natural disasters and other emergency events. It should include plans to address impacts of flash flooding in areas where severe drought or wildfires occur. Technical assistance is available in preparing these documents at no cost to you.

52. Insurance. - Insurance requirements are further outlined in Section IV of this letter. You will be required to maintain insurance on the facility and employees as previously described in this letter for the life of the loan.

53. Statutory and National Policy Requirements As a recipient of Federal funding, you are required to comply with U.S. statutory and public policy requirements, including but not limited to:

- a. **Section 504 of the Rehabilitation Act of 1973** - 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 Agency financial assistance.

- b. **Civil Rights Act of 1964** – All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d et seq.) and 7 CFR 1901, Subpart E, particularly as it relates to conducting and reporting of compliance reviews. Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by Paragraph 1901.202(e) of this Title.
- c. **The Americans with Disabilities Act (ADA) of 1990** – This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, State and local government services, public transportation, public accommodations, facilities, and telecommunications.
- d. **Age Discrimination Act of 1975** – This Act (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.

Limited English Proficiency (LEP) under Executive Order 13166 - LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground 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. You must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information your organization 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."

- f. **Controlled Substances Act** - Even though state law may allow some activities, as a recipient of Federal funding, you are subject to the Controlled Substances Act. Specific questions about the Controlled Substances Act should be directed to the Servicing Official who will contact the Office of General Counsel, as appropriate.

54. Compliance Reviews and Data Collection – Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. You must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor your compliance with these requirements during regular compliance reviews.

The Agency will conduct regular compliance reviews of the borrower and its operation in accordance with 7 CFR Part 1901, Subpart E, and 36 CFR 1191, Americans with Disabilities Act (ADA) Accessibility Guidelines for Buildings and Facilities; Architectural Barriers Act (ABA) Accessibility Guidelines. Compliance reviews will typically be conducted in conjunction with the security inspections described in this letter.

If beneficiaries (users) are required to complete an application or screening for the use of the facility or service that you provide, you must request and collect data by race (American Indian or Alaska Native, Asian, Black or African American, White); ethnicity (Hispanic or Latino, Not Hispanic or Latino); and by sex. The Agency will utilize this data as part of the required compliance review.

SECTION VIII – REMEDIES FOR NON-COMPLIANCE

Non-compliance with the conditions in this letter or requirements of your security documents will be addressed under the provisions of Agency regulations, statutes, and other applicable policies.

We look forward to working with you to complete this project. If you have any questions, please contact Melissa Melton at 270-207-0913 or by e-mail at melissa.melton@usda.gov.

Sincerely,



TRAVIS BURTON
State Director

Attachments

cc: Acting WEP Program Director, Lesli Gill – London, KY.
Area Specialist, Melissa Melton – Bowling Green, KY.
Skeeters, Bennett, Wilson & Humphrey, Dustin C. Humphrey – Radcliff, KY.
HMB, Ty Wilson – Paducah, KY.

FORMS and BULLETINS:

Form AD-3031 "Assurance Regarding Felony Convictions or Tax Delinquent Status for Corporate Applicants" – Item 30
Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy" - Item 15
Form RD 440-22, "Promissory Note" – Item 6
Form RD 442-2, "Statement of Budget, Income and Equity" – Items 45 and 46
Form RD 442-3, "Balance Sheet" – Item 45
Form RD 442-7, "Operating Budget" – Item 20
Form RD 442-20, "Right-of-Way Easement" – Item 14
Form RD 442-21, "Right-of-Way Certificate" – Item 14
Form RD 442-22, "Opinion of Counsel Relative to Rights-of-Way" – Item 14
Form RD 1927-9, "Preliminary Title Opinion" – Item 14
Form RD 1927-10, "Final Title Opinion" – Item 28
Form RD 1940-1, "Request for Obligation of Funds" – Pages 1 and 2
Form RD 1942-8, "Resolution of Members or Stockholders" – Item 6
Form RD 1942-46, "Letter of Intent to Meet Conditions" – Page 2
Form RD 3550-28, "Authorization Agreement for Preauthorized Payments" – Items 32 and 33
Form UCC-1, "Financing Statement" – Item 6
Form UCC-1Ad, "UCC Financing Statement Addendum" – Item 6
SF 3881, "ACH Vendor/Miscellaneous Payment Enrollment Form" – Item 24
RUS Bulletin 1780-7, "Legal Services Agreement" – Item 13
RUS Bulletin 1780-9, "Water Users Agreement" - Items 15 and 17
RUS Bulletin 1780-12, "Water and Waste System Grant Agreement" – Item 6
RUS Bulletin 1780-26, "Guidance for the Use of EJCDC Documents on Water and Waste Projects with RUS Financial Assistance" – Items 11 and 12
RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)" – Item 6
RUS Bulletin 1780-28, "Loan Resolution Security Agreement" – Item 6

Appendix A
(INSTRUCTIONS TO FIELD)

A. Reporting Total Compensation of Recipient Executives

In the rare instance in which all of the following apply, please contact your POB Specialist for language to include in the LOC:

1. The total Federal funding authorized to date under this award is \$30,000 or more;
2. In the preceding fiscal year, the applicant received—
 - (A) 80 percent or more of their annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and
 - (B) \$25,000,000 or more in annual gross revenues from Federal procurement contracts (and subcontracts) and Federal financial assistance subject to the Transparency Act, as defined at 2 CFR 170.320 (and subawards); and
3. The public does not have access to information about the compensation of the executives through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. (To determine if the public has access to the compensation information, see the U.S. Security and Exchange Commission total compensation filings at <http://www.sec.gov/answers/excomp.htm>.)

B. Subaward and Subrecipients

In the rare instance in which there is a subrecipient in the project, please contact your POB Specialist for language to include in the LOC:

Subrecipient means an entity that:

- i. Receives a subaward from the recipient under this award; and
- ii. Is accountable to the recipient for the use of the Federal funds provided by the subaward.
 - a. Subaward means an award provided by a pass-through entity to a subrecipient for the subrecipient to carry out part of a Federal award received by the pass-through entity. It does not include payments to a contractor or payments to an individual that is a beneficiary of a Federal program.

Appendix B

Build America, Buy America Evidence Standards

Manufacturers

For each item to which BABAA applies (every item permanently installed on the project, except for aggregate and aggregate binding materials), a manufacturer's certification letter or other document demonstrating compliance is required. It must, at a minimum, identify the item being certified (short written description as well as part number, if applicable) and affirm that the item complies with BABAA. This document must be signed by an authorized company representative.

Architects and Engineers

Compliance with BABAA will be spelled out in agreements for services, construction contracts, and procurement contracts. Generally, the A/E contract should include, as a basic service, obtaining and maintaining all BABAA documentation (particularly manufacturers' certifications) during construction, which shall be transferred to the Owner upon completion of the project. The architect or engineer will need to certify to this action at the project's end.

Resident Project Representative / Resident Inspector

As part of their duties, Resident Project Representative/Resident Inspector should be instructed to verify items delivered to the site and installed are accompanied by documentation of compliance with BABAA. They should photograph items as appropriate. RPR/RI daily logs and photographs will become part of the construction record and can be used as supporting information during audits, providing evidence for items that are buried or otherwise inaccessible.

Contractors

Construction contract(s) must include a requirement to procure and install only items that comply with BABAA or are subject to an approved waiver. Contractors must provide manufacturers' certifications for all BABAA compliant items to the responsible party before a request for reimbursement to the Agency is made. At completion, the contractor will be required to certify that all items used on the contract complied with BABAA and that all manufacturers' certifications were provided.

Attachment #9

DEPRECIATION EXPENSE ADJUSTMENTS

Meade Water District

<u>Asset</u>	<u>Date in Service</u>	<u>Original Cost *</u>	<u>Reported Life</u>	<u>Depr. Exp.</u>	<u>Proforma Life</u>	<u>Depr. Exp.</u>	<u>Depreciation Expense Adjustment</u>
<u>General Plant</u>							
Structures & Improvements		\$ 2,761,624		\$ 69,584	37.5	73,643	4,060
Communication & Computer Eqmt.		\$ 33,074		6,295	10.0	3,307	(2,988)
Office Furniture & Equipment					22.5	-	-
Power Operated Equipment		\$ 65,840		\$ 12,021	12.5	5,267	(6,753)
Tools, Shop, & Garage Equipment		\$ 17,441		2,492	17.5	997	(1,495)
<u>Source of Supply Plant</u>							
Collecting & Impounding Reservoirs					62.5	-	-
Supply Mains		\$ 16,149,122		\$ 328,380	62.5	258,386	(69,994)
<u>Pumping Plant</u>							
Structures & Improvements					37.5	-	-
Telemetry					10.0	-	-
Pumping Equipment		\$ 206,339		\$ 10,735	20.0	10,317	(418)
<u>Transmission & Distribution Plant</u>							
Hydrants		\$ 62,589		\$ 1,393	50.0	1,393	-
Transmission & Distribution Mains		\$ 3,410,694		\$ 84,970	62.5	54,571	(30,399)
Meters		\$ 4,025,601		\$ 195,872	20.0	201,280	5,408
Meter Installations					45.0	-	-
Pump Equipment					20.0	-	-
Tank Fence		\$ 63,127		1,578	37.5	1,683	105
Services					40.0	-	-
Reservoirs & Tanks					45.0	-	-
2023 Water System Improvements Project		\$ 7,659,000		\$ -	62.5	122,544	122,544
<u>Transportation Equipment</u>							
Entire Group		\$ 247,256		\$ 49,451	7.0	35,322	(14,129)
TOTALS		\$ 34,701,707		\$ 762,769		\$ 768,711	\$ 5,942

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

Attachment #10

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Meade 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

- ☒ 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."

Keith Boothe
(Print Name)

Keith Boothe
(Signed)

Secretary
(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 Meade

Subscribed and sworn to before me by Keith Boothe
(Name)

this 25TH day of August, 2025.

Lisa J. Ballman
NOTARY PUBLIC
State-at-Large 15323

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Doug Cornett
(Print Name)



(Signed)

Chairman
(Position/Office)


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COMMONWEALTH OF KENTUCKY

COUNTY OF Meade

Subscribed and sworn to before me by Doug Cornett 
(Name)

this 25 day of August, 2025.


NOTARY PUBLIC
State-at-Large 15323

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Rick Myers
(Print Name)


(Signed)

Commissioner
(Position/Office)

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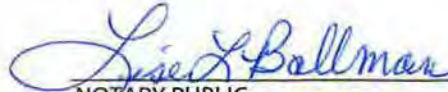
COMMONWEALTH OF KENTUCKY

COUNTY OF Meade

Subscribed and sworn to before me by Rick Myers


(Name)

this 25TH day of August, 20 25.



NOTARY PUBLIC
State-at-Large

15323

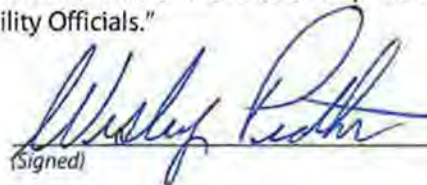
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Wesley Prather
(Print Name)


(Signed)

Vice-Chairman
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Meade

Subscribed and sworn to before me by Wesley Prather
(Name)

this 25TH day of August, 20 25.

Lisa L. Ballman
NOTARY PUBLIC
State-at-Large 15323

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

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Brett Pyles
(Print Name)


(Signed)

General Manager
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Meade

Subscribed and sworn to before me by Brett Pyles
(Name)

this 25TH day of August, 2025.

Lisa L Ballman
NOTARY PUBLIC
State-at-Large 15323

**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 Meade 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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Allen Stivers
(Print Name)


(Signed)

Treasurer
(Position/Office)

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COMMONWEALTH OF KENTUCKY

COUNTY OF Meade

Subscribed and sworn to before me by Allen Stivers
(Name)

this 25TH day of August, 2025.


NOTARY PUBLIC
State-at-Large 15323

Attachment #11

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF
THE MEADE COUNTY WATER DISTRICT PROPOSING
ADJUSTMENTS TO ITS WATER RATES AND CHARGES AND
AUTHORIZING ITS CHAIRMAN TO FILE AN APPLICATION
WITH THE PSC SEEKING APPROVAL OF THE PROPOSED
RATE ADJUSTMENT**

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

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

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

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF MEADE 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 District proposes to adjust its monthly water rates and charges as set forth in **Appendix A**, which is attached hereto and is incorporated herein by reference as a part of this Resolution. The proposed rates and charges set forth in **Appendix A** are subject to any minor adjustments that may be made by the PSC. The proposed rate adjustment shall not become effective until PSC approval has been obtained.

Section 3. The Chairman and Manager are hereby authorized and directed to prepare,

execute, and file with the PSC, by utilizing the Alternative Rate Adjustment Procedure for Small Utilities set forth in 807 KAR 5:076, an Alternative Rate Filing (“ARF”) Application, Tariff Sheets, and all other documents that may be required by the PSC.

Section 4. The Chairman, Manager, and all others to whom the Board of Commissioners may delegate certain responsibilities are hereby further authorized and directed to take any and all other actions and to execute and deliver any and all other documents as may be reasonably necessary to implement this Resolution.

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

ADOPTED BY THE BOARD OF COMMISSIONERS OF MEADE COUNTY WATER DISTRICT at a meeting held on August 25, 2025, signed by the Chairman, and attested by the Secretary.


CHAIRMAN

ATTEST:


SECRETARY

CERTIFICATION

I, Secretary of Meade County Water District (the “District”), do hereby certify that the foregoing is a true copy of a Resolution duly adopted by the District at a meeting properly held on August 25, 2025, signed by the Chairman of the District, attested by me as Secretary, and now in full force and effect.

WITNESS my hand this 25th day of August, 2025.


SECRETARY

APPENDIX A

<u>Monthly Water Rates</u>					
<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>		
First 2,000 Gallons (Minimum Bill)	\$ 24.73	\$ 31.42	\$ 6.69	27.05%	
Next 5,000 gallons per gallon	\$ 0.01202	\$ 0.01527	\$ 0.00325	27.04%	
Next 10,000 gallons per gallon	\$ 0.01162	\$ 0.01476	\$ 0.00314	27.02%	
Next 20,000 gallons per gallon	\$ 0.01072	\$ 0.01362	\$ 0.00290	27.05%	
Over 37,000 gallons per gallon	\$ 0.00945	\$ 0.01200	\$ 0.00255	26.98%	
<u>Bulk Station Sales</u>					
<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>		
All Usage per gallon	\$ 0.00886	\$ 0.01126	\$ 0.00240	27.09%	
<u>Doe Valley Water</u>					
<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>		
All Usage per gallon	\$ 0.00636	\$ 0.00808	\$ 0.00172	27.04%	
<u>Otter Creek Water</u>					
<u>Monthly Charge</u>	<u>Current</u>	<u>Proposed</u>	<u>Difference</u>		
All Usage per gallon	\$ 0.00651	\$ 0.00827	\$ 0.00176	27.04%	