

# Madison County Utilities District

297 Michelle Dr.

P O Box 670 ♦ Richmond KY 40476-0670 ♦ 859-624-1735 ♦ Fax 859-623-8220

August 17, 2009

Jeff Derouen, Executive Director  
Commonwealth of Kentucky  
Public Service Commission  
211 Sower Blvd  
P O Box 615  
Frankfort KY 40602-0615

**RECEIVED**

**AUG 19 2009**

**PUBLIC SERVICE  
COMMISSION**

Re: Case No. 2009-00272  
Application for Certificate of Public Convenience and  
Necessity to Purchase An Automated Meter Reading System  
an Approval of Financing for Automated Meter Reading System

## **Response to July 27, 2009 PSC Letter**

Madison County Utilities District response to PSC's letter of July 27, 2009 is listed below in same order as request.

### **1. Filing deficiencies pursuant to 807 KAR 5:001 Section 11(1)(a): Description of applicant's property**

The description of the property is land, office building and a two bay garage to store and repair equipment, distribution lines, water tanks, vehicles and other equipment is \$20,081,323.

### **807 KAR 5:001 Section 11(1)(a) Statement of original cost of applicant's property and the cost to the applicant, if different**

Cost to the applicant is \$12,474,398 due to contributions by customers for meter tap on fees and grants for projects from government agencies.

### **807 KAR 5:001 Section 11(1)(b) If Bonds or Notes or Other indebtedness is proposed: whether the debt is to be secured and if so a description of how it's secured**

Madison County Utilities District has entered into a proposed municipal lease purchase agreement with Government Capital Corp, 345 Miron Dr., Southlake, TX 76092. The lease purchase agreement is secured by 2,940 Automated Meter Reading Meters. Attached is a copy of the lease purchase agreement.

### **807 KAR Section 5:001 Section 6(4) Mortgages**

Madison County Utilities District does not have any mortgage obligations. See Auditor's Annual Report and Financial Statements of 2008, listed as Exhibit 6, page 11.

### **807 KAR Section 5:001 6(5) Bond Information**

Amount authorized is \$3,600,000

Amount issued \$3,600,000

Date of issue May 2008

Date of maturity 02/2022

Description of class issued is Utility Revenue Bonds

How secured-a statutory mortgage lien upon the waterworks system is created by Section 106.080 of the Kentucky Revised Statutes in favor of the registered owner of the bonds;

Interest paid last fiscal year \$79,150 interest expense; retired 1997 bonds interest paid \$67,507

Name of utility who issued Madison County Utilities District

In May 2008 Madison County Utilities District retired the construction note with proceeds from a bond refunding issue. In the Auditor's Annual Report and Financial statements of 2008, listed as Exhibit 6, page 12 lists Debt Service Requirements to Maturity.

### **807 KAR Section 5:001 6(5) Notes Outstanding**

Auditor's Annual Report and Financial Statements of 2008, Exhibit 6, page 11 list of December 31, 2008 a note outstanding with KY Infrastructure Authority. The outstanding amount is \$2,768,975

Date of issue May 2008

Favor of Madison County Utilities District

Maturity date is 2025

Rate of interest is 1% per annum plus .25% annual servicing fee

Interest paid last Fiscal Year Jan-Dec 2008 was \$28,842.84 + \$7,211.16=\$36,054

### **807 KAR 5:001 Section 6(7) Other Indebtedness**

Madison County Utilities District has no other outstanding indebtedness.

### **807 KAR 5:001 Section 6(9) Detailed income statement and balance sheet**

Madison County Utilities District moves for a deviation in accordance with from the provision of 807 KAR 5:001, Section 6(9) requiring that, "whenever in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed."

The financial statements for the calendar year 2008, is the most recent published financial data available for Madison County Utilities District. In support of its request, Madison states that there has been no change that is material in nature in its financial condition or operation since December 31, 2008. Because it has received bids for the Automated Meter Reading system, Madison County Utilities District could loose those favorable bids if the project is delayed while more current financial data is compiled.

### **807 KAR 5:001 Section 9(2)(f) An estimated cost of operation after the proposed facilities are completed.**

Madison County Utilities District bookkeeping staff, in conjunction with their outside auditor CPA, has determined the following estimated cost of operation once the proposed facilities are completed and in operation:

Estimated cost of proposed facilities: \$444,400

Estimated useful life: 20 years

Estimated INCREASE in annual depreciation expense over the next 20 years \$22,220

Estimated INCREASE in interest costs, by year, due to financing of proposed facilities:

2009: \$10,175

2010: \$20,913

2011: \$19,059

2012: \$17,108

2013: \$15,054

2014: \$12,893

2015: \$10,618

2016: \$ 8,224

2017: \$ 5,703

2018: \$ 3,051

Estimated DECREASE in annual labor costs (meter readers), including employer payroll taxes, liability and workers compensation insurance, due to implementation of proposed facilities:

Estimated annual DECREASE in labor costs: \$28,682 (2,390.20 per month)

#### SUMMARY

Actual, audited 2008 operating expenses for the District were \$3,510,977. Therefore, if a pro forma operating expense statement were prepared for 2008, it would show operating expenses of \$3,514,690 (using the 2009 interest expense figure). One MATERIAL adjustment that needs to be made which would DECREASE expenses is the removal of existing meters that are currently being depreciated, which would decrease depreciation expense. We would request a few more days to examine and gather that figure if you need that as part of this response. An estimate of that figure we believe would range between \$25,000-\$35,000.

We would like to have case number 2009-00272 be effective in 30 days September 19, 2009.

Sincerely,



John C. Clark  
Manager  
Madison County Utilities District

**MADISON COUNTY UTILITY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2007**

**NOTE 9 - NET ASSETS**

GASB Statement No. 34 requires the delineation of Net Assets as Invested in Property, Plant and Equipment ("capital investments"), Restricted and Unrestricted. The balance of capital investments represents funds that have been used to acquire and/or construct pump stations, storage facilities, distribution lines, meters, etc. and operated by the District, net of outstanding debt. The balance at December 31, 2007, is \$7,509,469.

The District has the following restricted net assets that are reserved in accordance with the District's bond ordinances (Note 2):

Depreciation	\$ 433,953
Debt service	<u>292,589</u>
 Total restricted	 <u>\$ 726,542</u>

The District had a balance of \$633,703 in unrestricted net assets at December 31, 2007.

**NOTE 10 - PROPERTY, PLANT AND EQUIPMENT**

A summary of changes in property, plant and equipment is as follows:

	<u>Balance 12/31/2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2007</u>
Land and Building	\$ 332,390	\$ 688,348		\$ 1,020,738
Water system	17,366,113	395,015		17,761,128
Construction in progress		259,930		259,930
Vehicles and equipment	<u>151,943</u>	<u>53,538</u>	-	<u>205,481</u>
	17,850,446	1,396,831	-	19,247,277
Accumulated depreciation	<u>(4,896,548)</u>	<u>(405,609)</u>		<u>(5,302,157)</u>
Total net property, plant and equipment	<u>\$ 12,953,898</u>	<u>\$ 991,222</u>	-	<u>\$ 13,945,120</u>

As of January 1, 2004, the District implemented GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This Statement established a new financial reporting model for state and local governments that included the addition of Management's Discussion and Analysis and certain other required supplementary information. In addition, this Statement required certain reclassifications of fund balance (net assets) and the recognition of grants as revenue rather than direct entries to fund balance (net assets).

Rec'd  
1-2-09

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## ESCROW SIGNING INSTRUCTIONS

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***These documents have been prepared and are being provided with the intent of a smooth and timely funding; however, providing these documents does not represent an irrevocable offer to provide funding for this transaction until such time as adequate financial information is provided and loan committee approval is granted.***

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**IF YOU HAVE ANY QUESTIONS, PLEASE CALL THE DOCUMENTATION DEPARTMENT AT 800-883-1199**

Enclosed find our Municipal Lease-Purchase Agreement for the financing of your current equipment needs. Please sign in blue ink the following documents and witness as indicated.

- ◆ **FINANCIAL INFORMATION**  
Please send the most current two (2) years audited financial statements and a budget for the current fiscal year. Please send the financial information as soon as possible in order for credit analysis to be completed.
- ◆ **MUNICIPAL LEASE-PURCHASE AGREEMENT**  
Please review and verify that the information contained in this document is correct. The Agreement requires the signature of an authorized individual with the signature witnessed.
- ◆ **EXHIBIT "B"**  
Review the Payment Schedule and sign as indicated.
- ◆ **INCUMBENCY CERTIFICATE**  
An authorized individual needs to sign this document, in front of a witness, who is either the "Keeper of the Records", Secretary of the Board, Clerk of the Board, City Secretary, or other Administrative Official.
- ◆ **INSURANCE CERTIFICATE OR SELF-INSURED CERTIFICATE**  
Please provide current Insurance Information, such as, Company name, Address, Policy Number, etc. If you are Self-Insured, please indicate.
- ◆ **ATTORNEY'S OPINION**  
Provided in your Lease Agreement, is an Attorney's Opinion letter. This letter needs to be retyped on firm's letterhead paper. Urge your attorney to call us with any questions, comments, or suggestions, he may have.
- ◆ **CERTIFICATE OF ACCEPTANCE**  
If equipment has been received please sign and date this Certificate. If equipment has not been received please do not sign, but complete the bottom portion of the Certificate.
- ◆ **RESOLUTION**  
This Resolution authorizes the actual transaction and the Authorized Signer's authority to sign the documents. Please sign as indicated.
- ◆ **ESCROW AGREEMENT**  
Sign all three originals as indicated. An "Agent" will be determined upon our receipt of the documents.
- ◆ **EXHIBIT A AND ATTACHMENT 1 / PAYMENT REQUEST / ACCEPTANCE CERTIFICATE (If Applicable)**  
When you are ready to pay for your equipment, please complete and return this form to our Escrow Department along with the vendor invoice. If equipment has not been received, please keep this form, so we can proceed with the paperwork. Then send the Payment Request/Acceptance Certificate Form when equipment is received. Your vendor payment will be processed in 24 to 48 hours from our receipt of the form.
- ◆ **DEMOGRAPHIC INFORMATION (If Applicable)**  
Complete the enclosed Demographic Information sheet in detail and return it with the signed Lease Agreement. All of the above information must be obtained prior to providing funding for this transaction.
- ◆ **8038 FORM**  
An 8038G or 8038GC is required by the IRS. Please sign and date the form. We will file on your behalf.
- ◆ **ADVANCE PAYMENT (If Applicable)**  
Include any Advance Payment, "At Signing", or Fee as invoiced, and return your payment along with the signed documents.

**PLEASE RETURN ALL ORIGINAL DOCUMENTS AND ANY PAYMENTS DUE TO:**

**Documentation Department  
GOVERNMENT CAPITAL CORPORATION  
345 Miron Drive  
Southlake, TX 76092  
800-883-1199**

# MUNICIPAL LEASE-PURCHASE AGREEMENT

THIS MUNICIPAL LEASE-PURCHASE AGREEMENT No. 5270 (hereafter referred to as "Agreement") dated as of **May 28, 2009**, by and between **Government Capital Corporation**, a Texas corporation (herein referred to as "Lessor"), and **Madison County Utility District**, a political subdivision or agency of the State of Kentucky (hereinafter referred to as "Lessee").

WITNESSETH: In consideration of the mutual covenants and conditions hereinafter set forth, the parties hereto agree as follows:

- 1. Term and Payments.** Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the property described in Exhibit A hereto (hereinafter, with all replacement parts, substitutions, proceeds, increases, additions, accessions, repairs and accessories incorporated therein or affixed thereto, referred to as the "Property") for the amounts to be paid in the sums (the "Lease Payments") and on the dates (the "Lease Payment Dates") set forth in Exhibit B hereto. Except as specifically provided in Section 2 hereof, the obligation of the Lessee to make the Lease Payments called for in Exhibit B hereto shall be absolute and unconditional in all events and shall not be subject to any set-off, defense, counterclaim or recoupment for any reason. The term of the lease hereunder shall commence upon the dated date of the lease and shall continue until the end of the Lessee's current fiscal period and thereafter for such additional fiscal periods as are necessary to complete the anticipated total lease term as set forth in Exhibit B, unless earlier terminated as provided herein. The interest rate and payments under this Agreement may be adjusted by the Lessor, or its Assigns, on the fifth (5<sup>th</sup>) anniversary of the agreement (each, an "Adjustment Date"). Notice of any rate adjustment shall be given in writing to the Lessee on or before the 30<sup>th</sup> business day prior to such rate adjustment (the "Determination Date"). The interest rate shall be adjusted to the five year treasury rate on the Determination Date, plus 276 basis points. "Treasury Rate" shall mean, as of the Determination Date, the ask yield of the United States Treasury obligations (as compiled by and published in the most recently published issue of the Wall Street Journal). Upon any rate adjustment, the future installments of principal and interest payable under this Agreement shall be adjusted. Any such adjustment shall be set forth in a new amortization schedule which the Lessor, or its Assignee, shall prepare using the same format as used to produce the original amortization schedule. Once the amortization schedule is prepared, the Lessor or its Assignee shall attach it to the Agreement and shall deliver a copy of same to the Lessee.
- 2. Renewal and Non-Appropriation.** Lessee agrees that it will take all necessary steps and make timely requests for the appropriation of funds to make all Lease Payments called for under Exhibit B, and use its best efforts and take all steps to cause such appropriations to be made. In the event that (i) funds for the succeeding fiscal period cannot be obtained, (ii) Lessee has exhausted all legally available means for making payment called for under this Agreement, (iii) Lessee has invoked and diligently pursued all legal procedures by which payment called for under this agreement may be made, (iv) such failure to obtain funds has not resulted from any act or failure to act of Lessee, (v) Lessee has not acquired, and has no intent to acquire during the subsequent fiscal period, items of property having functions similar to those of the Property or which provide similar benefits to Lessee, and (vi) no funds have been appropriated for the acquisition of such property, Lessee may terminate this Agreement at the end of any fiscal period during the payment schedule set forth in Exhibit B by giving notice to Lessor or its successors at least sixty (60) days prior to the first day of such fiscal period for which appropriations cannot be made. Such failure to obtain proper appropriation and approval of the full amount of funds necessary to make required payments hereunder during any fiscal period subsequent to the current fiscal period shall terminate all Lessee's right, title and interest in and obligations under this Agreement and to all the Property, effective on the last day of the last fiscal period for which appropriation or approval was properly obtained.
- 3. Taxes.** In addition to the Lease Payments to be made pursuant to Section 1 hereof, Lessee agrees to indemnify and hold Lessor harmless from and against and to pay Lessor, as additional rent, on demand, an amount equal to all licenses, assessments, sales, use, real or personal property, gross receipts or other taxes, levies, imposts, duties or charges, if any, together with any penalties, fines, or interest thereon imposed against or on Lessor, Lessee or the Property by any governmental authority upon or with respect to the Property or the purchase, ownership, rental, possession, operation, return or sale of, or receipt of payments for, the Property, except any Federal or state income taxes, if any, payable by Lessor. Lessee may contest any such taxes prior to payment provided such contest does not involve any risk of sale, forfeiture or loss of the Property or any interest therein.
- 4. Lessee's Covenants and Representations.** Lessee covenants and represents as follows:

  - (a) Lessee represents, and will provide an opinion of its counsel to the effect that, it has full power and authority to enter into this Agreement which has been duly authorized, executed, and delivered by Lessee and is a valid and binding obligation of Lessee enforceable in accordance with its terms, and all requirements for execution, delivery and performance of this Agreement have been, or will be, complied with in a timely manner;
  - (b) All Payments hereunder have been, and will be, duly authorized and paid when due out of funds then on hand and legally available for such purposes; Lessee will, to the extent permitted by State law and other terms and conditions of this Agreement, include in its budget for each successive fiscal period during the term of this Agreement a sufficient amount to permit Lessee to discharge all of its obligations hereunder, and Lessee has budgeted and available for the current fiscal period sufficient funds to comply with its obligations hereunder;
  - (c) There are no pending or threatened lawsuits or administrative or other proceedings contesting the authority for, authorization of performance of, or expenditure of funds pursuant to, this Agreement;
  - (d) Information supplied and statements made by Lessee in any financial statement or current budget prior to or contemporaneously with the Agreement are true and correct;
  - (e) Lessee has an immediate need for, and expects to make immediate use of, substantially all the Property, which need is not temporary or expected to diminish in the foreseeable future; specifically Lessee will not give priority or parity in the appropriation of funds for the acquisition or use of any additional property for purposes or functions similar to those of the Property.
  - (f) There are no circumstances presently affecting the Lessee that could reasonably be expected to alter its foreseeable need for the Property or adversely affect its ability or willingness to budget funds for the payment of sums due hereunder; and
  - (g) Lessee's right to terminate this Agreement as specified in Section 2 hereof was not an independently bargained for consideration, but was included solely for the purpose of complying with the requirements of the laws of the State in which Lessee is located.

(h) No lease, rental agreement, lease-purchase agreement, payment agreement or contract for purchase to which Lessee has been a party at any time during the past ten (10) years has been terminated by Lessee as a result of insufficient funds being appropriated in any Fiscal Year. No event has occurred which would constitute an event of default under any debt, revenue bond or obligation which Lessee has issued during the past ten (10) years.

**5. Use and Licenses.** Lessee shall pay and discharge all operating expenses and shall cause the Property to be operated by competent persons only. Lessee shall use the Property only for its proper purposes and will not install, use, operate or maintain the Property improperly, carelessly, or in violation of any applicable law, ordinance, rule or regulation of any governmental authority, or in a manner contrary to the nature of the Property or the use contemplated by its manufacturer. Lessee shall keep the property at the location stated on the Certificate of Acceptance executed by Lessee upon delivery of the Property until Lessor, in writing, permits its removal, and the Property shall be used solely in the conduct of the Lessee's operations. Lessee shall obtain, at its expense, all registrations, permits and licenses, if any, required by law for the installation and operation of the Property. Any license plates used on the Property shall be issued in the name of the Lessee. If a certificate of title is issuable with respect to the Property, it shall be delivered to the Lessor showing the interest of the Lessor.

**6. Maintenance.** Lessor shall not be obligated to make any repairs or replacements. At its own expense, Lessee shall service, repair and maintain the Property in as good condition, repair, appearance and working order as when delivered to Lessee hereunder, ordinary wear and tear from proper use alone excepted, and shall replace any and all parts thereof which may from time to time become worn out, lost, stolen, destroyed, or damaged beyond repair or rendered unfit for intended use, for any reason whatsoever, all of which replacements shall be free and clear of all liens, encumbrances and claims of others and shall become part of the Property and subject to this Agreement. Lessor may, at its option, discharge such costs, expenses and insurance premiums necessary for the repair, maintenance and preservation of the Property, and all sums so expended shall be due from Lessee in addition to rental payments hereunder.

**7. Alterations.**  
(a) Lessee may, at its own expense, install or place in or on, or attach or affix to, the Property such equipment or accessories as may be necessary or convenient to use the Property for its intended purposes provided that such equipment or accessories do not impair the value or utility of the Property. All such equipment and accessories shall be removed by Lessee upon termination of this Agreement, provided that any resulting damage shall be repaired at Lessee's expense. Any such equipment or accessories not removed shall become the property of Lessor.

(b) Without the written consent of Lessor, Lessee shall not make any other alterations, modifications or improvements to the Property except as required or permitted hereunder. Any other alterations, modifications or improvements to the Property shall immediately become part of the Property, subject to the provisions hereof. Without the prior written consent of Lessor, Lessee shall not affix or attach any of the Property to any real property. The Property shall remain personal property regardless of whether it becomes affixed or attached to real property or permanently rests upon any real property or any improvement thereon.

**8. Liens.** Lessee shall not directly or indirectly create, incur, assume or suffer to exist any mortgage, security interest, pledge, lien, charge, encumbrance or claim on or with respect to the Property, title thereto or any interest therein, except the respective rights of Lessor and Lessee hereunder.

**9. Damage to or Destruction of Property.** Lessee shall bear the entire risk of loss, damage, theft or destruction of the Property from any and every cause whatsoever, and no loss, damage, destruction or other event shall release Lessee from the obligation to pay the full amount of the rental payments or from any other obligation under this Agreement. In the event of damage to any item of the Property, Lessee will immediately place the same in good repair, with the proceeds of any insurance recovery applied to the cost of such repair. If Lessor determines that any item of Property is lost, stolen, destroyed or damaged beyond repair, Lessee, at the option of Lessee, will either (a) replace the same with like property in good repair or (b) on the next Lease Payment Date, pay Lessor (i) all amounts then owed by Lessee to Lessor under this Agreement, including the Lease Payment due on such date, and (ii) an amount equal to the applicable Option to Purchase Value set forth in Exhibit B.

**10. Insurance.** Lessee shall either be self-insured with regard to the Property or shall purchase and maintain insurance with regard to the Property. Lessee shall indicate on each Certificate of Acceptance executed in relation to this Agreement its election to be self-insured or company insured with regard to the Property listed on that Certificate of Acceptance. Whether Lessee is self-insured or company insured, Lessee shall, for the term of this Agreement, at its own expense, provide comprehensive liability insurance with respect to the Property, insuring against such risks, and such amounts as are customary for lessees of property of a character similar to the Property. In addition, Lessee shall, for the term of this Agreement, at its own expense, provide casualty insurance with respect to the Property, insuring against customary risks, coverage at all times not less than the amount of the unpaid principal portion of the Lease Payments required to be made pursuant to Section 1 as of the last preceding Payment Date specified in Exhibit B on which a Lease Payment was made. If insurance policies are provided with respect to the Property, all insurance policies shall be with insurers authorized to do business in the State where the Property is located and shall name both Lessor and Lessee as insureds as their respective interest may appear. Insurance proceeds from casualty losses shall be payable solely to the Lessor, subject to the provisions of Section 9. Lessee shall, upon request, deliver to Lessor evidence of the required coverages together with premium receipts, and each insurer shall agree to give Lessor written notice of non-payment of any premium due and ten (10) days notice prior to cancellation or alteration of any such policy. Lessee shall also carry and require any other person or entity working on, in or about the Property to carry workmen's compensation insurance covering employees on, in or about the Property. In the event Lessee fails, for any reason, to comply with the requirements of this Section, Lessee shall indemnify, save harmless and, at Lessee's sole expense, defend Lessor and its agents, employees, officers and directors and the Property against all risk of loss not covered by insurance.

**11. Indemnification.** Lessee shall indemnify, to the extent permitted by law, and save harmless Lessor and its agents, employees, officers and directors from and, at Lessee's expense, defend Lessor and its agents, employees, officers and directors against all liability, obligations, losses, damages, penalties, claims, actions, costs and expenses (including but not limited to reasonable attorneys' fees) of whatsoever kind or nature which in any way relate to or arise out of this Agreement or the ownership, rental, possession, operation, condition, sale or return of the Property. All amounts which become due from Lessee under this Section 11 shall be credited with any amounts received by the Lessor from insurance provided by the Lessee and shall be payable by Lessee within thirty (30) days following demand therefor by Lessor and shall survive the termination or expiration of this Agreement.

**12. No Warranty.** EXCEPT FOR REPRESENTATIONS, WARRANTIES, AND SERVICE AGREEMENTS RELATING TO THE PROPERTY MADE OR ENTERED INTO BY THE MANUFACTURERS OR SUPPLIERS OF THE PROPERTY, ALL OF WHICH ARE HEREBY ASSIGNED TO LESSEE, LESSOR HAS MADE AND MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AND ASSUMES NO OBLIGATION WITH RESPECT TO THE TITLE, MERCHANTABILITY, CONDITION, QUALITY OR FITNESS OF THE PROPERTY DESCRIBED IN EXHIBIT A FOR ANY PARTICULAR PURPOSE OR THE CONFORMITY OF THE PROPERTY TO SPECIFICATION OR PURCHASE ORDER, ITS DESIGN, DELIVERY, INSTALLATION OR OPERATION. All such risks shall be borne by Lessee without in any way excusing Lessee from its obligations under this Agreement, and Lessor shall not be liable to Lessee for any damages on account of such risks. All claims or actions on any warranty so assigned shall be made or prosecuted by Lessee, at its sole expense, upon prior written notice to Lessor. Lessor may, but shall have no obligation whatsoever to, participate in such claim or action on such warranty, at Lessor's expense. Any recovery under such a warranty shall be made payable jointly to Lessee and Lessor.

**13. Option to Purchase.** Provided Lessee has complied with the terms and conditions of this Agreement, Lessee shall have the option to purchase not less than all of the Property which is then subject to this Agreement, "as is" at the payment date, for the Option to Purchase Values set forth in Exhibit B by giving written notice to Lessor not less than sixty (60) days prior to the date specified in Exhibit B for the exercise of such option; provided that upon Lessee's timely payment of all Lease Payments specified in Exhibit B, Lessee shall be deemed to have properly exercised its option to purchase the Property and shall be deemed to have acquired all of Lessor's right, title and interest in and to the Property, free of any lien, encumbrance or security interest except such liens, encumbrances or security interest as may be created, or permitted and not discharged, by Lessee but without other warranties. Payment of the applicable Option to Purchase Value shall occur on the applicable Lease Payment Date specified in Exhibit B hereto, at which time Lessor shall, unless not required hereunder, deliver to Lessee a quitclaim bill of sale transferring Lessor's interest in the Property to Lessee free from any lien, encumbrance or security interest except such as may be created, or permitted and not discharged, by Lessee but without other warranties. Upon Lessee's actual or constructive payment of the Option to Purchase Value and Lessor's actual or constructive delivery of a quitclaim bill of sale covering the Property, this Agreement shall terminate except as to obligations or liabilities accruing hereunder prior to such termination.

**14. Default and Lessor's Remedies.**

(a) The occurrence of one or more of the following events shall constitute an Event of Default, whether occurring voluntarily or involuntarily, by operation of law or pursuant to any order of any court or governmental agency:

- (1) Lessee fails to make any payment hereunder when due or within ten (10) days thereafter;
- (2) Lessee fails to comply with any other covenant, condition or agreement of Lessee hereunder for a period of the ten (10) days after notice thereof;
- (3) Any representation or warranty made by Lessee hereunder shall be untrue in any material respect as of the date made;

(4) Lessee makes, permits or suffers any unauthorized assignment, transfer or other disposition of this Agreement or any interest herein, or any part of the Property or any interest therein; or

(5) Lessee becomes insolvent; or admits in writing its inability to pay its debts as they mature; or applies for, consents to or acquiesces in the appointment of a trustee, receiver or custodian for the Lessee or a substantial part of its property; or, in the absence of such application, consent or acquiescence, a trustee, receiver or custodian is appointed for Lessee or a substantial part of its property and is not discharged within sixty (60) days; or any bankruptcy, reorganization, debt arrangement, moratorium, or any proceeding under any bankruptcy or insolvency law, or any dissolution or liquidation proceeding is instituted by or against Lessee and, if instituted against Lessee, is consented to or acquiesced in by Lessee or is not dismissed within sixty (60) days.

(b) Upon the occurrence of any Event of Default specified herein, Lessor may, at its sole discretion, exercise any or all of the following remedies:

(1) Enforce this Agreement by appropriate action to collect amounts due or to become due hereunder, by acceleration of otherwise, or to cause Lessee to perform its other obligations hereunder in which event Lessee shall be liable for all costs and expenses incurred by Lessor;

(2) Take possession of the Property, without demand or notice and without court order or any process of law, and remove and relet the same for Lessee's account, in which event Lessee waives any and all damages resulting therefrom and shall be liable for all costs and expenses incurred by Lessor in connection therewith and the difference, if any, between the amounts to be paid pursuant to Section 1 hereof and the amounts received and to be received by Lessor in connection with any such reletting;

(3) Terminate this Agreement and repossess the Property, in which event Lessee shall be liable for any amounts payable hereunder through the date of such termination and all costs and expenses incurred by Lessor in connection therewith;

(4) Sell the Property or any portion thereof for Lessor's account at public or private sale, for cash or credit, without demand on notice to Lessee of Lessor's intention to do so, or relet the Property for a term and a rental which may be equal to, greater than or less than the rental and term provided herein. If the proceeds from any such sale or rental payments received under a new agreement made for the periods prior to the expiration of this Agreement are less than the sum of (i) the costs of such repossession, sale, relocation, storage, reconditioning, reletting and reinstallation (including but not limited to reasonable attorneys' fees), (ii) the unpaid principal balance derived from Exhibit B as of the last preceding Lease Payment Date specified in Exhibit B, and (iii) any past due amounts hereunder (plus interest on such unpaid principal balance at the rate specified in Section 19 hereof, prorated to the date of such sale), all of which shall be paid to Lessor, Lessor shall retain all such proceeds and Lessee shall remain liable for any deficiency; or

(5) Pursue and exercise any other remedy available at law or in equity, in which event Lessee shall be liable for any and all costs and expenses incurred by Lessor in connection therewith. "Costs and expenses," as that term is used in this Section 14, shall mean, to the extent allowed by law: (i) reasonable attorneys' fees if this Agreement is referred for collection to an attorney not a salaried employee of Lessor or the holder of this Agreement; (ii) court costs and disbursements including such costs in the event of any action necessary to secure possession of the Property; and (iii) actual and reasonable out-of-pocket expenses incurred in connection with any repossession or foreclosure, including costs of storing, reconditioning and reselling the Property, subject to the standards of good faith and commercial reasonableness set by the applicable Uniform Commercial Code. Lessee waives all rights under all exemption laws.



(6) Under no circumstances shall Lessee be liable under this subsection 14 (b) for any amount in excess of the sum appropriated pursuant to Section 1 hereof for the previous and current fiscal years, less all amounts previously due and paid during such previous and current fiscal years from amounts so appropriated.

**15. Termination.** Unless Lessee has properly exercised its option to purchase pursuant to Section 13 hereof, lessee shall, upon the expiration of the term of this Agreement or any earlier termination hereof pursuant to the terms of this Agreement, deliver the Property to Lessor unencumbered and in at least as good condition and repair as when delivered to Lessee, ordinary wear and tear resulting from proper use alone excepted, by loading the Property, at Lessee's sole expense, on such carrier, or delivering the Property to such location, as Lessor shall provide or designate at or within a reasonable distance from the general location of the Property. If Lessee fails to deliver the Property to Lessor, as provided in this Section 15, on or before the date of termination of this Agreement, Lessee shall pay to Lessor upon demand, for the hold-over period, a portion of the total payment for the applicable period as set forth in Exhibit B prorated from the date of termination of this Agreement to the date Lessee either redelivers the Property to Lessor or Lessor repossesses the Property. Lessee hereby waives any right which it now has or which might be acquired or conferred upon it by any law or order of any court or other governmental authority to terminate this Agreement or its obligations hereunder, except in accordance with the express provisions hereof.

**16. Assignment.** Without Lessor's prior written consent, Lessee will not either (i) assign, transfer, pledge, hypothecate, grant any security interest in or otherwise dispose of this Agreement or the Property or any interest in this Agreement or the Property; or (ii) sublet or lend the Property or permit it to be used by anyone other than Lessee or Lessee's employees. Lessor may assign its rights, title and interest in and to this Agreement, the Property and any other documents executed with respect to this Agreement and/or grant or assign a security interest in this Agreement and the Property, in whole or in part. Any such assignees shall have all of the rights of Lessor under this Agreement. Subject to the foregoing, this Agreement inures to the benefit of and is binding upon the heirs, executors, administrators, successors and assigns of the parties hereto. No assignment or reassignment of any of Lessor's rights, title or interest in this Agreement or the Property shall be effective with regard to Lessee unless and until Lessee shall have received a copy of the document by which the assignment or reassignment is made, disclosing the name and address of such assignee. No further action will be required by Lessor or by Lessee to evidence the assignment. During the term of this Agreement, Lessee shall keep a complete and accurate record of all such assignments in form necessary to comply with the United States Internal Revenue Code of 1986, Section 149 (a), and the regulations, proposed or existing, from time to time promulgated thereunder.

**17. Personal Property.** The Property is and shall at all times be and remain personal property.

**18. Title.** Upon acceptance of the Property by Lessee hereunder, Lessee shall have title to the Property during the term of this Agreement; however, in the event of (i) an Event of Default hereunder and for so long as such Event of Default is continuing, or (ii) termination of this Agreement pursuant to the provisions of Section 2 hereof, title shall be reverted immediately in and shall revert to Lessor free of any right, title or interest of Lessee unless Lessor elects otherwise.

**19. Lessor's Right to Perform for Lessee.** If Lessee fails to make any payment or perform or comply with any of its covenants or obligations hereunder, Lessor may, but shall not be required to, make such payment or perform or comply with such covenants and obligations on behalf of Lessee, and the amount of any such payment and the expenses (including but not limited to reasonable attorneys' fees) incurred by Lessor in performing or complying with such covenants and obligations, as the case may be, together with interest thereon at the highest lawful rate, shall be payable by Lessee upon demand.

**20. Interest on Default.** If Lessee fails to pay any Lease Payment specified in Section 1 hereof within ten (10) days after the due date thereof, Lessee shall pay to Lessor interest on such delinquent payment from the due date until paid at the highest lawful rate.

**21. Notices.** Any notices to be given or to be served upon any party hereto in connection with this Agreement must be in writing and may be given by certified or registered mail, and shall be deemed to have been given and received forty-eight (48) hours after a registered or certified letter containing such notice, postage prepaid, is deposited in the United States mail, and if given otherwise shall be deemed to have been given when delivered to and received by the party to whom it is addressed. Such notice shall be given to the parties at their respective addresses designated on the signature page of this Agreement or at such other address as either party may hereafter designate.

**22. Security Interest.** As security for Lessee's covenants and obligations hereunder, Lessee hereby grants to Lessor, and its successors, a security interest in the Property, all accessions thereto and proceeds therefrom, and, in addition to Lessor's rights hereunder, all of the rights and benefits of a secured party under the Uniform Commercial Code as in effect from time to time hereafter in the State in which the Property is located or any other State which may have jurisdiction over the Property. Lessee agrees to execute, acknowledge and deliver to Lessor in recordable form upon request financing statements or any other instruments with respect to the Property or this Agreement considered necessary or desirable by Lessor to perfect and continue the security interest granted herein in accordance with the laws of the applicable jurisdiction. Lessee hereby authorizes Lessor or its agent/assigns to sign and execute on its behalf, any and all necessary UCC-1 forms to perfect the Purchase Money Security interest herein granted to Lessor.

**23. Tax Exemption.** Lessee certifies that it does reasonably anticipate that not more than \$30,000,000 of "qualified tax-exempt obligations," as that term is defined in Section 265 (b) 3 (D) of the Internal Revenue Code of 1986 ("the Code"), will be issued by it and any subordinate entities during 2009. Further, Lessee designates this issue as comprising a portion of the \$30 million in aggregate issues to be designated as "qualified tax exempt obligations" eligible for the exception contained in Section 265 (b) 3 (D) of the Code allowing for an exception to the general rule of the Code which provides for a total disallowance of a deduction for interest expense allocable to the carrying of tax exempt obligations.

**24. Continuing Disclosure.** Specifically and without limitation, Lessee agrees to provide audited financial statements, prepared by a certified public accountant not later than six (6) months after and as of the end of each fiscal year. Periodic financial statement shall include a combined balance sheet as of the end of each such period, and a combined statement of revenues, expenditures and changes in fund balances, from the beginning of the then fiscal year to the end of such period certified as correct by one of Lessee's authorized agents. If Lessee has subsidiaries, the financial statements required will be provided on a consolidated and consolidation basis.

**25. Miscellaneous.**

(a) Lessee shall, whenever requested, advise Lessor of the exact location and condition of the Property and shall give the Lessor immediate notice of any attachment or other judicial process affecting the Property, and indemnify and save Lessor harmless from any loss or damage caused thereby. Lessor may, for the purpose of inspection at all reasonable times enter upon any job, building or place where the Property and the books and records of the Lessee with respect thereto are located.

(b) Lessee agrees to equitably adjust the payments payable under this Agreement if there is a determination for any reason that the interest payable pursuant to this Agreement (as incorporated within the schedule of payments) is not excludable from income in accordance with the Internal Revenue Code of 1986, as amended, such as to make Lessor and its assigns whole.

(c) Time is of the essence. No covenant or obligations hereunder to be performed by Lessee may be waived except by the written consent of Lessor, and a waiver of any such covenant or obligation or a forbearance to invoke any remedy on any occasion shall not constitute or be treated as a waiver of such covenant or obligation as to any other occasion and shall not preclude Lessor from invoking such remedy at any later time prior to Lessee's cure of the condition giving rise to such remedy. Lessor's rights hereunder are cumulative and not alternative.

(d) This Agreement shall be construed in accordance with, and governed by, the laws of the State in which the Property is located.

(e) This Agreement constitutes the entire agreement between the parties and shall not be modified, waived, discharged, terminated, amended, altered or changed in any respect except by a written document signed by both Lessor and Lessee.

(f) Any term or provision of this Agreement found to be prohibited by law or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without, to the extent reasonably possible, invalidating the remainder of this Agreement.

(g) The Lessor hereunder shall have the right at any time or times, by notice to Lessee, to designate or appoint any person or entity to act as agent or trustee for Lessor for any purposes hereunder.

(h) All transportation charges shall be borne by Lessee. Lessee will immediately notify Lessor of any change occurring in or to the Property, of a change in Lessee's address, or in any fact or circumstance warranted or represented by Lessee to Lessor, or if any Event of Default occurs.

(i) Use of the neuter gender herein is for purposes of convenience only and shall be deemed to mean and include the masculine or feminine gender whenever and wherever appropriate.

(j) The captions set forth herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

(k) Except as otherwise provided herein, this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns, where permitted by this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the \_\_\_\_ day of \_\_\_\_ in the year 2009.

Lessor: Government Capital Corporation

\_\_\_\_\_  
Authorized Signature  
345 Miron Drive  
Southlake, TX 76092

Witness Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

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

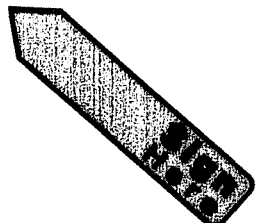
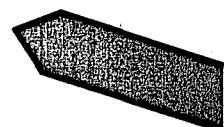
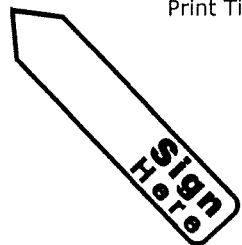
Lessee: Madison County Utility District

\_\_\_\_\_  
James Carr, Board Chairperson  
297 Michelle Dr  
Richmond, KY 40476-0670

Witness Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

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



**EXHIBIT A**  
**DESCRIPTION OF PROPERTY**

MUNICIPAL LEASE-PURCHASE AGREEMENT No. 5270 (THE "AGREEMENT")

BY AND BETWEEN

**Lessor**, Government Capital Corporation and **Lessee**, Madison County Utility District

Dated as of May 28, 2009

**QTY**

**DESCRIPTION**

---

**Automated Meter Reading System with Meter change-out**

(Details to be provided prior to Closing)

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**PROPERTY LOCATION:**

Districtwide

Richmond, KY 40476-0670

**EXHIBIT B**

**>> SCHEDULE OF PAYMENTS & OPTION TO PURCHASE PRICE <<**  
MUNICIPAL LEASE-PURCHASE AGREEMENT No. 5270 (THE "AGREEMENT")  
BY AND BETWEEN

**Lessor:** Government Capital Corporation and **Lessee:** Madison County Utility District

Dated as of May 28, 2009

PMT NO.	PMT DATE MO DAY YR	TOTAL PAYMENT	INTEREST PAID	PRINCIPAL PAID	OPTION TO PURCHASE after pmt on this line
1	11/1/2009	\$56,226.10	\$10,174.91	\$46,051.19	N/A
2	11/1/2010	\$56,226.10	\$20,913.31	\$35,312.79	N/A
3	11/1/2011	\$56,226.10	\$19,059.39	\$37,166.71	N/A
4	11/1/2012	\$56,226.10	\$17,108.14	\$39,117.96	\$294,758.78
5	11/1/2013	\$56,226.10	\$15,054.45	\$41,171.65	\$251,502.07
6	11/1/2014	\$56,226.10	\$12,892.93	\$43,333.17	\$206,342.06
7	11/1/2015	\$56,226.10	\$10,617.94	\$45,608.16	\$159,195.01
8	11/1/2016	\$56,226.10	\$8,223.51	\$48,002.59	\$109,973.49
9	11/1/2017	\$56,226.10	\$5,703.38	\$50,522.72	\$58,586.22
10	11/1/2018	\$61,164.00	\$3,050.94	\$58,113.06	\$1.00

\*\*\*This Schedule is subject to current Market Indexing if Funding occurs 14 days after Proposal Date\*\*\*

Accepted By Lessee: \_\_\_\_\_  
James Carr, Board Chairperson



# INCUMBENCY, INSURANCE, AND ESSENTIAL USE CERTIFICATES

MUNICIPAL LEASE-PURCHASE AGREEMENT No. 5270 (THE "AGREEMENT")

BY AND BETWEEN

Lessor, Government Capital Corporation and Lessee, Madison County Utility District

Dated as of May 28, 2009

I, Wanda Pennington, do hereby certify that I am the duly elected or appointed and acting Board Secretary (Keeper of the Records), of Madison County Utility District, a political subdivision or agency duly organized and existing under the laws of the State of Kentucky, that I have custody of the records of such entity, and that, as of the date hereof, the individual(s) named below are the duly elected or appointed officer(s) of such entity holding the office(s) set forth opposite their respective name(s). I further certify that (i) the signature(s) set opposite their respective name(s) and title(s) are their true and authentic signature(s), and (ii) such officers have the authority on behalf of such entity to enter into that certain Municipal Lease-Purchase Agreement dated as of May 28, 2009, between such entity and Government Capital Corporation.

Name	Title	Signature
James Carr	Board Chairperson	_____

IN WITNESS WHEREOF, I have duly executed this certificate and affixed the seal of such entity hereto this \_\_\_\_ day of \_\_\_\_\_ 2009.

BY: \_\_\_\_\_  
Wanda Pennington, Board Secretary

Lessee certifies that property and liability insurance, if applicable, have been secured in accordance with the Agreement and such coverage will be maintained in full force for the term of the Agreement. "Lessor or its Assigns" should be designated as loss payee until Lessee is notified, in writing, to substitute a new loss payee. **The following information is provided about insurance:**

INSURANCE COMPANY/AGENT'S NAME: \_\_\_\_\_

INSURANCE COMPANY ADDRESS: \_\_\_\_\_

PHONE NUMBER: \_\_\_\_\_

POLICY NUMBER: \_\_\_\_\_

I, James Carr, Board Chairperson, of Madison County Utility District ("Lessee"), hereby certify that the Equipment to be leased to the undersigned under the certain Lease Agreement, dated as of May 28, 2009, between such entity and Government Capital Corporation ("Lessor"), will be used by the undersigned Lessee for the following purpose: **(PLEASE FILL OUT PRIMARY USE BELOW)**

**PRIMARY USE:** \_\_\_\_\_

The undersigned hereby represents that the use of the Equipment is essential to its proper, efficient and economic operation.

IN WITNESS WHEREOF, I have set my hand this \_\_\_\_ day of \_\_\_\_\_, 2009.

By Lessee:

James Carr, Board Chairperson

For Lessee: Madison County Utility District

# CERTIFICATE OF ACCEPTANCE

MUNICIPAL LEASE-PURCHASE AGREEMENT No. 5270 (THE "AGREEMENT")

BY AND BETWEEN

**Lessor**, Government Capital Corporation and **Lessee**, Madison County Utility District

Dated as of May 28, 2009

1. **ACCEPTANCE:** In accordance with the Agreement, Lessee hereby certifies that all of the Property described herein (i) has been received by Lessee, (ii) has been thoroughly examined and inspected to the complete satisfaction of Lessee, (iii) had been found by Lessee to be in good operating order, repair and condition, (iv) has been found to be of the size, design, quality, type and manufacture specified by Lessee, (v) has been found to be and is wholly suitable for Lessee's purposes, and (vi) is hereby unconditionally accepted by Lessee, in the condition received, for all purposes of this Agreement.

By Lessee:

\_\_\_\_\_ (\*)  
James Carr, Board Chairperson

For Lessee: Madison County Utility District

ACCEPTED on this the \_\_\_\_\_ day of \_\_\_\_\_, 2009.

(\*) ACCEPTANCE MUST BE SIGNED **ONLY** IF **NO** ESCROW AGREEMENT IS INCLUDED

## 2. PROPERTY:

AUTOMATED METER READING SYSTEM WITH METER CHANGE-OUT, SEE ATTACHED EXHIBIT A.

3. **USE:** The primary use of the Property is as follows: **(PLEASE FILL OUT PRIMARY USE BELOW)**

**PRIMARY USE:** \_\_\_\_\_



## 4. PROPERTY LOCATION:

Districtwide  
Richmond, KY 40476-0670

5. **INVOICING:** Invoices shall be sent to the following address, including to whose attention invoices should be directed:

Madison County Utility District  
Attn: John R. Clark, Manager  
P. O. Box 670  
Richmond, KY 40476-0670



6. **INSURANCE:** Lessee certifies that property and liability insurance have been secured in accordance with the Agreement and such coverage will be maintained in force for the term of the Agreement. Lessor will be designated as loss payee until Lessee is notified, in writing, to substitute a new loss payee.

\_\_\_\_\_ Company Insured \_\_\_\_\_ Election to self-insure (in accordance with Section 10 of the Agreement).

7. **MAINTENANCE:** In accordance with Section 6 of the Agreement, Lessee agrees to, at its own expense, service, repair and maintain the Property for the term of the Agreement as follows:

\_\_\_\_\_ Maintenance Contract \_\_\_\_\_ Election to self-maintain

**RESOLUTION # \_\_\_\_\_**

**A RESOLUTION REGARDING A LEASE PURCHASE AGREEMENT  
FOR THE PURPOSE OF PROCURING AN  
"AUTOMATED METER READING SYSTEM WITH METER CHANGE-OUT".**


WHEREAS, Madison County Utility District desires to enter into that certain Lease-Purchase Agreement Number 5270, by and between Government Capital Corporation and Madison County Utility District, for the purpose of procuring an **"Automated Meter Reading System with Meter change-out"**. The District desires to designate this Agreement as a "qualified tax exempt obligation" of the District for the purposes of Section 265 (b) (3) of the Internal Revenue Code of 1986, as amended. The Madison County Utility District desires to designate James Carr, Board Chairperson, as an authorized signer of the Agreement.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF THE MADISON COUNTY UTILITY DISTRICT:

Section 1. That the District enters into a Lease Purchase Agreement with Government Capital Corporation for the purpose of procuring an **"Automated Meter Reading System with Meter change-out"**.

Section 2. That the Lease Purchase Agreement Number 5270, by and between the District and Government Capital Corporation is designated by the District as a "qualified tax exempt obligation" for the purposes of Section 265 (b) (3) of the Internal Revenue Code of 1986, as amended.

Section 3. That the Madison County Utility District designates James Carr, Board Chairperson, as an authorized signer of the Lease Purchase Agreement Number 5270, by and between the Madison County Utility District and Government Capital Corporation.

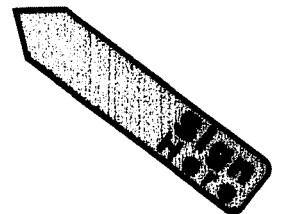
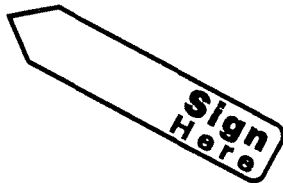
PASSED AND APPROVED by the Board of the Madison County Utility District in a meeting held on the \_\_\_\_\_ day of \_\_\_\_\_, 2009. 

Lessee: Madison County Utility District

Witness Signature

\_\_\_\_\_  
James Carr, Board Chairperson

\_\_\_\_\_  
Wanda Pennington, Board Secretary



# ESCROW AGREEMENT

MUNICIPAL LEASE-PURCHASE AGREEMENT No. 5270 (THE "AGREEMENT")

BY AND BETWEEN

**Lessor**, Government Capital Corporation and **Lessee**, Madison County Utility District

TAX ID #31-1538094

Dated as of May 28, 2009

THIS ESCROW AGREEMENT (the "Agreement") is made and entered into as of May 28, 2009 ("Agreement Date"), by and among Government Capital Corporation ("Lessor"), Madison County Utility District ("Lessee") and \_\_\_\_\_ ("Agent").

## WITNESSETH:

WHEREAS, Lessor and Lessee have entered into a certain Municipal Lease-Purchase Agreement dated as of May 28, 2009 (the "Lease"), pursuant to which the property more particularly described therein (the "Equipment") will be leased to the Lessee under the terms stated in the Lease;

WHEREAS, Lessor and Lessee desire to make funding arrangements for the acquisition of the Equipment, and Agent agrees to serve as escrow agent for such funding and acquisition;

NOW THEREFORE, in consideration of the mutual agreements and covenant herein contained and for other valuable consideration, the parties hereby agree as follows:

1. Agent shall undertake the duties and obligations of escrow agent as set forth in this Agreement. Agent shall not be deemed to be a party to the Lease.
2. Lessor has delivered to Agent the sum of \$440,000.00 ("Escrow Amount") for deposit by Agent in the Madison County Utility District Escrow Account (the "Fund"). The Fund will be administered by Agent pursuant to the terms of this Agreement.
3. Deposits in the Fund shall be used to pay for the acquisition of the Equipment. The Equipment may be acquired as individual items or as groups of items. Agent shall make disbursements from the Fund in payment for the acquisition of each item or group of items of the Equipment promptly upon receipt of a properly executed Payment Request Form, in the form attached hereto as Exhibit "A", for that portion of the acquisition of the Equipment for which payment is requested. Upon full acquisition of an item or group of items of the Equipment, any remaining cost of such item or group of items shall be disbursed promptly by the Agent upon receipt of a properly executed Acceptance Certificate and a corresponding Payment Request Form in the form attached hereto as Exhibit "A", for that portion of the Equipment for which payment is requested. Payment by Agent shall be to the payee shown on the Payment Request Form.
4. Agent will invest the Fund, as specified by Lessor, in general obligations of the United States or in obligations fully insured by the United States or in certificates of deposit of a bank which is either fully insured by an agency of the federal government or fully collateralized by such federal or federally guaranteed obligations, or in no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that includes in their investment objectives the maintenance of a stable net asset value of \$1 for each share. Agent will retain in the Fund all earnings from investment of the Fund until termination of the Fund pursuant to Section 5 hereof or Money Market Mutual Funds registered under the Investment Act of 1940.
5. Upon execution of one or more Certificates of Acceptance by Lessee and payment of acquisition costs by Agent for all the Equipment, this Agreement and the Funds shall terminate, and Agent shall transfer to Lessor all remaining sums in the Fund. If not terminated earlier, this Agreement and the Fund shall terminate on November 28, 2009 ("Termination Date"). In this latter event, interest accrued pursuant to investment of the Fund under the terms of Section 4 hereof and all remaining principal in the Fund shall be transferred by Agent to Lessor; Exhibit "A" attached to the Lease shall thereupon be revised to delete any non-acquired portions of the Equipment and to substitute an amended amortization payment schedule to reflect the reduced acquisition costs.
6. Lessor and Lessee may by written agreement between themselves remove the Agent, at any time and for any reason, and appoint a successor escrow agent. Such removal shall not be effective until thirty (30) days after written notice thereof if provided to Agent.
7. Agent may at any time and for any reason resign as escrow agent by giving written notice to Lessor and Lessee of its intention to resign and of the proposed date of resignation, which date shall be not less than thirty (30) days after giving Lessee and Lessor written notice of intent to resign, nor less than thirty (30) days after being appointed by Lessor and Lessee.
8. Agent shall have no obligation under the terms of this Agreement to make any disbursement except from the Fund. Agent makes no warranties or representations as to the Equipment or as to performance of the obligations of Lessor or Lessee under this Agreement or the Lease.
9. Agent shall be entitled to rely in good faith upon any documents signed by a party hereto and shall have no duty to investigate the veracity of such documents. Agent (i) may assume that any person giving notice pursuant to the terms hereof is authorized to do so and (ii) shall not be liable for good faith reliance thereon.
10. To the limited extent required to perfect the security interest granted by Lessee to Lessor in the cash and negotiable instrument from time to time comprising the Fund, Lessor hereby appoints the Agent as its security agent, and the Agent hereby accepts the appointment as security agent, and agrees to hold physical possession of such cash negotiable instruments on behalf of Lessor.
11. This Agreement may be amended by written agreement executed by all the parties.
12. This Agreement may be executed in several counterparts, each of which shall be an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LESSOR: Government Capital Corporation

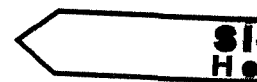
BY: \_\_\_\_\_  
Authorized Signer

LESSEE: Madison County Utility District

BY: \_\_\_\_\_  
James Carr, Board Chairperson

AGENT: \_\_\_\_\_

BY: \_\_\_\_\_  
Agent Rep, Agent Rep Title





# ESCROW AGREEMENT

MUNICIPAL LEASE-PURCHASE AGREEMENT No. 5270 (THE "AGREEMENT")  
BY AND BETWEEN

**Lessor**, Government Capital Corporation and **Lessee**, Madison County Utility District  
TAX ID #31-1538094  
Dated as of May 28, 2009

THIS ESCROW AGREEMENT (the "Agreement") is made and entered into as of May 28, 2009 ("Agreement Date"), by and among Government Capital Corporation ("Lessor"), Madison County Utility District ("Lessee") and \_\_\_\_\_ ("Agent").

**WITNESSETH:**

WHEREAS, Lessor and Lessee have entered into a certain Municipal Lease-Purchase Agreement dated as of May 28, 2009 (the "Lease"), pursuant to which the property more particularly described therein (the "Equipment") will be leased to the Lessee under the terms stated in the Lease;

WHEREAS, Lessor and Lessee desire to make funding arrangements for the acquisition of the Equipment, and Agent agrees to serve as escrow agent for such funding and acquisition;

NOW THEREFORE, in consideration of the mutual agreements and covenant herein contained and for other valuable consideration, the parties hereby agree as follows:

1. Agent shall undertake the duties and obligations of escrow agent as set forth in this Agreement. Agent shall not be deemed to be a party to the Lease.
2. Lessor has delivered to Agent the sum of \$440,000.00 ("Escrow Amount") for deposit by Agent in the Madison County Utility District Escrow Account (the "Fund"). The Fund will be administered by Agent pursuant to the terms of this Agreement.
3. Deposits in the Fund shall be used to pay for the acquisition of the Equipment. The Equipment may be acquired as individual items or as groups of items. Agent shall make disbursements from the Fund in payment for the acquisition of each item or group of items of the Equipment promptly upon receipt of a properly executed Payment Request Form, in the form attached hereto as Exhibit "A", for that portion of the acquisition of the Equipment for which payment is requested. Upon full acquisition of an item or group of items of the Equipment, any remaining cost of such item or group of items shall be disbursed promptly by the Agent upon receipt of a properly executed Acceptance Certificate and a corresponding Payment Request Form in the form attached hereto as Exhibit "A", for that portion of the Equipment for which payment is requested. Payment by Agent shall be to the payee shown on the Payment Request Form.
4. Agent will invest the Fund, as specified by Lessor, in general obligations of the United States or in obligations fully insured by the United States or in certificates of deposit of a bank which is either fully insured by an agency of the federal government or fully collateralized by such federal or federally guaranteed obligations. Agent will retain in the Fund all earnings from investment of the Fund until termination of the Fund pursuant to Section 5 hereof or Money Market Mutual Funds registered under the Investment Act of 1940.
5. Upon execution of one or more Certificates of Acceptance by Lessee and payment of acquisition costs by Agent for all the Equipment, this Agreement and the Funds shall terminate, and Agent shall transfer to Lessor all remaining sums in the Fund. If not terminated earlier, this Agreement and the Fund shall terminate on November 28, 2009 ("Termination Date"). In this latter event, interest accrued pursuant to investment of the Fund under the terms of Section 4 hereof and all remaining principal in the Fund shall be transferred by Agent to Lessor; Exhibit "A" attached to the Lease shall thereupon be revised to delete any non-acquired portions of the Equipment and to substitute an amended amortization payment schedule to reflect the reduced acquisition costs.
6. Lessor and Lessee may by written agreement between themselves remove the Agent, at any time and for any reason, and appoint a successor escrow agent. Such removal shall not be effective until thirty (30) days after written notice thereof if provided to Agent.
7. Agent may at any time and for any reason resign as escrow agent by giving written notice to Lessor and Lessee of its intention to resign and of the proposed date of resignation, which date shall be not less than thirty (30) days after giving Lessee and Lessor written notice of intent to resign, nor less than thirty (30) days after being appointed by Lessor and Lessee.
8. Agent shall have no obligation under the terms of this Agreement to make any disbursement except from the Fund. Agent makes no warranties or representations as to the Equipment or as to performance of the obligations of Lessor or Lessee under this Agreement or the Lease.
9. Agent shall be entitled to rely in good faith upon any documents signed by a party hereto and shall have no duty to investigate the veracity of such documents. Agent (i) may assume that any person giving notice pursuant to the terms hereof is authorized to do so and (ii) shall not be liable for good faith reliance thereon.
10. To the limited extent required to perfect the security interest granted by Lessee to Lessor in the cash and negotiable instrument from time to time comprising the Fund, Lessor hereby appoints the Agent as its security agent, and the Agent hereby accepts the appointment as security agent, and agrees to hold physical possession of such cash negotiable instruments on behalf of Lessor.
11. This Agreement may be amended by written agreement executed by all the parties.
12. This Agreement may be executed in several counterparts, each of which shall be an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LESSOR: Government Capital Corporation

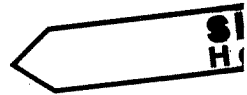
BY: \_\_\_\_\_  
Authorized Signer

LESSEE: Madison County Utility District

BY: \_\_\_\_\_  
James Carr, Board Chairperson

AGENT: \_\_\_\_\_

BY: \_\_\_\_\_  
Agent Rep, Agent Rep Title



# ESCROW AGREEMENT

MUNICIPAL LEASE-PURCHASE AGREEMENT No. 5270 (THE "AGREEMENT")

BY AND BETWEEN

**Lessor**, Government Capital Corporation and **Lessee**, Madison County Utility District

TAX ID #31-1538094

Dated as of May 28, 2009

THIS ESCROW AGREEMENT (the "Agreement") is made and entered into as of May 28, 2009 ("Agreement Date"), by and among Government Capital Corporation ("Lessor"), Madison County Utility District ("Lessee") and \_\_\_\_\_ ("Agent").

## WITNESSETH:

WHEREAS, Lessor and Lessee have entered into a certain Municipal Lease-Purchase Agreement dated as of May 28, 2009 (the "Lease"), pursuant to which the property more particularly described therein (the "Equipment") will be leased to the Lessee under the terms stated in the Lease;

WHEREAS, Lessor and Lessee desire to make funding arrangements for the acquisition of the Equipment, and Agent agrees to serve as escrow agent for such funding and acquisition;

NOW THEREFORE, in consideration of the mutual agreements and covenant herein contained and for other valuable consideration, the parties hereby agree as follows:

1. Agent shall undertake the duties and obligations of escrow agent as set forth in this Agreement. Agent shall not be deemed to be a party to the Lease.
2. Lessor has delivered to Agent the sum of \$440,000.00 ("Escrow Amount") for deposit by Agent in the Madison County Utility District Escrow Account (the "Fund"). The Fund will be administered by Agent pursuant to the terms of this Agreement.
3. Deposits in the Fund shall be used to pay for the acquisition of the Equipment. The Equipment may be acquired as individual items or as groups of items. Agent shall make disbursements from the Fund in payment for the acquisition of each item or group of items of the Equipment promptly upon receipt of a properly executed Payment Request Form, in the form attached hereto as Exhibit "A", for that portion of the acquisition of the Equipment for which payment is requested. Upon full acquisition of an item or group of items of the Equipment, any remaining cost of such item or group of items shall be disbursed promptly by the Agent upon receipt of a properly executed Acceptance Certificate and a corresponding Payment Request Form in the form attached hereto as Exhibit "A", for that portion of the Equipment for which payment is requested. Payment by Agent shall be to the payee shown on the Payment Request Form.
4. Agent will invest the Fund, as specified by Lessor, in general obligations of the United States or in obligations fully insured by the United States or in certificates of deposit of a bank which is either fully insured by an agency of the federal government or fully collateralized by such federal or federally guaranteed obligations. Agent will retain in the Fund all earnings from investment of the Fund until termination of the Fund pursuant to Section 5 hereof or Money Market Mutual Funds registered under the Investment Act of 1940.
5. Upon execution of one or more Certificates of Acceptance by Lessee and payment of acquisition costs by Agent for all the Equipment, this Agreement and the Funds shall terminate, and Agent shall transfer to Lessor all remaining sums in the Fund. If not terminated earlier, this Agreement and the Fund shall terminate on November 28, 2009 ("Termination Date"). In this latter event, interest accrued pursuant to investment of the Fund under the terms of Section 4 hereof and all remaining principal in the Fund shall be transferred by Agent to Lessor; Exhibit "A" attached to the Lease shall thereupon be revised to delete any non-acquired portions of the Equipment and to substitute an amended amortization payment schedule to reflect the reduced acquisition costs.
6. Lessor and Lessee may by written agreement between themselves remove the Agent, at any time and for any reason, and appoint a successor escrow agent. Such removal shall not be effective until thirty (30) days after written notice thereof if provided to Agent.
7. Agent may at any time and for any reason resign as escrow agent by giving written notice to Lessor and Lessee of its intention to resign and of the proposed date of resignation, which date shall be not less than thirty (30) days after giving Lessee and Lessor written notice of intent to resign, nor less than thirty (30) days after being appointed by Lessor and Lessee.
8. Agent shall have no obligation under the terms of this Agreement to make any disbursement except from the Fund. Agent makes no warranties or representations as to the Equipment or as to performance of the obligations of Lessor or Lessee under this Agreement or the Lease.
9. Agent shall be entitled to rely in good faith upon any documents signed by a party hereto and shall have no duty to investigate the veracity of such documents. Agent (i) may assume that any person giving notice pursuant to the terms hereof is authorized to do so and (ii) shall not be liable for good faith reliance thereon.
10. To the limited extent required to perfect the security interest granted by Lessee to Lessor in the cash and negotiable instrument from time to time comprising the Fund, Lessor hereby appoints the Agent as its security agent, and the Agent hereby accepts the appointment as security agent, and agrees to hold physical possession of such cash negotiable instruments on behalf of Lessor.
11. This Agreement may be amended by written counterparty executed by all the parties.
12. This Agreement may be executed in several counterparts, each of which shall be an original.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

LESSOR: Government Capital Corporation

BY: \_\_\_\_\_  
Authorized Signer

LESSEE: Madison County Utility District

BY: \_\_\_\_\_  
James Carr, Board Chairperson

AGENT: \_\_\_\_\_

BY: \_\_\_\_\_  
Agent Rep, Agent Rep Title



# ROBBINS LAW OFFICE

Attorneys at Law



July 2, 2009

Marc Robbins  
Charles W. Hardin  
Mark K. Wickersham  
George W. Robbins, 1935-2008

Government Capital Corporation  
Attention: Documentation Department  
345 Miron Drive  
Southlake, TX 76092

Dear Lessor,

I have acted as Counsel to Madison County Utility District with respect to that certain Municipal Lease-Purchase Agreement No.5270, by and between Government Capital Corporation as Lessor and Madison County Utility District as Lessee. I have reviewed the Agreement and such other documents, records and certificates of Lessee and appropriate public officials as I have deemed relevant and am of the opinion that:

1. The Lessee is a political subdivision or agency of the State of Kentucky with the requisite power and authority to incur obligations, the interest on which is exempt from taxation by virtue of Section 103(a) of the Internal Revenue Code of 1986;
2. The execution, delivery and performance by the Lessee of the Agreement have been duly authorized by all necessary action on the part of the Lessee; and
3. The Agreement constitutes a legal, valid and binding obligation of the Lessee enforceable in accordance with its terms.
4. The above opinions may be relied upon by the Lessee, Lessor, or its Assigns.

Sincerely,

A handwritten signature in cursive script, appearing to read "Ch W Hardin", written over a horizontal line.

Charles W. Hardin

CWH/bb

KENTUCKY INFRASTRUCTURE AUTHORITY  
 REPAYMENT SCHEDULE  
 LOAN # F07-06  
 MADISON COUNTY UTILITIES DISTRICT  
 PRELIMINARY

1.00% Rate  
 \$30,548.74 P & I Calculation

Payment Date	Principal Due	Interest Due	Interest Rate	Principal & Interest	Servicing Fee	Credit Due	Total Payment	Principal Balance	R & M Reserve	Total Reserve
12/01/09	\$25,023.66	\$5,525.08	1.00%	\$30,548.74	\$1,381.27	\$0.00	\$31,930.01	\$1,105,016.00	\$25,000.00	\$25,000.00
06/01/10	\$25,148.78	\$5,399.96	1.00%	\$30,548.74	\$1,349.99	\$0.00	\$31,898.73	\$1,079,992.34	\$0.00	\$25,000.00
12/01/10	\$25,274.52	\$5,274.22	1.00%	\$30,548.74	\$1,318.55	\$0.00	\$31,867.29	\$1,054,843.56	\$25,000.00	\$50,000.00
06/01/11	\$25,400.90	\$5,147.85	1.00%	\$30,548.74	\$1,286.96	\$0.00	\$31,835.70	\$1,029,569.04	\$0.00	\$50,000.00
12/01/11	\$25,527.90	\$5,020.84	1.00%	\$30,548.74	\$1,255.21	\$0.00	\$31,803.95	\$1,004,168.14	\$25,000.00	\$75,000.00
06/01/12	\$25,655.54	\$4,893.20	1.00%	\$30,548.74	\$1,223.30	\$0.00	\$31,772.04	\$978,640.24	\$0.00	\$75,000.00
12/01/12	\$25,783.82	\$4,764.92	1.00%	\$30,548.74	\$1,191.23	\$0.00	\$31,739.97	\$952,984.70	\$25,000.00	\$100,000.00
06/01/13	\$25,912.74	\$4,636.00	1.00%	\$30,548.74	\$1,159.00	\$0.00	\$31,707.74	\$927,200.89	\$0.00	\$100,000.00
12/01/13	\$26,042.30	\$4,506.44	1.00%	\$30,548.74	\$1,126.61	\$0.00	\$31,675.35	\$901,288.15	\$0.00	\$100,000.00
06/01/14	\$26,172.51	\$4,376.23	1.00%	\$30,548.74	\$1,094.06	\$0.00	\$31,642.80	\$875,245.85	\$25,000.00	\$125,000.00
12/01/14	\$26,303.37	\$4,245.37	1.00%	\$30,548.74	\$1,061.34	\$0.00	\$31,610.08	\$849,073.34	\$0.00	\$125,000.00
06/01/15	\$26,434.89	\$4,113.85	1.00%	\$30,548.74	\$1,028.46	\$0.00	\$31,577.20	\$822,769.97	\$25,000.00	\$150,000.00
12/01/15	\$26,567.07	\$3,981.68	1.00%	\$30,548.74	\$995.42	\$0.00	\$31,544.16	\$796,335.08	\$0.00	\$150,000.00
06/01/16	\$26,699.90	\$3,848.84	1.00%	\$30,548.74	\$962.21	\$0.00	\$31,510.95	\$769,768.01	\$25,000.00	\$175,000.00
12/01/16	\$26,833.40	\$3,715.34	1.00%	\$30,548.74	\$928.84	\$0.00	\$31,477.58	\$743,068.11	\$0.00	\$175,000.00
06/01/17	\$26,967.57	\$3,581.17	1.00%	\$30,548.74	\$895.29	\$0.00	\$31,444.03	\$716,234.71	\$25,000.00	\$200,000.00
12/01/17	\$27,102.40	\$3,446.34	1.00%	\$30,548.74	\$861.58	\$0.00	\$31,410.32	\$689,267.14	\$0.00	\$200,000.00
06/01/18	\$27,237.92	\$3,310.82	1.00%	\$30,548.74	\$827.71	\$0.00	\$31,376.45	\$662,164.74	\$25,000.00	\$225,000.00
12/01/18	\$27,374.11	\$3,174.63	1.00%	\$30,548.74	\$793.66	\$0.00	\$31,342.40	\$634,926.82	\$0.00	\$225,000.00
06/01/19	\$27,510.98	\$3,037.76	1.00%	\$30,548.74	\$759.44	\$0.00	\$31,308.18	\$607,552.72	\$25,000.00	\$250,000.00
12/01/19	\$27,648.53	\$2,900.21	1.00%	\$30,548.74	\$725.05	\$0.00	\$31,273.79	\$580,041.74	\$0.00	\$250,000.00
06/01/20	\$27,786.77	\$2,761.97	1.00%	\$30,548.74	\$690.49	\$0.00	\$31,239.23	\$552,393.21	\$0.00	\$250,000.00
12/01/20	\$27,925.71	\$2,623.03	1.00%	\$30,548.74	\$655.76	\$0.00	\$31,204.50	\$524,606.43	\$0.00	\$250,000.00
06/01/21	\$28,065.34	\$2,483.40	1.00%	\$30,548.74	\$620.85	\$0.00	\$31,169.59	\$496,680.72	\$0.00	\$250,000.00
12/01/21	\$28,205.66	\$2,343.08	1.00%	\$30,548.74	\$585.77	\$0.00	\$31,134.51	\$468,615.39	\$0.00	\$250,000.00
06/01/22	\$28,346.69	\$2,202.05	1.00%	\$30,548.74	\$550.51	\$0.00	\$31,099.25	\$440,409.72	\$0.00	\$250,000.00
12/01/22	\$28,488.43	\$2,060.32	1.00%	\$30,548.74	\$515.08	\$0.00	\$31,063.82	\$412,063.03	\$0.00	\$250,000.00
06/01/23	\$28,630.87	\$1,917.87	1.00%	\$30,548.74	\$479.47	\$0.00	\$31,028.21	\$383,574.61	\$0.00	\$250,000.00
12/01/23	\$28,774.02	\$1,774.72	1.00%	\$30,548.74	\$443.68	\$0.00	\$30,992.42	\$354,943.74	\$0.00	\$250,000.00
06/01/24	\$28,917.89	\$1,630.85	1.00%	\$30,548.74	\$407.71	\$0.00	\$30,956.45	\$326,169.72	\$0.00	\$250,000.00
12/01/24	\$29,062.48	\$1,486.26	1.00%	\$30,548.74	\$371.56	\$0.00	\$30,920.31	\$297,251.83	\$0.00	\$250,000.00
06/01/25	\$29,207.79	\$1,340.95	1.00%	\$30,548.74	\$335.24	\$0.00	\$30,883.98	\$268,169.34	\$0.00	\$250,000.00
12/01/25	\$29,353.83	\$1,194.91	1.00%	\$30,548.74	\$298.73	\$0.00	\$30,847.47	\$238,981.55	\$0.00	\$250,000.00
06/01/26	\$29,500.60	\$1,048.14	1.00%	\$30,548.74	\$262.03	\$0.00	\$30,810.78	\$209,627.72	\$0.00	\$250,000.00
12/01/26	\$29,648.10	\$900.64	1.00%	\$30,548.74	\$225.16	\$0.00	\$30,773.90	\$180,127.12	\$0.00	\$250,000.00
06/01/27	\$29,796.35	\$752.40	1.00%	\$30,548.74	\$188.10	\$0.00	\$30,736.84	\$150,479.01	\$0.00	\$250,000.00
12/01/27	\$29,945.33	\$603.41	1.00%	\$30,548.74	\$150.85	\$0.00	\$30,699.59	\$120,682.67	\$0.00	\$250,000.00
06/01/28	\$30,095.05	\$453.69	1.00%	\$30,548.74	\$113.42	\$0.00	\$30,662.16	\$90,737.34	\$0.00	\$250,000.00
12/01/28	\$30,245.53	\$303.21	1.00%	\$30,548.74	\$75.80	\$0.00	\$30,624.54	\$60,642.29	\$0.00	\$250,000.00
06/01/29	\$30,396.76	\$151.98	1.00%	\$30,548.74	\$38.00	\$0.00	\$30,586.74	\$30,396.76	\$0.00	\$250,000.00
Totals	\$1,105,016.00	\$116,933.62		\$1,221,949.62	\$29,233.40	\$0.00	\$1,251,183.02		\$250,000.00	

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