

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

RECEIVED

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**PUBLIC SERVICE
COMMISSION**

In the Matter of

THE APPLICATION OF MARION COUNTY WATER)
DISTRICT, MARION, NELSON AND WASHINGTON)
COUNTIES, KENTUCKY, (1) FOR A CERTIFICATE)
OF PUBLIC CONVENIENCE AND NECESSITY)
AUTHORIZING CONSTRUCTION OF MAJOR)
IMPROVEMENTS AND ADDITIONS TO ITS EXISTING)
WATER DISTRIBUTION SYSTEM, (2) SEEKING)
APPROVAL OF REVISED WATER SERVICE RATES)
AND CHARGES AND (3) SEEKING APPROVAL OF)
THE ISSUANCE OF CERTAIN SECURITIES.)

CASE
NO. 2009-00385

The Applicant, Marion County Water District, Marion, Nelson and Washington Counties, Kentucky (the "District"), acting by and through its Commission, respectfully tenders this Application and requests that the Public Service Commission of Kentucky enter its Order pursuant to KRS 278.023 and 807 KAR 5:069 issuing a Certificate of Public Convenience and Necessity authorizing the District to construct major improvements and additions to its water distribution system (the "System") for the purpose of assuring an adequate and potable water supply in the District, approving the adjustment of the District's water rates and charges and approving the issuance of certain securities by the District. In support of this Application and in conformity with the rules of the Public Service Commission, the District states as follows:

1. The District was originally created by an Order entered by the County Court of Marion County, Kentucky, on June 5, 1961, and exists as a statutory water district under KRS Chapter 74, serving defined areas in Marion, Nelson and Washington Counties. The District is now, and has been since its creation, regulated by the Public Service Commission of Kentucky, and all

records and proceedings of the Public Service Commission with reference to the District are incorporated in this Application by reference.

2. The governing body of the District is its Commission, which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purposes as provided in KRS 74.070. In conformity with KRS 74.020(1)(a) the County Judge/Executive of Marion County, with the approval of the Fiscal Court, has entered appropriate orders from time to time appointing and reappointing Commissioners who were and are residents of the District. The present District Commissioners and officers are Barbara May, Chairman, Everett Thomas, Secretary, Donald Browning, Treasurer, Earl Sandusky, Jr. and Jeff Preston. The mailing address of the District is 1835 West Campbellsville Highway, P. O. Box 528, Lebanon, Kentucky 40033.

3. In order to finance water service facilities and improvements, the District has previously issued, and there are presently outstanding, the following revenue bonds payable from the revenues of the System:

- (a) Water System Revenue Bonds, Series of 1989;
- (b) Water System Revenue Bonds, Series of 1992A;
- (c) Water System Revenue Bonds, Series of 1993;
- (d) Water System Revenue Bonds, Series of 1996;
- (e) Water System Revenue Bonds, Series of 1998; and
- (f) Water System Revenue Bonds, Series 2000.

Additionally, the District has a subordinate loan repayment obligation to the Kentucky Infrastructure Authority under an Assistance Agreement dated as of March 1, 2008.

4. The District's consulting engineer, Monarch Engineering, Inc., Lawrenceburg, Kentucky (the "Engineer"), has prepared a Preliminary Engineering Report and a Final Engineering

Report as well as detailed plans and specifications for the construction and installation of proposed additional water facilities and improvements (the "Project") to serve the District. The Preliminary Engineering Report dated December 2008, and the Final Engineering Report dated August 21, 2009, are appended hereto as Exhibit A and Exhibit B-1, respectively. These Exhibits contain, among other things, descriptions of the Project, cost figures, the proposed water rate adjustments and other pertinent data.

It is the opinion of the Commissioners of the District that the public health, safety and general welfare of the citizens and inhabitants of the District will be promoted and served by the construction of the Project and the financing thereof as herein described.

5. The District has caused public advertising to be made according to law soliciting competitive bids for the construction and installation of the Project; has received, opened and considered the construction bids; and has filed with the United States Department of Agriculture, Rural Development ("USDA"), the data prepared by the Engineer showing the bids received and the recommendations of the Engineer with respect thereto. USDA has approved the District's proposed award of the best bids as evidenced by the USDA letter of concurrence in the bid award appended hereto as Exhibit C.

Because construction bids came in substantially less than originally estimated, leaving approximately \$1,393,000 in the Project budget to be applied to a second phase of the Project (see Exhibit B-1), the District has elected, with the approval of USDA, to bid and construct the second phase (Phase II) at the time the original Project construction (Phase I) is being completed in April 2010. Following receipt of bids for Phase II and determination of the best bid and its approval by USDA, the District will file with the Public Service Commission the USDA letter of concurrence in

bid award for Phase II and any other documentation the Public Service Commission shall require at that time. Supplementing Exhibit B-1, the District submits herewith, as Exhibit B-2, a narrative Project description which describes the improvements planned in both phases.

The District hereby states, through its undersigned Chairman, that the proposed plans and specifications for Phase I of the Project have been designed to meet the minimum construction and operating requirements set out in 807 KAR 5:066, Section 4(3) and (4), Section 5(1), Sections 6 and 7, Section 8(1) through (3), Section 9(1), Section 10; that all other state approvals or permits for Phase I of the Project have been obtained; that the existing water rates of the District will produce total revenue requirements as set out in Exhibit A; that construction of Phase I of the Project is expected to begin on or about October 15, 2009, and to end on or about April 15, 2010; and that construction of Phase II of the Project is expected to begin on or about April 15, 2010, and to end on or about October 15, 2010.

6. The proposed adjusted water rates and charges of the District are set out in a Notice of Adjustment of Water Rates, which is appended hereto as Exhibit D and has been published in the legal newspapers in Marion, Nelson and Washington Counties. Newspaper clippings evidencing such publication in those newspapers are also appended hereto as a part of Exhibit D. The proposed water rates and charges have been approved by USDA, as shown in Exhibit F hereinafter described.

The District further represents that, based upon the projections of the engineers and the financial studies of USDA, the proposed schedule of water service rates and charges will be adequate to amortize the proposed Bonds identified in Section 8 below and to cover other annual debt service and other costs.

7. The estimated costs of and sources of funds for the Project are set out in Exhibit A, Exhibit B-1, and Exhibit F identified below.

8. As shown in Exhibit A and Exhibit E, the District proposes to finance, in part, the construction and installation of the Project by the issuance of its bonds, to be styled “Water System Revenue Bonds, Series 2009” (the “Bonds”), in the principal amount of \$1,433,000. A recent May 2009 draft of the proposed Bond-authorizing Resolution of the District is appended hereto as Exhibit E.

The District has entered into a loan agreement with the USDA pursuant to which USDA will make a loan of \$1,433,000 to the District, to be represented by the Bonds. The Bonds are to bear interest at a single, uniform rate not to exceed 3.625% per annum. Appended hereto as Exhibit F are copies of letters from USDA to the District setting forth terms, conditions and understandings relating to the loan, and related correspondence.

With reference to the proposed issuance of the Bonds to USDA, the proceedings relating thereto will provide for the public advertisement of competitive bids for the Bonds according to Kentucky law, and in the event a bid or bids are received for the Bonds at an interest cost to the District more advantageous to the District than the loan commitment of USDA, the Bonds will be sold to such other bidder; however, it is not expected any other bids will be received in view of the interest rate to be stipulated by USDA. The Bonds will not be delivered to USDA until such time as approximately the amount of the Bonds has been spent on the Project. This procedure is in accord with USDA rules requiring interim financing of USDA projects to the amount of the USDA loan. Accordingly, construction of the Project will be instituted and funded initially from the proceeds of an interim financing loan to be obtained from the Farmers National Bank, Lebanon, Kentucky, at a

rate expected not to exceed 3.5% per annum. The interim loan will be secured by (i) the undisbursed proceeds of the interim financing loan, (ii) the proceeds of the Bonds when delivered to USDA according to USDA practices and procedures, and (iii) a pledge of a fixed portion of the revenues of the System on a basis subordinate to the pledge and lien securing the District's presently outstanding bonds and obligations.

Interim financing is also available to the District from USDA at its current interest rate for loans of this type in the event other interim financing sources are not available or are unreasonable.

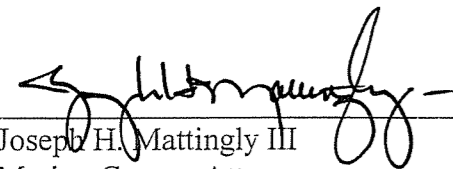
9. The Commission of the District respectfully represents to the Public Service Commission that there is a genuine need and demand for the Project and that the Commission should enter herein its Order, in compliance with KRS 278.023 and KAR 5:069, (a) issuing its Certificate of Public Convenience and Necessity pursuant to KRS 278.020 authorizing construction and installation of the Project, subject, with respect to Phase II of the Project, to the subsequent filing by the District with the Public Service Commission of the required documentation, (b) approving the proposed schedule of water rates and charges and (c) authorizing pursuant to KRS 278.300 the issuance of \$1,433,000 principal amount of Water System Revenue Bonds, Series 2009, by the District as described herein.

WHEREFORE, the Applicant, Marion County Water District, respectfully requests that such Order be issued.

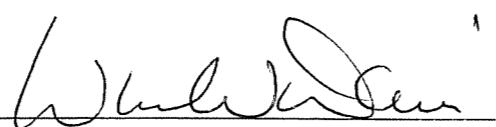
Respectfully submitted,

MARION COUNTY WATER DISTRICT

By Barbara May
Barbara May
Chairman of the Commission



Joseph H. Mattingly III
 Marion County Attorney
 104 West Main Street
 Lebanon, Kentucky 40033



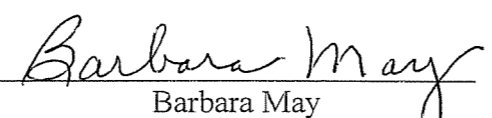
William W. Davis
 Stoll Keenon Ogden PLLC
 2000 PNC Plaza
 Louisville, Kentucky 40202
 Telephone: (502) 560-4257
 Bond Counsel for the District

* * *

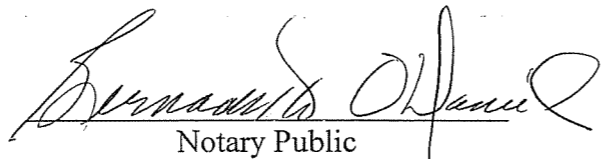
COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF MARION)

I, Barbara May, being first duly sworn according to law, state that I am Chairman of the Commission of Marion County Water District, that I have read the foregoing Application and that the statements of fact set forth therein are true and accurate to the best of my knowledge and belief.

WITNESS my signature this 18th day of September, 2009.


 Barbara May

Subscribed and sworn to before me this 18th day of September, 2009. My commission expires 11.04.11.


 Notary Public
 Commonwealth of Kentucky

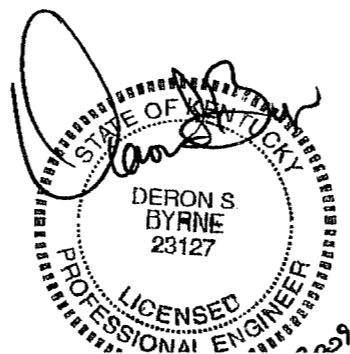
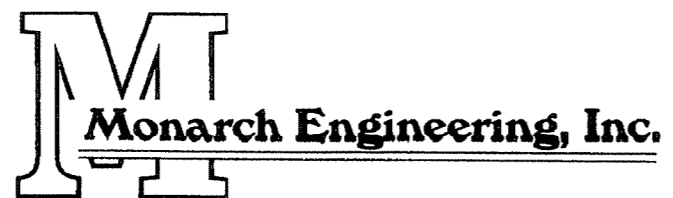
**PRELIMINARY ENGINEERING REPORT
FOR THE
MARION COUNTY WATER DISTRICT
LORETTO WATER TRANSMISSION MAIN**

DECEMBER 2008

Exhibit A

**PRELIMINARY ENGINEERING REPORT
FOR THE
MARION COUNTY WATER DISTRICT
LORETTO WATER TRANSMISSION MAIN**

DECEMBER 2008



PRELIMINARY ENGINEERING REPORT

LORETTO WATER TRANSMISSION MAIN MARION COUNTY WATER DISTRICT MARION COUNTY, KENTUCKY

I. GENERAL

This Preliminary Engineering Report is intended to analyze the proposed water system improvements that are being planned by the Marion County Water District. Included in this report are maps of the proposed service area showing the intended route of the water transmission main. In addition, project cost estimates are included which outline the entire project costs along with the proposed financing scheme. To be submitted at a later date will be the Rural Development "Kentucky Guide 7A" which serves as the Summary Addendum to the Preliminary Engineering Report. This report analyzes the capability of the Marion County Water District to execute this project by evaluating the financial status of the District along with a review of the operation of the utility system.

II. PROJECT PLANNING AREA

The areas to be affected by the construction will lie adjacent to present transportation routes. The new water transmission main will run along Kentucky Highway 49 from the connection into the City of Lebanon's water system to the existing water storage tank near the Loretto community. These areas are delineated on the attached maps. The topography of these areas is relatively flat and varies to gently rolling hills. The land use in this area is mainly agricultural with some light timber harvesting. Within the proposed service area there are no major commercial or industrial businesses expected.

The construction of the water transmission main project will have a major impact upon the entire water system. The project shall increase water transport through the system.

III. EXISTING FACILITIES

The Marion County Water District owns and operates a distribution system that serves over 5,750 residential, commercial and industrial customers.

The Marion County Water District purchases all water used for resale from the City of Lebanon and the City of Campbellsville. The Rolling Fork River serves as the raw water source for the City of Lebanon and Green River Lake serves as the raw water source for the City of Campbellsville. All sources have excellent quality and excess capacity.

The District maintains seven water storage tanks located outside the city limits rated at 1,143,000 gallons. The distribution system currently serves 5,750 residential and commercial customers in Marion and Nelson Counties. The rural distribution system consists of various size water lines ranging from 12-inch to 1-inch with much of the system having been in place for less than 30 years. The pipe material within the system consists of cast iron and asbestos cement for the older pipe and plastic for the newer water lines.

Information regarding the current rate structure, annual operating and maintenance data, a tabulation of monthly users and revenue, and a list of the outstanding bonds can be found in the summary addendum which will be submitted at a later date.

IV. NEED FOR THE PROJECT

The Marion County Water District owns and operates a water distribution system that serves Marion County. The water system consists of a series of distribution and transmission water lines and storage tanks that are strategically located throughout the system. Currently, in times of high user consumption, the system performance is simply not adequate. The system experiences problems with a lack of volume during times of peak demand, which results in decreased pressure.

In order to correct the water transport issues this project proposes to install a water transmission main connecting to the existing pump station at the purchase point from the City of Lebanon and running to the existing water storage tank near the Loretto community. This new transmission main will allow more water to be transported directly to the problem area, providing the needed volume in instances of high demand.

The Marion County Water District is proposing to construct 48,000 LF of 12-Inch water transmission main. The construction of this section of line will eliminate the current problems the district has been experiencing in the community of Loretto.

V. ALTERNATIVES CONSIDERED

There are practically no feasible alternatives to correct these problems experienced by the Marion County Water District's water supply and distribution other than that as outlined in this report. The replacement of the older and deteriorated water lines is needed as a result of the known and recorded water line breaks within these lines and also by the physical appearance of the exterior as well as the interior of these old water lines. In regard to the low pressures experienced by those customers served by the water system, there does not exist another public water supplier within Marion County that might better serve these customers.

VI. PROPOSED PROJECT

In order to correct the above-described deficiencies, the project proposes to replace the existing 8-inch water main with a new 12-inch water transmission main.

An itemized cost estimate is included in this report and it outlines all of the individual construction items along with their associated estimated unit costs. A summary cost estimate summarizes all of the project costs and outlines the funding scheme for the project which is also included in this report.

The total construction cost has been estimated to be \$2,098,000.00 and the total project cost will be \$2,633,000.00. The District is proposing to finance the project through a 2008 Kentucky General Assembly Grant of \$585,000.00 and the U.S.D.A.'s Rural Development program in the form of a grant in the amount of \$585,000.00 and a loan in the same amount of \$1,433,000.00.

VII. CONCLUSIONS AND RECOMMENDATIONS

Based on our evaluations of the condition of the water system in Marion County and the continuous reduction in pressure throughout the water system it is recommended that the Marion County Water District pursue the financial assistance as outlined above in order that these deficiencies in the Marion County water system can be corrected. These improvements are proposed to take place within the present water system and once these improvements are completed the Marion County Water District can continue to supply potable water to meet the needs of the residents.

**PRELIMINARY COST ESTIMATE
WATER SYSTEM IMPROVEMENTS
LEBANON to LORETTO
MARION COUNTY WATER DISTRICT
DECEMBER 2008**

PROJECT COSTS

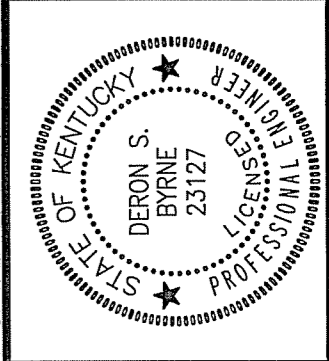
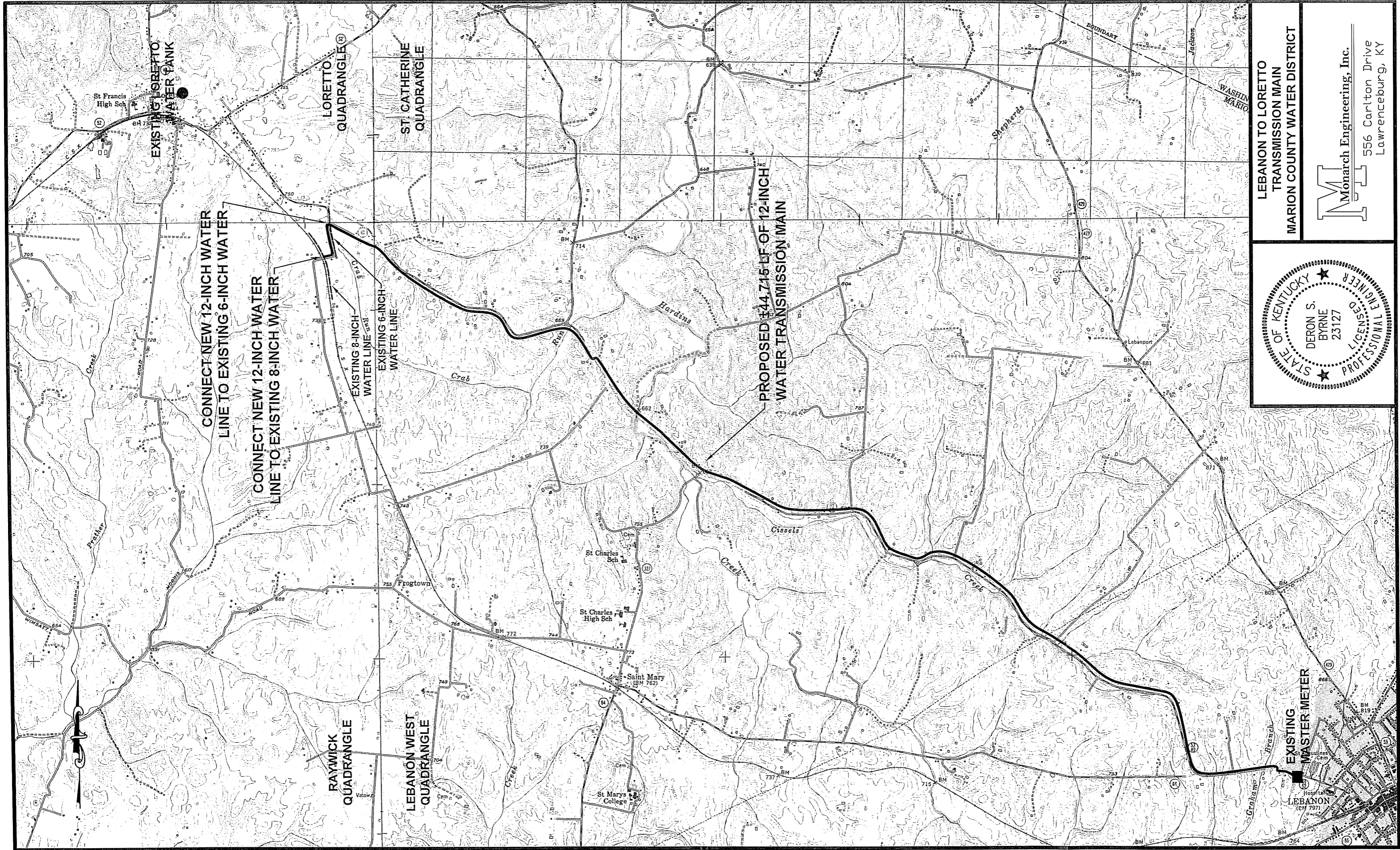
DEVELOPMENT	\$2,098,000
CONTINGENCY	210,000
ENGINEERING DESIGN	160,000
ENGINEERING INSPECTION	95,000
ENVIRONMENTAL ASSESSMENT	10,000
PRELIMINARY ENGINEERING	10,000
LEGAL	15,000
INTEREST	20,000
EASEMENT AQUISITION	<u>15,000</u>

TOTAL PROJECT COSTS **\$2,633,000**

PROJECT FINANCING

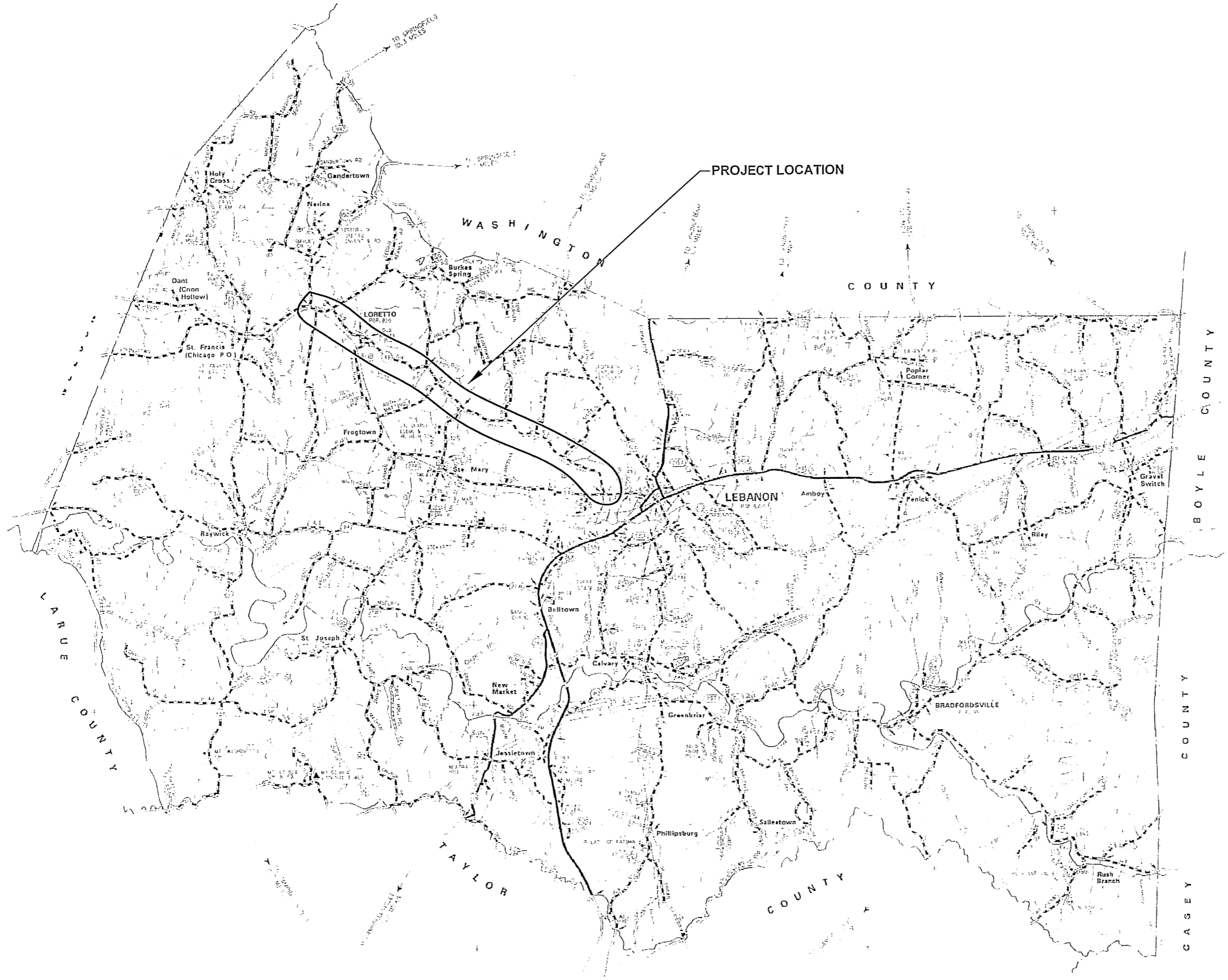
2008 KENTUCKY GENERAL ASSEMBLY	\$585,000
RURAL DEVELOPMENT GRANT	\$615,000
RURAL DEVELOPMENT LOAN	<u>\$1,433,000</u>

TOTAL PROJECT FINANCING **\$2,633,000**



LEBANON TO LORETTO
TRANSMISSION MAIN
MARION COUNTY WATER DISTRICT

M
Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KY



LOCATION MAP
MARION COUNTY, KENTUCKY

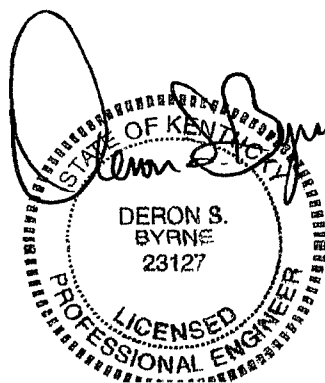
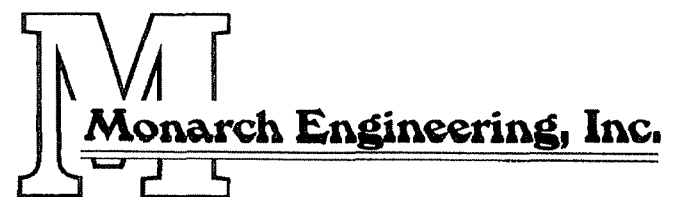
M Monarch Engineering, Inc.
556 Carlton Drive
Lawrenceburg, KY

FINAL ENGINEERING REPORT

**LORETTO WATER TRANSMISSION MAIN
MARION COUNTY WATER DISTRICT
MARION COUNTY, KENTUCKY**

AUGUST 21, 2009

PREPARED BY:

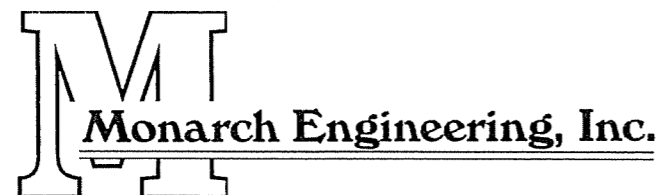


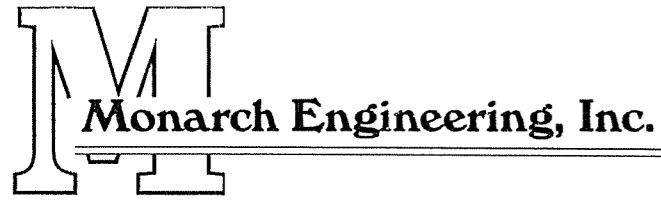
FINAL ENGINEERING REPORT

**LORETTO WATER TRANSMISSION MAIN
MARION COUNTY WATER DISTRICT
MARION COUNTY, KENTUCKY**

AUGUST 21, 2009

PREPARED BY:





August 21, 2009

Ms. Barbara May, Chairman
Marion County Water District
PO Box 528
Lebanon, KY 40033

Re: Marion County Water District
Loretto Water Transmission Main

Dear Ms. May:

On August 13, 2009, bids were received by the Marion County Water District for construction of the Loretto Water Transmission Main. Eight bids were received for the project, with the lowest bid being submitted by Twin States Utilities, Inc. of Mt. Hermon, KY, in the amount of \$946,065.00. A summarized bid tabulation of all bids received and a corresponding Final Project Budget have been attached.

As indicated in the Final Project Budget, the amount of allocated project funds far exceeds the associated cost for the project which was initially planned. Given the substantial amount of remaining funds, the inclusion of an additional project phase is recommended. Gauging from preliminary discussions, it appears that the best option for a second phase would be to proceed with development of a transmission main around the Lebanon Bypass. A preliminary cost estimate has been completed for this proposed second phase and is included as part of the Final Project Budget.

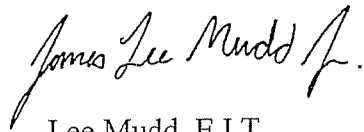
According to the information outlined in the Final Project Budget, it appears that there are sufficient funds available to construct both phases of the project. Based on the availability of funds and the competitive nature of the bids received, we recommend that the District consider awarding a contract to Twin States Utilities, Inc., in the amount of \$946,065.00. Furthermore, we urge the District to legitimize its intention to move forward with the second phase of the project. Once District approval is given, our office will then proceed with preparing that phase for construction. This and all recommendations are contingent upon approval from the USDA Rural Development, the Kentucky Infrastructure Authority (KIA) and the Kentucky Public Service Commission.

M

August 21, 2009
Page Two

Should you have any questions or require any additional information, please advise.

Sincerely,



Lee Mudd, E.I.T.
Project Engineer

/jlm

Attachments

Cc: Ashley Willoughby
Lincoln Trail Area Development District

Lloyd Hart
USDA Rural Development

Julie Anderson
USDA Rural Development

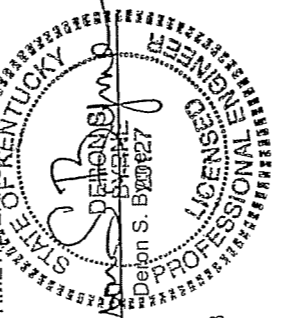
BID TABULATIONS
 MARION COUNTY WATER DISTRICT
 LORETTO WATER TRANSMISSION MAIN
 MARION COUNTY, KENTUCKY
 BID DATE: AUGUST 13, 2009 @ 10:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	Twin States Utilities, Inc. P.O. Box 14 Mt. Hermon, KY 42157		Stoffs Construction Co., Inc. P.O. Box 1689 Columbia, KY 42728		Conley Gregory Const., Inc. 1900 North Main St. Monticello, KY 42633	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID CONTRACT							
1	12-Inch PVC SDR 21 Water Line	25,225 LF	\$16.00	\$403,600.00	\$18.80	\$474,230.00	\$21.16	\$533,761.00
2	12-Inch PVC SDR 17 Water Line	15,200 LF	18.00	273,600.00	20.65	313,880.00	23.73	360,696.00
3	8-Inch PVC SDR 21 Water Line	20 LF	11.00	220.00	14.25	285.00	45.00	900.00
4	6-Inch PVC SDR 21 Water Line	40 LF	10.00	400.00	12.60	504.00	45.00	1,800.00
5	Bore & Case for 12-Inch Water Line	985 LF	116.00	114,260.00	80.00	78,800.00	81.93	80,701.05
6	Open Cut & Case for 12-Inch WL	160 LF	40.00	6,400.00	45.00	7,200.00	67.60	10,816.00
7	Creek Crossing for 12-Inch WL	270 LF	71.00	19,170.00	60.00	16,200.00	100.00	27,000.00
8	Directional Bore for 12-Inch WL	330 LF	165.00	54,450.00	160.00	52,800.00	160.00	52,800.00
9	12-Inch Gate Valve	26 EA	1,450.00	37,700.00	1,600.00	41,600.00	1,734.91	45,107.66
10	8-Inch Gate Valve	3 EA	785.00	2,355.00	1,050.00	3,150.00	1,031.56	3,094.68
11	6-Inch Gate Valve	1 EA	520.00	520.00	790.00	790.00	660.00	660.00
12	Manual Air Release	6 EA	870.00	5,220.00	1,000.00	6,000.00	1,193.36	7,160.16
13	Connection No. 1	1 EA	1,300.00	1,300.00	1,300.00	1,300.00	1,100.00	1,100.00
14	Connection No. 2	1 EA	1,300.00	1,300.00	1,300.00	1,300.00	1,530.00	1,530.00
15	Connection No. 3	1 EA	1,400.00	1,400.00	1,500.00	1,500.00	2,450.00	2,450.00
16	2-Way Flush Hydrant Assembly	7 EA	2,650.00	18,550.00	2,600.00	18,200.00	3,200.00	22,400.00
17	6-Inch Blowoff Assembly	2 EA	950.00	1,900.00	1,100.00	2,200.00	1,600.00	3,200.00
18	Meter Setting	2 EA	760.00	1,520.00	950.00	1,900.00	758.73	1,517.46
19	3/4-Inch P.E. Service Tubing	100 LF	6.00	600.00	5.00	500.00	15.00	1,500.00
20	Exploration	20 HR	80.00	1,600.00	200.00	4,000.00	300.00	6,000.00
	TOTAL BASE BID CONTRACT			\$946,065.00		\$1,026,339.00		\$1,164,194.01

THE ABOVE IS A TRUE AND COMPLETE TABULATION OF BIDS RECEIVED AT 10:00A.M. LOCAL TIME, THURSDAY, AUGUST 13, 2009 AT THE MARION COUNTY WATER DISTRICT.

* DENOTES AN ARITHMETIC ERROR. AMOUNT HAS BEEN CORRECTED TO REFLECT UNIT PRICE SUBMITTED.

BY:  DATE: 8.13.2009



Project No. 0858

BID TABULATIONS
MARION COUNTY WATER DISTRICT
LORETTO WATER TRANSMISSION MAIN
MARION COUNTY, KENTUCKY
BID DATE: AUGUST 13, 2009 @ 10:00 A.M. LOCAL TIME

MONARCH ENGINEERING, INC.
556 Carlton Drive
Lawrenceburg, KY 40342
Phone (502) 839-1310
Fax (502) 839-1373

ITEM NO.	DESCRIPTION	QUANTITY	Cleary Construction, Inc.*		Southern Backhoe, Inc.		Garrison Const. Co., Inc.	
			UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
	BASE BID CONTRACT							
1	12-inch PVC SDR 21 Water Line	25,225 LF	\$21.80	\$549,905.00	\$21.50	\$542,337.50	\$21.50	\$542,337.50
2	12-inch PVC SDR 17 Water Line	15,200 LF	24.00	364,800.00	23.50	357,200.00	23.65	359,480.00
3	8-inch PVC SDR 21 Water Line	20 LF	22.00	440.00	20.00	400.00	15.25	305.00
4	6-inch PVC SDR 21 Water Line	40 LF	20.00	800.00	20.00	800.00	13.25	530.00
5	Bore & Case for 12-inch Water Line	985 LF	135.00	132,975.00	125.00	123,125.00	185.00	182,225.00
6	Open Cut & Case for 12-inch WL	160 LF	50.00	8,000.00	80.00	12,800.00	75.00	12,000.00
7	Creek Crossing for 12-inch WL	270 LF	100.00	27,000.00	150.00	40,500.00	100.00	27,000.00
8	Directional Bore for 12-inch WL	330 LF	150.00	49,500.00	200.00	66,000.00	165.00	54,450.00
9	12-inch Gate Valve	26 EA	1,650.00	42,900.00	1,550.00	40,300.00	1,765.00	45,890.00
10	8-inch Gate Valve	3 EA	960.00	2,880.00	950.00	2,850.00	1,140.00	3,420.00
11	6-inch Gate Valve	1 EA	670.00	670.00	700.00	700.00	775.00	775.00
12	Manual Air Release	6 EA	1,000.00	6,000.00	900.00	5,400.00	1,125.00	6,750.00
13	Connection No. 1	1 EA	1,400.00	1,400.00	600.00	600.00	3,665.00	3,665.00
14	Connection No. 2	1 EA	3,100.00	3,100.00	2,000.00	2,000.00	4,495.00	4,495.00
15	Connection No. 3	1 EA	2,300.00	2,300.00	1,500.00	1,500.00	3,410.00	3,410.00
16	2-Way Flush Hydrant Assembly	7 EA	3,000.00	21,000.00	3,500.00	24,500.00	3,700.00	25,900.00
17	6-inch Blowoff Assembly	2 EA	1,600.00	3,200.00	1,500.00	3,000.00	2,340.00	4,680.00
18	Meter Setting	2 EA	1,000.00	2,000.00	700.00	1,400.00	930.00	1,860.00
19	3/4-inch P.E. Service Tubing	100 LF	10.99	1,099.00	5.00	500.00	8.75	875.00
20	Exploration	20 HR	100.00	2,000.00	200.00	4,000.00	150.00	3,000.00
	TOTAL BASE BID CONTRACT			\$1,221,969.00		\$1,229,912.50		\$1,283,047.50

Project No. 0858

BID TABULATIONS
 MARION COUNTY WATER DISTRICT
 LORETTO WATER TRANSMISSION MAIN
 MARION COUNTY, KENTUCKY

BID DATE: AUGUST 13, 2009 @ 10:00 A.M. LOCAL TIME

ITEM NO.	DESCRIPTION	QUANTITY	UNIT PRICE	TOTAL COST	UNIT PRICE	TOTAL COST
BASE BID CONTRACT						
1	12-Inch PVC SDR 21 Water Line	25,225 LF	\$26.00	\$655,850.00	\$31.24	\$788,029.00
2	12-Inch PVC SDR 17 Water Line	15,200 LF	28.00	425,600.00	33.46	508,592.00
3	8-Inch PVC SDR 21 Water Line	20 LF	15.00	300.00	12.00	240.00
4	6-Inch PVC SDR 21 Water Line	40 LF	12.90	516.00	12.00	480.00
5	Bore & Case for 12-Inch Water Line	985 LF	270.00	265,950.00	132.00	130,020.00
6	Open Cut & Case for 12-Inch WL	160 LF	63.00	10,080.00	80.00	12,800.00
7	Creek Crossing for 12-Inch WL	270 LF	120.00	32,400.00	100.00	27,000.00
8	Directional Bore for 12-Inch WL	330 LF	200.00	66,000.00	260.00	85,800.00
9	12-Inch Gate Valve	26 EA	1,765.00	45,890.00	1,834.00	47,684.00
10	8-Inch Gate Valve	3 EA	1,000.00	3,000.00	1,000.00	3,000.00
11	6-Inch Gate Valve	1 EA	730.00	730.00	700.00	700.00
12	Manual Air Release	6 EA	1,210.00	7,260.00	1,000.00	6,000.00
13	Connection No. 1	1 EA	1,195.00	1,195.00	1,000.00	1,000.00
14	Connection No. 2	1 EA	3,170.00	3,170.00	2,700.00	2,700.00
15	Connection No. 3	1 EA	2,590.00	2,590.00	1,500.00	1,500.00
16	2-Way Flush Hydrant Assembly	7 EA	3,050.00	21,350.00	3,200.00	22,400.00
17	6-Inch Blowoff Assembly	2 EA	1,830.00	3,660.00	1,900.00	3,800.00
18	Meter Setting	2 EA	800.00	1,600.00	800.00	1,600.00
19	3/4-Inch P.E. Service Tubing	100 LF	5.50	550.00	4.00	400.00
20	Exploration	20 HR	150.00	3,000.00	200.00	4,000.00
TOTAL BASE BID CONTRACT				\$1,550,691.00		\$1,647,745.00

Gary Clifford, Inc.

5114 New Jackson Hwy.
 Hodgenville, KY 42748

Salmon Construction, Inc.

P.O. Box 97
 Mt. Washington, KY 40047

**FINAL PROJECT BUDGET
LORETTO WATER TRANSMISSION MAIN
MARION COUNTY WATER DISTRICT
AUGUST 21, 2009**

PROJECT COSTS

DEVELOPMENT - PHASE I	\$946,065.00
CONTINGENCY (9.24%)	87,431.09
ENGINEERING DESIGN (8.93%)	84,483.60
ENGINEERING INSPECTION (5.71%)	54,020.31
LEGAL	8,000.00
ENVIRONMENTAL ASSESSMENT	10,000.00
INTEREST	20,000.00
PRELIMINARY ENGINEERING REPORT	10,000.00
ADMINISTRATION	20,000.00
PHASE II (SEE ATTACHMENT)	1,393,000.00
TOTAL PROJECT COSTS	<u><u>\$2,633,000.00</u></u>

**PRELIMINARY COST ESTIMATE
LORETTO WATER TRANSMISSION MAIN - PHASE II
MARION COUNTY WATER DISTRICT
AUGUST 21, 2009**

PROJECT COSTS

DEVELOPMENT- PHASE II	\$904,000.00
CONTINGENCY (9.74%)	88,000.00
ENGINEERING DESIGN (8.96%)	81,000.00
ENGINEERING INSPECTION (5.75%)	52,000.00
LEGAL	8,000.00
ENVIRONMENTAL ASSESSMENT	10,000.00
EQUIPMENT	250,000.00

TOTAL PROJECT COSTS \$1,393,000.00

**FINAL COST ESTIMATE
LORETTO WATER TRANSMISSION MAIN
MARION COUNTY WATER DISTRICT
AUGUST 21, 2009**

PROJECT FUNDING

2008 KENTUCKY GENERAL ASSEMBLY GRANT	\$585,000.00
USDA RURAL DEVELOPMENT GRANT	615,000.00
USDA RURAL DEVELOPMENT LOAN	<u>1,433,000.00</u>
TOTAL PROJECT FUNDING	\$2,633,000.00

PROJECT DESCRIPTION
LORETTO WATER TRANSMISSION MAIN – PHASE I

The Marion County Water District owns and operates a water distribution system that serves rural Marion County, Kentucky. The water system consists of a series of distribution and transmission water lines and storage tanks that are strategically located throughout the system. The District currently encounters instances where system performance is simply not adequate. The system experiences problems with a lack of volume during times of peak demand, which results in decreased pressure. Therefore, it is the primary goal of the Loretto Water Transmission Main to allow more water to be transported directly from the source to areas of high usage. This will in turn provide the needed volume in instances of high demand.

In order to correct the water transport issues this initial project phase proposes to install a water transmission main beginning in the vicinity of the District's current purchase point near the intersection of Kentucky Highway 49 and the Lebanon Bypass and then extending onward to the community of Loretto. The proposed project will serve to eliminate the strain on this and other parts of the system including pump stations and storage tanks. Ultimately, construction of the initial project phase will lay the groundwork for the District to providing reliable and consistent water service to the customers living in the western Marion County.

For the initial project phase the District is proposing to construct 40,000 LF of 12-Inch water transmission main along Kentucky Highway 49. The District is proposing to finance the project with moneys provided by the USDA Rural Development and a 2008 Kentucky General Assembly Grant

PROJECT DESCRIPTION
LORETTO WATER TRANSMISSION MAIN – PHASE II

The Marion County Water District currently encounters instances where system performance is simply not adequate. The system experiences problems with a lack of volume during times of peak demand, which results in decreased pressure. Therefore, it is the primary goal of the Loretto Water Transmission Main to allow more water to be transported directly from the source to areas of high usage. This will in turn provide the needed volume in instances of high demand.

The initial phase seeks to correct the system deficiencies by installing a transmission main from the Districts current purchase point near the City of Lebanon onward to the Loretto area. This is expected to bring significant improvement to the described shortfalls. The improvement will conceivably be enough to completely correct the problem for the time being. While this is the case, in order to ensure the systems continued effectiveness amidst continued growth, a second phase has been planned.

The second phase will shift the Districts purchase point to a location which will allow the purchase of water almost directly from the supplier's water treatment plant. This modification will provide for a virtually unlimited and continuous supply of water. Furthermore, the supply will remain unaffected by the changes in the supplier's distribution system. The new portion of transmission main will begin at the new purchase point located near the intersection of the Kentucky Highway 208 and the Lebanon Bypass. It will then extend onward alongside the Lebanon Bypass connecting into several major system mains, eventually connecting into transmission main installed in the preceding phase of the project.

Once completed, the two phase project will serve as a significant benefit to the entire western portion of the system. The District will see a vast increase in the volume of water that can be transported to the area. This increase will effectively eliminate the potential for poor system performance stemming from transportation and volume related issues.

For the second phase the District is proposing to construct 4,250 LF of 16-Inch water transmission main and 12,250 LF of 12-Inch water transmission main along the Lebanon Bypass. The District is proposing to finance the project with moneys provided by the USDA Rural Development and a 2008 Kentucky General Assembly Grant



United States Department of Agriculture
Rural Development
Kentucky State Office

September 8, 2009

SUBJECT: Marion County Water District
Loretto Water Transmission Main
Contract Award Concurrence

TO: Area Director
Columbia, Kentucky

Based on the bids received and the recommendation of the consulting engineer, Rural Development concurs in the award of subject contract to the low bidder, Twin States Utilities, Inc., in the amount of \$946,065.00.

If you have any questions, please contact Julie Anderson, State Engineer, at (859) 224-7348.


DA VERNON BROWN
Acting State Director
Rural Development

cc: Monarch Engineering, Inc.
Lawrenceburg, Kentucky

Stoll, Keenon, Ogden PLLC
Louisville, Kentucky

Exhibit D

NOTICE OF ADJUSTMENT OF WATER RATES

Marion County Water District
Marion, Nelson and Washington Counties, Kentucky

Notice is hereby given that, pursuant to an application filed or to be filed with the Public Service Commission of Kentucky under KRS 278.023 by the Marion County Water District (the "District"), the District proposes to adjust its monthly water service rates and charges as follows:

Present Rates

Proposed Rates

5/8" x 3/4" Meter

First 1,000 Gallons @ \$ 11.04 Minimum Bill
Next 9,000 Gallons @ \$ 4.46 Per 1,000 Gallons
Next 90,000 Gallons @ \$ 3.92 Per 1,000 Gallons
All Over 100,000 Gallons @ \$ 3.81 Per 1,000 Gallons

5/8" x 3/4" Meter

First 0 Gallon
(Meter Usage Charge) @ \$ 7.23 Minimum
All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons

1-Inch Meter

First 1,000 Gallons @ \$ 18.74 Minimum Bill
Next 9,000 Gallons @ \$ 4.46 Per 1,000 Gallons
Next 90,000 Gallons @ \$ 3.92 Per 1,000 Gallons
All Over 100,000 Gallons @ \$ 3.81 Per 1,000 Gallons

1-Inch Meter

First 0 Gallon
(Meter Usage Charge) @ \$ 15.70 Minimum
All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons

2-Inch Meter

First 1,000 Gallons @ \$ 27.10 Minimum Bill
Next 9,000 Gallons @ \$ 4.46 Per 1,000 Gallons
Next 90,000 Gallons @ \$ 3.92 Per 1,000 Gallons
All Over 100,000 Gallons @ \$ 3.81 Per 1,000 Gallons

2-Inch Meter

First 0 Gallon
(Meter Usage Charge) @ \$ 24.90 Minimum
All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons

Trailer Courts *

Minimum Bill - 50% of regular residential minimum times the number of trailer spaces available (includes 50% of residential minimum gallons times number of spaces available). Balance of usage billed at regular residential rate schedule.

3-Inch Meter

First 0 Gallon
(Meter Usage Charge) @ \$ 39.49 Minimum
All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons

4-Inch Meter

First 0 Gallon
(Meter Usage Charge) @ \$ 62.63 Minimum
All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons

6-Inch Meter

First 0 Gallon
(Meter Usage Charge) @ \$ 157.52 Minimum
All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons

**This provision to be eliminated.*

NOTICE OF ADJUSTMENT OF WATER RATES

Marion County Water District
Marion, Nelson and Washington Counties, Kentucky

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<u>5/8" x 3/4" Meter</u>	
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Next 9,000 Gallons @ \$ 4.46 Per 1,000 Gallons	First 0 Gallon
Next 90,000 Gallons @ \$ 3.92 Per 1,000 Gallons	(Meter Usage Charge) @ \$ 7.23 Minimum
All Over 100,000 Gallons @ \$ 3.81 Per 1,000 Gallons	All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons
<u>1-Inch Meter</u>	
First 1,000 Gallons @ \$ 18.74 Minimum Bill	<u>1-Inch Meter</u>
Next 9,000 Gallons @ \$ 4.46 Per 1,000 Gallons	First 0 Gallon
Next 90,000 Gallons @ \$ 3.92 Per 1,000 Gallons	(Meter Usage Charge) @ \$ 15.70 Minimum
All Over 100,000 Gallons @ \$ 3.81 Per 1,000 Gallons	All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons
<u>2-Inch Meter</u>	
First 1,000 Gallons @ \$ 27.10 Minimum Bill	<u>2-Inch Meter</u>
Next 9,000 Gallons @ \$ 4.46 Per 1,000 Gallons	First 0 Gallon
Next 90,000 Gallons @ \$ 3.92 Per 1,000 Gallons	(Meter Usage Charge) @ \$ 24.90 Minimum
All Over 100,000 Gallons @ \$ 3.81 Per 1,000 Gallons	All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons
<u>Trailer Courts *</u>	
Minimum Bill - 50% of regular residential minimum times the number of trailer spaces available (includes 50% of residential minimum gallons times number of spaces available). Balance of usage billed at regular residential rate schedule.	<u>3-Inch Meter</u>
	First 0 Gallon
	(Meter Usage Charge) @ \$ 39.49 Minimum
	All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons
	<u>4-Inch Meter</u>
	First 0 Gallon
	(Meter Usage Charge) @ \$ 62.63 Minimum
	All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons
	<u>6-Inch Meter</u>
	First 0 Gallon
	(Meter Usage Charge) @ \$ 157.52 Minimum
	All Over 1 Gallon @ \$ 4.91 Per 1,000 Gallons

*This provision to be eliminated.

By use of federal loan proceeds and federal and state grant proceeds, the District plans to construct and install a new 12-inch water transmission main to the community of Loretto to improve service to existing customers and new 12-inch and 16-inch transmission mains along the Lebanon Bypass to allow the purchase of water almost directly from the supplier's water treatment plant.

MARION COUNTY WATER DISTRICT
Jimmie Mudd, Manager
Marion County Water District
P.O. Box 528
Lebanon, Kentucky 40033
(270) 692-2004

NOTICE OF ADJUSTMENT OF WATER RATES

Marion County Water District
Marion, Nelson and Washington Counties, Kentucky

Notice is hereby given that, pursuant to an application filed or to be filed with the Public Service Commission of Kentucky under KRS 278.023 by the Marion County Water District (the District), the District proposes to adjust its monthly water service rates and charges as follows:

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2-Inch Meter

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Trailer Courts *

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Jimmie Mudd, Manager
Marion County Water District
P.O. Box 528
Lebanon, Kentucky 40033
(270) 692-2004

The Lebanon Enterprise

119 S. Proctor Knott Ave. • Lebanon, KY 40033

Phone: (270) 692-6026 • FAX: (270) 692-2118

Editorial: editor@lebanonenterprise.com • Advertising: mblair@lebanonenterprise.com • Bookkeeping:
enugent@lebanonenterprise.com

AFFIDAVIT OF PUBLICATION

The following affidavit is to be executed by an officer of the newspaper attesting publication of legal advertisements as required under an Act of Kentucky Legislature of 1958.

Mary Anne Blair of Lebanon, Kentucky, being first duly sworn, says that *she* is *Advertising Manager* of The Lebanon Enterprise, a newspaper published in the State of Kentucky, County of Marion, and having general circulation in the County of Marion, and that the advertisement of which the annexed is a true copy has been published in said newspaper on the following dates, viz 9-9-09.

Mary Anne Blair
Mary Anne Blair

Subscribed and sworn to before me, a Notary Public within and for the State and County aforesaid, by Mary Anne Blair to me personally known, this 9th day of September, 2009. My commission expires the 6th day of February, 2013.

Eva Jo Watson-Nugent
Eva Jo Watson-Nugent
Notary Public, State At Large

NOTICE OF ADJUSTMENT OF WATER RATES

Marion County Water District
Marion, Nelson and Washington Counties, Kentucky

Notice is hereby given that, pursuant to an application filed or to be filed with the Public Service Commission of Kentucky under KRS 278.023 by the Marion County Water District (the "District"), the District proposes to adjust its monthly water service rates and charges as follows:

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MARION COUNTY WATER DISTRICT
Jimmy Mudd, Manager
Marion County Water District
P.O. Box 528
Lebanon, Kentucky 40033
(270) 692-2004

AFFIDAVIT OF PUBLICATION


The following affidavit is to be executed by an officer of the newspaper attesting publication of legal advertisements as required under an act of the Kentucky Legislature of 1958.

Carol Turner Mudd, Bardstown, Kentucky, being first duly sworn that she is Classified Advertising Manager of *The Kentucky Standard*, a newspaper printed and published in the state of Kentucky, County of Nelson, and having a general circulation in the County of Nelson, and that the advertisement of which annexed is a true copy has been published in said newspaper on the following dates viz:

September 9, 2009


Signature of Officer

Subscribed and sworn to before me, a Notary Public, within and for the state and county afore said, by Carol Turner Mudd, to me personally known, this 9th day of September, 2009. My commission expires the first day of April, 2013.


Signature of Attesting Official
Notary Public, Nelson County, KY

A tear sheet of the advertisement is attached

- BOND-AUTHORIZING RESOLUTION -

A RESOLUTION OF THE COMMISSION OF MARION COUNTY WATER DISTRICT, MARION, NELSON AND WASHINGTON COUNTIES, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S MUNICIPAL WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S \$1,433,000 WATER SYSTEM REVENUE BONDS, SERIES 2009, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID); CONFIRMING, RATIFYING AND CONTINUING PRE-EXISTING PROVISIONS PREVIOUSLY ADOPTED BY THE DISTRICT RELATING TO THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE INCOME AND REVENUES OF THE MUNICIPAL WATER DISTRIBUTION SYSTEM; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM THE INCOME AND REVENUES OF THE SYSTEM AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

_____. _____
Adopted _____, 2009

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A RESOLUTION OF THE COMMISSION OF MARION COUNTY WATER DISTRICT, MARION, NELSON AND WASHINGTON COUNTIES, KENTUCKY, PROVIDING FOR THE CONSTRUCTION AND INSTALLATION OF MAJOR IMPROVEMENTS AND ADDITIONS TO THE DISTRICT'S MUNICIPAL WATER DISTRIBUTION SYSTEM; AUTHORIZING THE ISSUANCE OF THE DISTRICT'S \$1,433,000 WATER SYSTEM REVENUE BONDS, SERIES 2009, TO PAY THE COSTS THEREOF (TO THE EXTENT NOT OTHERWISE PROVIDED TO BE PAID); CONFIRMING, RATIFYING AND CONTINUING PRE-EXISTING PROVISIONS PREVIOUSLY ADOPTED BY THE DISTRICT RELATING TO THE COLLECTION, SEGREGATION, DISTRIBUTION AND DISBURSEMENT OF THE INCOME AND REVENUES OF THE MUNICIPAL WATER DISTRIBUTION SYSTEM; SETTING FORTH CONDITIONS AND RESTRICTIONS UNDER WHICH ADDITIONAL BONDS MAY BE ISSUED IN THE FUTURE, PAYABLE FROM THE INCOME AND REVENUES OF THE SYSTEM AND RANKING ON A BASIS OF PARITY WITH THE BONDS HEREIN AUTHORIZED; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE BONDS HEREIN AUTHORIZED.

WHEREAS, upon petition and hearing, and upon proper public notice according to the provisions of Chapter 74 of the Kentucky Revised Statutes ("KRS"), an Order and Judgment was duly entered by the County Court of Marion County, Kentucky, on June 5, 1961, determining necessity for and creating and establishing the Marion County Water District (the "District"), defining the geographical area thereof, and appointing Commissioners, the same thereupon constituting and being a public body corporate with all powers and authority as provided in KRS Chapter 74; and thereafter (a) the District, by virtue of an Order of the County Court of Nelson County, Kentucky, duly entered under date of November 20, 1974, pursuant to proper proceedings brought in said Court as provided in KRS Chapter 74, annexed additional territory in Nelson County, Kentucky, and (b) the District acquired additional territory in Marion County when the Northeast Marion County Water District was merged into the District pursuant to a certain Agreement between the parties dated May 9, 1977; and

WHEREAS, the District is at this time a *de jure* Water District situated wholly in Marion, Nelson and Washington Counties, Kentucky; and

WHEREAS, by Resolution of the Commission of the District adopted on May 12, 1969 (the "1969 Resolution"), the District authorized and thereafter issued its Water Revenue Bonds, Series of 1969 (the "1969 Bonds"), for the purpose of providing funds for the initial construction and installation of a water distribution system (the "System") to serve the area of the District; and

WHEREAS, it is provided in and by Section 11 of the 1969 Resolution, as amended by the 1974 Resolution hereinafter referred to, that the District may issue additional bonds ranking on a basis of parity and equality with the District's 1969 Bonds for the purpose of adding new water distribution system facilities upon meeting certain conditions and restrictions or upon obtaining the waiver thereof by the holder of the 1969 Bonds, being the United States of America, Department of Agriculture ("USDA"); and by Resolutions of the Commission of the District adopted on September 13, 1989 (the "1989 Resolution"), _____, 1992 (the "1992A Resolution"), March 9, 1993 (the "1993 Resolution"), January 19, 1996 (the "1996 Resolution") March 19, 1998 (the "1998 Resolution") and June 28, 2000 (the "2000 Resolution"), and pursuant to waivers and consents obtained from USDA, the District authorized and issued, respectively, its Water System Revenue Bonds, Series of 1989 (the "1989 Bonds"), Water System Revenue Bonds, Series of 1992A (the "1992A Bonds"), Water System Revenue Bonds, Series of 1993 (the "1993 Bonds"), Water System Revenue Bonds, Series of 1996 (the "1996 Bonds") and Water System Revenue Bonds, Series of 1998 (the "1998 Bonds"), and Water System Revenue Bonds, Series of 2000 (the "2000 Bonds"), on a basis of parity with the 1969 Bonds for the purpose of providing funds for the construction and installation of major additions and extensions to the System; and

WHEREAS, while the 1969 Bonds have been paid and retired and are no longer outstanding, the 1989 Bonds, 1992A Bonds, 1993 Bonds, 1996 Bonds, 1998 Bonds and 2000 Bonds (collectively, the "Prior Bonds") rank on a parity one with the other; and

WHEREAS, pursuant to Section 11 of the 1969 Resolution, as amended, and the comparable provisions of the 1989 Resolution, 1992A Resolution, 1993 Resolution, 1996 Resolution, 1998 Resolution and 2000 Resolution (collectively, the "Prior Resolutions"), the necessary waivers and consents of USDA, as the holder of the Prior Bonds, have been obtained so that the Water System Revenue Bonds, Series 2009, herein authorized, may now be authorized and issued on a basis of parity with the Prior Bonds, but subject to the priority of the District's loan repayment obligation under an Assistance Agreement with the Kentucky Infrastructure Authority dated as of March 1, 2008 (the "KIA Obligation"); and

WHEREAS, in proceedings before the Public Service Commission of Kentucky, the District has obtained the right and authority to construct and operate major extensions and additions to the System (the "Project"), and plans and specifications have heretofore been prepared by Monarch Engineering, Inc., Lawrenceburg, Kentucky, and approved by the District's Commission and all State and other supervisory authorities having jurisdiction thereof; and it is the opinion of the Commission of the District that it is feasible to undertake the construction and installation of the Project at this time; and

WHEREAS, it has been determined upon the basis of public bids for construction duly solicited in the manner required by law, and upon the basis of other costs and estimates, that the aggregate of all costs and expenses in connection with the Project will be \$2,633,000, and to provide a portion of such funds the District has received from the United States Department of Agriculture, Rural Development ("USDA") an offer to make a loan to the District in the amount of \$1,433,000, which will be supplemented by a USDA Grant in the amount of \$615,000 and a 2008 Kentucky General Assembly Grant in the amount of \$585,000; and

WHEREAS, it is now appropriate for the District to provide for borrowing the sum of \$1,433,000 through issuance and sale of its Water System Revenue Bonds, Series 2009 (the "2009 Bonds") according to authority of Kentucky Revised Statutes ("KRS") Chapters 74 and 106 and the provisions of the Prior Resolutions permitting the issuance of parity bonds; and

WHEREAS, the 2009 Bonds shall be payable as to both principal and interest solely (except as to capitalized interest) from the income and revenues to be derived from the operation of the System, as extended from time to time, and shall not constitute an indebtedness of the District within the meaning of debt-limiting provisions of the Constitution of Kentucky;

NOW, THEREFORE, THE COMMISSION OF MARION COUNTY WATER DISTRICT, MARION, NELSON AND WASHINGTON COUNTIES, KENTUCKY, DOES HEREBY RESOLVE AS FOLLOWS:

SECTION 1

AFFIRMATION OF PREAMBLE RECITALS;
AUTHORIZATION OF THE PROJECT;
DECLARATION OF NECESSITY

All statements and recitals set forth in the preamble of this Resolution, including the terms defined therein, are hereby affirmed and adopted as a part of this Resolution.

It is hereby further determined and declared to be necessary in the interests of the general welfare of the citizens and inhabitants of the District that the District undertake at this time the construction and installation of major additions and extensions (the "Project") to the District's municipal water distribution system (the "System"), all substantially according to the plans, specifications and designs prepared for the District by Monarch Engineering, Inc., Lawrenceburg, Kentucky (the "Engineers") and on file with the District. Immediate undertaking of such construction and installation is hereby authorized.

SECTION 2

PROJECT TO BE MUNICIPALLY OWNED AND OPERATED

The construction and installation of the Project is undertaken by the District for public purposes and the same shall constitute and be a part of the System, and so long as any of the 2009 Bonds hereinafter authorized, or bonds issued on a parity therewith, shall remain outstanding and unpaid as to principal or interest, the System shall continue to be municipally owned, controlled, operated and maintained by the District for the security and source of payment of the 2009 Bonds and all other parity bonds outstanding heretofore or hereafter issued. The Project is to be constructed, installed and acquired and the System is to be operated pursuant to the provisions of KRS Chapters 74 and 106, now in full force and effect.

SECTION 3

2009 BOND ISSUE AUTHORIZED;
CERTAIN TERMS AND DETAILS

For the purpose of providing funds to defray the costs of the Project (to the extent not otherwise provided to be paid), including all necessary and proper appurtenances, and expenses incident thereto and incident to the issuance of the 2009 Bonds, there are hereby authorized to be issued the District's \$1,433,000 Water System Revenue Bonds, Series 2009 (the "2009 Bonds"), with reservation of right on the part of the District to issue additional bonds in the future, payable from the income and revenues of the System, subject to the conditions and restrictions hereinafter reaffirmed, readopted and set forth. The 2009 Bonds hereby authorized shall be offered at public sale as provided in Section 4 hereof and shall be issuable in the form of a single fully registered bond as provided in Section 5 hereof.

The 2009 Bonds shall be dated as of the date of delivery to the original purchaser thereof; shall mature as to principal in installments on January 1 in each of the years 2011 to 2050, inclusive, as set forth in the schedule appearing below; and shall bear interest from their date until payment of principal, such interest to the respective principal maturity dates to be payable semiannually on January 1 and July 1 of each year, and such interest to be at such rate as shall be established by a supplemental resolution upon the basis of competitive sale of the 2009 Bonds as hereinafter provided. The installments of principal of the 2009 Bonds, in fully registered form as aforesaid, shall be as set forth in the following schedule:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
2013	\$ 18,000	2026	\$ 29,000	2039	\$ 46,000
2014	19,000	2027	30,000	2040	47,000
2015	19,000	2028	31,000	2041	49,000
2016	20,000	2029	32,000	2042	51,000
2017	21,000	2030	33,000	2043	53,000
2018	22,000	2031	34,000	2044	55,000
2019	22,000	2032	36,000	2045	57,000
2020	23,000	2033	37,000	2046	59,000
2021	24,000	2034	38,000	2047	61,000
2022	25,000	2035	40,000	2048	63,000
2023	26,000	2036	41,000	2049	65,000
2024	27,000	2037	43,000	2050	65,000
2025	28,000	2038	44,000		

provided, however, that installments of principal of 2009 Bonds maturing on and after January 1, 2020, shall be subject to prepayment at the option of the District prior to maturity in whole or from time to time in part in inverse order of maturities (less than all of a single maturity to be selected by lot) on any interest payment date on and after July 1, 2019, upon terms of par plus accrued interest without any prepayment premium, upon thirty (30) days' prior written notice mailed to the registered holder or holders of the 2009 Bonds; provided, that so long as USDA is the owner of any of the 2009 Bonds, the same may be prepaid in whole or in part at any time at

par plus accrued interest, and without notice or prepayment premium. The 2009 Bonds may be prepaid only in increments of \$1,000.

Both principal of and interest on the 2009 Bonds shall be payable, without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, to the registered holder at the address shown on the registration books of the District or, so long as USDA is the registered holder, at the office or address as may be designated by USDA from time to time.

If any District officer whose signature appears on any 2009 Bond shall cease to be such officer prior to delivery, such signature shall nevertheless be valid and binding for all purposes, the same as if such officer had continued in office until the time of delivery of such 2009 Bond. The 2009 Bonds, together with the Prior Bonds, and the interest thereon, and any bonds which may hereafter be issued on a basis of parity therewith subject to the conditions and restrictions hereinafter set forth, shall be payable only out of the Water Revenue Bond and Interest Sinking Fund created by the 1969 Resolution, and continued by the subsequent Prior Resolutions, and shall be a valid claim of the holder thereof only against said Fund and the fixed portion or amount of the revenues of the System which the District has pledged to said Fund, subject to the terms hereof.

The District finds and declares that the 2009 Bonds shall rank on a basis of parity and equality as to security and source of payment with each other and with the Prior Bonds, but shall be subject to the priority of the KIA Obligation, inasmuch as the District is in compliance with all covenants and undertakings in connection with the Prior Bonds and has obtained the consent of USDA to the issuance of the parity 2009 Bonds herein authorized.

SECTION 4

PROVISIONS RELATING TO SALE OF 2009 BOND ISSUE

The 2009 Bonds authorized by this Resolution shall be publicly offered for sale according to a Notice of Sale of Bonds conforming to the requirements of KRS Chapter 424 (and particularly KRS 424.140(3) and KRS 424.360), which shall be published one time, not less than seven (7) days nor more than twenty-one (21) days prior to the date therein specified (by and at the discretion of the Chairman of the Commission of the District) for the opening and consideration of purchase bids, in each of the following: (a) the Lebanon Enterprise, the legal newspaper published in Lebanon, Marion County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for Marion County and for the District to the extent of its area within said County; (b) the Kentucky Standard, the legal newspaper published in Bardstown, Nelson County, Kentucky, which is qualified under KRS 424.120 to publish advertisements for Nelson County and for the District to the extent of its area within said County; (c) the Courier-Journal, Louisville, Kentucky, a legal newspaper having statewide circulation, and (d) any other newspaper in which the Notice of Bond Sale is required to be published.

Said Notice shall state the name and amount of the 2009 Bonds to be sold, the time of the sale and other details concerning the 2009 Bonds and the sale and shall inform prospective bidders that a copy of the Official Notice of Bond Sale, setting out the maturities, security of the 2009 Bonds, provisions as to redemption prior to maturity and related information, may be obtained from the District. Such Official Notice shall contain, *inter alia*, substantially the following bidding requirements:

(A) Bidders shall be limited to institutions or persons having knowledge and experience in financial and business matters who are capable of evaluating the merits and risks of the 2009 Bonds and who are not purchasing for more than one account and do not intend to redistribute the 2009 Bonds. The District will make available to any such qualified bidder, upon written request, any financial or other material information regarding the District and the System in the District's possession. Bidders are required to bid a cash price of not less than par value for the 2009 Bonds.

(B) A single interest rate must be bid in a multiple of 1/8 or 1/10 of one percent.

(C) Bids will be considered only for the entire 2009 Bond issue, to be issued as a single fully registered bond.

(D) Bidders (except USDA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of 2% of the face amount of the 2009 Bonds for which the bid is submitted, which good faith deposit may be applied as partial payment for such 2009 Bonds, or as liquidated damage in the event that such bidder, if successful, fails to comply with the terms of his bid.

(E) Preference in award will be given to the bid resulting in the lowest net interest cost to the District.

(F) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the 2009 Bonds bid for, computed from the first day of the month following the date of sale of the 2009 Bonds (even though the 2009 Bonds will bear interest only from the date of delivery) to the final maturity specified in each respective bid.

(G) The District expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 2009 Bonds at the office of the District within 45 days after notice is given of the award. If the 2009 Bonds are not ready for delivery and payment within 45 days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the 2009 Bonds, except that 2009 Bonds purchased by any agency of the federal government will be delivered to it at a place and time designated by such agency in accordance with its established practices and procedures.

(H) The District reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The District will furnish the 2009 Bonds, together with evidence of approval of the 2009 Bond issue by the Public Service Commission of Kentucky pursuant to the requirements of KRS Chapter 278 and customary closing documents, including a no-litigation certificate.

(J) The successful bidder will receive the approving legal opinion of Stoll Keenon Ogden PLLC, Bond Counsel, Louisville, Kentucky, as to the legality of and tax-exempt status of interest on the 2009 Bonds, without additional cost to the successful bidder.

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

Bond Counsel having submitted to the Commission of the District forms of the Notice of Sale of Bonds and the Official Notice of Bond Sale, together with an Official Bid Form for use by all bidders except USDA, said documents are hereby approved and authorized for use in connection with the aforesaid sale of the 2009 Bonds.

SECTION 5

2009 BONDS TO BE ISSUED IN FULLY REGISTERED FORM; FULLY REGISTERED BOND FORM

Upon the sale of the 2009 Bonds, the District shall issue a single fully registered 2009 Bond numbered R-1 (hereinafter referred to as the "Fully Registered Bond"). The Fully Registered Bond shall be in the aggregate principal amount of the 2009 Bonds it represents, maturing as to principal in installments as set out in Section 3 hereof. The Fully Registered Bond shall be of type composition, on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. The Fully Registered Bond shall, upon execution on behalf of the District (which execution shall be by manual signatures of the Chairman and Secretary-Treasurer of the Commission, and actual impression of the corporate seal), constitute the 2009 Bond issue it represents and shall be non-negotiable, without interest coupons, registered as to principal and interest, and payable as directed by the payee, and be in substantially the form hereinafter set forth.

The District hereby directs that books for the registration and for the transfer of the Fully Registered Bond shall be kept by the Secretary-Treasurer, who is hereby appointed as Bond Registrar in connection with such Bond. The Fully Registered Bond shall be transferable only upon said Bond Registrar's books at the request of the registered holder thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered holder or his duly authorized attorney. Upon such transfer of the Fully Registered Bond, the Bond Registrar shall complete (with the name of the transferee), date and execute the registration schedule appearing on the Fully Registered Bond and deliver the Fully Registered Bond to such transferee. The person in whose name the Fully Registered Bond shall be properly registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either principal

thereof or interest thereon shall be made only to or upon the order of the registered holder thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon the Fully Registered Bond to the extent of the sum or sums so paid. The face amount of the Fully Registered Bond, portions of which mature on different dates, will be reduced upon the payment of each maturity, and the Secretary-Treasurer shall keep appropriate records of all payments (both principal and interest) with respect to the Fully Registered Bond.

The Fully Registered Bond shall be in substantially the following form (with appropriate insertions and modifications):

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
MARION, NELSON AND WASHINGTON COUNTIES, KENTUCKY
MARION COUNTY WATER DISTRICT
WATER SYSTEM REVENUE BOND, SERIES OF 2009

No. R-1 \$1,433,000

KNOW ALL MEN BY THESE PRESENTS:

That Marion County Water District (the "District"), acting by and through its Commission, a public body corporate created and existing pursuant to Chapter 74 of the Kentucky Revised Statutes and situated in Marion, Nelson and Washington Counties, Kentucky, for value received, hereby promises to pay to the registered holder hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of ONE MILLION FOUR HUNDRED THIRTY-THREE THOUSAND DOLLARS (\$1,433,000) 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 insert the principal maturities of the 2009 Bonds]

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America, and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, without deduction for exchange or collection charges and in like coin or currency, at the rate of _____ (_____%) per annum, semiannually on the first days of January and July in each year hereafter 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 to the registered holder hereof at the address shown on the registration books of the District or, so long as the United States of America, Department of Agriculture is the registered holder of this Bond, at the office or address as may be designated by said Department of Agriculture from time to time.

This Bond is the Bond in fully registered form representing a duly authorized issue of Bonds in the principal amount of \$1,433,000 issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 74 and 106 of the Kentucky Revised Statutes, and pursuant to a duly adopted Resolution of the District, for the purpose of paying the costs (to the extent not otherwise provided to be paid) of the construction and installation of major extensions and additions to the District's municipal water distribution system (the "System"), together with appurtenant facilities, and incidental expenses.

This Bond and the issue which it represents, together with the 2009 Bonds and such additional bonds ranking on a parity therewith as have heretofore been issued and are outstanding and as may hereafter be issued and outstanding from time to time in accordance with the conditions and restrictions set forth in the Resolution authorizing the issuance of this Bond, are payable from and secured by a pledge of a fixed portion of the income and revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the issue which it represents, and any outstanding parity bonds, as and when the same shall become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "Water Revenue Bond and Interest Sinking Fund"; provided that payment of this Bond from such income and revenues is subject to the priority of the District's loan repayment obligation under an Assistance Agreement with the Kentucky Infrastructure Authority dated as of March 1, 2008.

A statutory mortgage lien upon the System and appurtenant facilities, together with all future additions and improvements thereto, and extensions thereof, is created by Section 106.080 of the Kentucky Revised Statutes and by the aforesaid Resolution for the benefit and protection of the holder of this Bond, and the same shall remain in effect until payment in full of the principal of and interest on this Bond.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that it will fix, and if necessary adjust from time to time, such rates and charges for use of the services and facilities of the System and will collect and account for the income and revenues therefrom sufficient to pay promptly the interest on and principal of this issue of Bonds and all other bonds ranking on a parity therewith as may be issued and outstanding from time to time in accordance with the conditions and restrictions prescribed in that connection, as well as to pay the costs of operation and maintenance of the System.

This Bond shall be registered as to principal and interest in the name of the holder hereof, after which it shall be transferable only upon presentation to the Secretary-Treasurer of the District, as the Bond Registrar, with a written transfer duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books 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 July 1, 2019, in the 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 multiples of One Thousand Dollars (\$1,000) 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 holder of the Bond at least thirty (30) days prior to the date fixed for prepayment. Provided, however, that so long as the United States of America, Department of Agriculture, is the registered holder of this Bond, this Bond may be prepaid at any time in whole or in part, at par or face value and without notice or prepayment premium.

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 provisions of this Bond or with the provisions of the Resolution authorizing the issuance of this Bond, the registered holder may, at his option, institute proceedings to enforce all rights and remedies provided by law or by said Resolution.

This Bond is exempt from *ad valorem* taxation in the Commonwealth of Kentucky.

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, being the total authorized amount of Bonds of the issue which this Bond represents, 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, the Marion County Water District, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Chairman of its Commission, attested by the Secretary-Treasurer, and its corporate seal to be hereunto affixed, on the date of this Bond, which is .

MARION COUNTY WATER DISTRICT

By _____
Chairman of the Commission

ATTEST:

Secretary-Treasurer

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the books of Marion County Water District kept for that purpose by the Secretary-Treasurer, as Bond Registrar, upon presentation hereof to the Secretary-Treasurer, 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 holder or his attorney, such transfer to be made on said books and endorsed hereon.

(FORM OF REGISTRATION)

<u>Date of Registration</u>	<u>Name of Registered Holder</u>	<u>Signature of the Water District's Bond Registrar</u>
	United States of America Department of Agriculture State Office 771 Corporate Dr., Suite 200 Lexington, Kentucky 40503*	

*(To be inserted if USDA purchases the 2009 Bonds)

SECTION 6

DISPOSITION OF 2009 BOND PROCEEDS; CONSTRUCTION FUND

The Secretary-Treasurer of the District shall be the custodian of all funds belonging to and associated with the System, as expanded and improved from time to time, and such funds shall be deposited in The Citizens National Bank of Lebanon, Lebanon, Kentucky, or in such other bank or banks in Kentucky as the Commission of the District may from time to time designate (hereinafter sometimes referred to, singularly and collectively, as the "Depository Bank"). All such moneys of the District deposited in the Depository Bank in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC") shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The Secretary-Treasurer shall execute a fidelity bond in an amount and with a surety company approved by USDA so long as it is the holder of any of the 2009 Bonds; and USDA and the District shall be named co-obligees in such surety bond, and the amount thereof shall not be reduced without the written consent of USDA. The proceeds of the 2009 Bonds shall be applied as follows:

Upon the issuance and delivery of the 2009 Bonds authorized by this Resolution, the entire proceeds thereof shall be deposited in an account designated "Marion County Water District 2009 Construction Fund" (the "Construction Fund"), hereby created. Said 2009 Bond

proceeds shall constitute a part of the Construction Fund and shall be applied, to the extent necessary, in paying the costs incident to constructing, installing and acquiring the Project, including expenses incurred in the issuance of the 2009 Bonds and paying interim financing obligations (both principal and interest) incurred in connection with the Project as authorized by said separate interim financing Resolution of the Commission of the District; provided, however, any 2009 Bond proceeds so used to pay such interim financing obligations may be disbursed directly to the appropriate lending institution(s) without the requirement of being deposited to the Construction Fund.

A sum in the Construction Fund estimated to be equal to interest which will accrue on the 2009 Bonds (following delivery thereof) during construction and development of the Project shall be earmarked, used and applied to the payment of interest on the 2009 Bonds next becoming due.

Disbursements from the Construction Fund shall be made by checks signed by the District Secretary-Treasurer, and such disbursements shall be authorized and approved in writing by the District Chairman and Secretary-Treasurer and, if USDA is the purchaser of the 2009 Bonds, by USDA (if USDA so requires). Reference is made in this connection to the provisions of the separate interim financing Resolution adopted concurrently herewith.

Pending disbursement, the 2009 Bond proceeds shall be deposited, as aforesaid, in the Construction Fund, and to the extent that such deposit causes the aggregate deposits by the District in the Depository Bank to be in excess of the amount insured by FDIC, the same shall be secured by a surety bond or bonds furnished by a surety company or companies qualified to do business in Kentucky and approved by the Commission of the District, or by a valid pledge of direct obligations of the United States Government, or obligations as to which the payment of principal and interest are guaranteed by the United States Government, having a market value at least equivalent to such deposit.

Where the moneys on deposit in the Construction Fund exceed the estimated disbursements on account of the Project for the next 60 days, the District shall direct the Depository Bank to invest such excess funds in direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, which shall mature not later than six months after the date of such investment and which shall be subject to redemption at any time by the holder thereof. The earnings from any such investments shall be deposited in the Construction Fund by the District, unless otherwise authorized by USDA.

In the event any unexpected balance shall remain in the Construction Fund after completion of the Project, and payment of all of the costs thereof, as certified by the Engineers, such unexpended balance, subject to the terms and conditions of the aforesaid USDA loan, and to USDA approval, shall be transferred and deposited in the Water Revenue Bond and Interest Sinking Fund, hereinafter referred to, and shall be used at the earliest practicable date for the retirement of 2009 Bonds by purchase thereof (or principal prepayment) in inverse order of maturities or established annual payment amounts.

In the event that the amount hereinabove provided to be set aside from 2009 Bond proceeds for payment for interest during the construction and development of the Project should prove to be insufficient for such purpose, additional moneys may, upon approval by USDA, be withdrawn from the Construction Fund and so applied, inasmuch as interest during such period is a proper part of the cost of the Project, to the extent authorized by USDA.

Pending disbursements for the authorized purposes, the proceeds of all 2009 Bonds at any time issued pursuant to this Resolution shall be subject to a first and paramount lien and charge in favor of the holders of 2009 Bonds issued and outstanding hereunder and for their further security.

SECTION 7

OPERATION OF SYSTEM; FLOW OF FUNDS; ACCUMULATION OF REVENUES

From and after issuance and delivery of the 2009 Bonds, and so long as any of the 2009 Bonds or parity bonds remain outstanding and unpaid, the System shall continue to be operated on a fiscal year basis beginning each January 1 and ending on the last day of the next December, as at present, and on that basis the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A separate and special fund or account of the District, distinct and apart from all other funds and accounts, was created by the 1969 Resolution designated and identified as the "Marion County Water District Water Revenue Fund" (the "Revenue Fund"), which shall continue to be maintained by the District, and into which shall be deposited all income and revenues of the System (to the extent not otherwise provided to be deposited hereinafter). The moneys in the Revenue Fund from time to time shall be used and disbursed and applied by the District only for the purposes, and in the manner and order of priorities, specified in the succeeding subsections of this Section 7, all as permitted by applicable statutes, as follows:

(A) A separate and special fund or account of the District was created by the 1969 Resolution and designated the "Marion County Water District Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), which shall continue to be maintained for the benefit of the System and all bonds payable from the income and revenues of the System. The District covenants that it will continue to transfer monthly from the funds in the Revenue Fund to the Operation and Maintenance Fund sums sufficient to pay as they accrue the Current Expenses of operating and maintaining the System pursuant to the Annual Budget, for which provision is hereafter made.

(B) A separate and special fund or account of the District was created by the 1969 Resolution, distinct and apart from all other funds and accounts, and the same is designated and identified as the "Marion County Water District Water Revenue Bond and Interest Sinking Fund" (the "Bond Fund"), which shall continue to be maintained so long as any of the Prior Bonds, the 2009 Bonds or parity bonds herein permitted to be issued are outstanding; and all moneys deposited therein from time to time shall be used and disbursed and applied, and are

hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on the Prior Bonds, the 2009 Bonds and any parity bonds hereafter issued and outstanding pursuant to the provisions of this Resolution.

Subject to subparagraph (A) of this Section 7, there shall continue to be set aside and transferred on or before the 15th day of each month from the Revenue Fund, as a first charge thereon, and deposited in the Bond Fund, sums sufficient to pay when due the principal and interest requirements on the Prior Bonds, the 2009 Bonds and any parity bonds. Specifically, there shall be paid into the Bond Fund on or before the 15th day of each month, on account of the Prior Bonds and the 2009 Bonds not less than the following:

(i) a sum which together with other funds available in the Bond Fund for such purpose will be equal to one-sixth (1/6) of the next succeeding interest installment to become due on all Prior Bonds and 2009 Bonds then outstanding; and

(ii) a sum which together with other funds available in the Bond Fund for such purpose will be equal to one-twelfth (1/12) of the principal of all Prior Bonds and 2009 Bonds maturing on the next succeeding January 1.

In the event additional parity bonds are issued pursuant to the conditions and restrictions hereinafter prescribed in that connection, the monthly deposits to the Bond Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

Moneys from time to time in the Bond Fund may be held in cash, in which event the same shall, to the extent not insured by FDIC, be secured by a valid pledge of bonds, notes, or certificates of indebtedness of the United States Government having at all times an equal market value; or the same may, upon order of the Commission, be invested and reinvested in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing not later than the date on which such funds are needed to pay principal and interest on outstanding bonds. Income from any such investments shall be accumulated in the Bond Fund and may be invested in the same manner.

(C) A separate and special fund or account of the District was heretofore created by the 1969 Resolution, which Fund is hereby continued, and the same is designated and identified as the "Marion County Water District Reserve and Depreciation Account" (the "Reserve Fund").

After observing the priority of deposits set forth in (A) and (B) above, which are cumulative, there shall be set apart and paid into the Reserve Fund each month not less than \$2,556 (or more, if fixed by Resolution of the Commission of the District) from the remaining funds in the Revenue Fund, such monthly deposits to continue so long as any bonds payable from the income and revenues of the System remain outstanding and unpaid.

In addition to the above deposits from the Revenue Fund, there shall also be deposited in the Reserve Fund, as received, the proceeds of all property damage insurance (except public liability) maintained in connection with the System, and the cash proceeds of any surplus, worn out or obsolescent properties of the System, if the same be sold upon order of the Commission.

As required by the provisions of the 1969 Resolution, any fees which may be levied and collected by the Commission of the District for the privilege of connecting to the System (excluding initial deposits received in aid of the Project, if any) shall be paid, as received, into the Reserve Fund. The term "cash revenues" of the System, as used in Section 7 hereof, means all proceeds of water service rates and charges, and does not include any of the cash items enumerated in this paragraph.

The Reserve Fund shall be available and may be withdrawn and used by the District, upon appropriate certification as to the authorization for such withdrawal, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals or replacements, not included in the Annual Budget of Current Expenses, and the cost of constructing additions and improvements to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. Said Fund shall also be available for transfer to the Bond Fund in order to avoid default in connection with any bonds payable from the Bond Fund.

If and when the balance in the Reserve Fund, including the market value of investments held for the account thereof, shall equal the sum of \$285,900, the monthly deposits therein may be discontinued and at the election of the Commission such sums may be paid into the Bond Fund, but the same shall be resumed whenever authorized disbursements therefrom shall reduce the balance below \$285,900, and shall be continued until such balance is restored; provided that so long as the 2009 Bonds remain outstanding, the monthly deposits into the Reserve Fund shall be at least \$585. Notwithstanding the provisions of this Section, no amount shall be deemed to be required to be deposited in the Reserve Fund which exceeds permissible deposits in such a fund under the terms of the rules and regulations of USDA.

At any time when the accumulations in the Reserve Fund shall exceed anticipated and foreseeable needs for authorized purposes, all or any portion of such excess may be invested and reinvested upon order of the Commission in interest-bearing obligations of, or obligations the principal of and interest on which are guaranteed by, the United States Government, maturing or subject to redemption at the option of the holder not later than three (3) years after the date of investment; but as and when funds may be required for authorized purposes a sufficient portion thereof shall be converted into cash and so applied. All investments of money in the Reserve Fund shall be carried to the credit of said Fund; all income from investments and any profit from the sale thereof shall be credited thereto; and any expenses incident to investment or reinvestment, together with any loss from forced conversion of investments into cash, shall be charged thereto.

(D) The District shall also fund an account for short-lived assets (the "Short-Lived Assets Account") by depositing the sum of \$12,114 monthly into the Short-Lived Assets Account. The funds in the Short-Lived Assets Account may be used by the District as needed to replace or add short-lived assets in the System. The Short-Lived Assets Account replaces any previous short-lived assets requirements with respect to any of the Prior Bonds.

(E) Subject to the provisions of subparagraphs (A), (B), (C) and (D) of this Section 7, which are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred within sixty (60) days after the end of each

fiscal year the balance of excess funds in the Revenue Fund on such date to the Bond Fund to be used in redeeming outstanding bonds payable from the Bond Fund in inverse numerical or maturity order or purchasing such outstanding bonds at a price not to exceed the price at which such bonds may be redeemed on the next succeeding redemption date; provided, however, that notwithstanding the provisions hereof, the District reserves the right to redeem bonds which are redeemable without redemption premium prior to redeeming bonds which are only redeemable upon the payment of redemption premium.

* * * * *

All payments into the above special funds shall be made on or before the fifteenth (15th) day of each month, except that when the fifteenth (15th) day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All moneys held in any of the above special funds shall be kept apart from all other District funds and shall be deposited in a bank or banks selected by the District from time to time (in each case, a "Depository Bank"), and all such deposits which cause the aggregate of all deposits of the District in any Depository Bank 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 pledge of direct obligations or by guaranteed bonds or securities of the United States Government having a market value at least equivalent to such excess deposit.

SECTION 8

COVENANTS TO BONDHOLDERS

The District hereby irrevocably covenants and agrees with the holder or holders of any and all 2009 Bonds and parity bonds at any time issued and outstanding pursuant to authority of this Resolution that so long as the same or any part thereof or interest thereon remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Resolution.

(B) It will at all times operate the System on a revenue-producing basis, and will permit no free services to be rendered or afforded thereby.

(C) It will maintain the System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided; and will make unusual or extraordinary repairs, renewals and replacements, as the same may be required, through application of revenues accumulated and set aside for such purposes.

(D) The District covenants and agrees that, so long as any of the 2009 Bonds are outstanding, it will not sell or otherwise dispose of any of the System facilities or any part thereof, and, except as provided for in this Resolution and in the Prior Resolutions, 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 2009 Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any of its System facilities, provided that:

(i) it is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the revenues of the System;

(ii) it will, in the event of sale, apply the proceeds to either (1) redemption of outstanding 2009 Bonds or parity 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;

(iii) it certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible of producing net revenues; and

(iv) notwithstanding all of the foregoing, no such sale, abandonment or transfer of System facilities shall be made so long as USDA owns any of the 2009 Bonds herein authorized, without the written consent and approval of USDA.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all outstanding bonds as aforesaid and the accruing interest thereon, and the accumulation of reserves as herein provided; and such rates and charges shall be adequate to meet all such requirements as provided in this Resolution, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the date of issuance of the 2009 Bonds, the District will adopt a Budget of Current Expenses for the System for the remainder of the then current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any 2009 Bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year, and will file a copy of each such Budget, and of any amendments thereto, in the office of the Secretary of the District, and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining, and insuring the System, but shall exclude any allowance for depreciation, payments into the Reserve Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into the Bond Fund. The District covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution duly adopted by the Commission of the District determining that such expenses are necessary in order to operate and maintain the System. At the same time, and in like manner, the District agrees that it will prepare an estimate of cash income and revenues to

be derived from operation of the System for each fiscal year, and to the extent that said cash income and revenues are insufficient to provide for all payments required to be made into the Bond Fund during such ensuing fiscal year, and to make the monthly payments specified by subsection (C) of Section 7 of this Resolution, and to pay Current Expenses, the District covenants and agrees that it will revise its rates and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will not at any time make any reduction in any prevailing schedule of rates and charges for use of the services and facilities of the System without first obtaining the written determination of a Consulting Engineer of national reputation that the proposed reduction will not adversely affect the ability of the District to meet all the requirements set forth in this Resolution.

(G) It will at all times segregate the revenues of the System from all other revenues, moneys, and funds of the District, and will promptly and regularly make application and distribution thereof into the special funds provided in the Prior Resolutions, and in this Resolution, in the amount and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account, separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries of all transactions relating to the System, and the same shall be available and open to inspection by any 2009 Bondholder, and any agent or representative of a 2009 Bondholder.

(I) It will, within ninety (90) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the District on a monthly salary basis, showing all receipts and disbursements, and reflecting in reasonable detail the financial condition and records of the System, including the status of the several funds hereinbefore created, the status of the insurance and fidelity bonding, the number and type of connections, and the current rates and charges, with comments of the auditor concerning whether the books and records are being kept in compliance with this Resolution and in accordance with recognized accounting practices, and will promptly cause a copy of the Audit Report to be filed in the Office of the Secretary-Treasurer where it will be available for public inspection, and will promptly mail a copy thereof to the original recipients of 2009 Bonds issued hereunder. If requested to do so, the District will furnish to any 2009 Bondholder a condensed form of the Balance Sheet, and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided. Provided, so long as USDA holds any of the 2009 Bonds herein authorized, the District shall furnish operating and other financial statements in such form and substance and for such periods as may be requested by USDA.

(J) Any holder of 2009 Bonds may either at law or in equity, by suit, action, mandamus, or other proceedings, enforce and compel performance by the District and its officers and agents of all duties imposed or required by law or this Resolution in connection with the

operation of the System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of the 2009 Bonds, then upon the filing of suit by any holder of the 2009 Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the District, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of Current Expenses, and to apply the revenues in conformity with this Resolution and the provisions of the statute laws of Kentucky aforesaid.

(L) The District will cause each officer or other person (other than depository banks) having custody of any moneys administered under the provisions of this Resolution to be bonded at all times in an amount at least equal to the maximum amount of such moneys in his custody at any time; each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Commission, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from moneys available in the Operation and Maintenance Fund.

(M) It will procure, and at all times maintain in force, insurance of all insurable properties constituting parts of, or being appurtenant to, the System to the full insurable value thereof, against damage or destruction by fire, windstorm, and the hazards covered by the standard "extended coverage" policy endorsements or provisions, the premiums therefor to be paid from the Operation and Maintenance Fund; and will deposit all sums collected under the terms of such policies in the Reserve Fund. Such insurance shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percentum (80%) of the full insurable value of the damaged facility.

(N) The District will procure and at all times maintain public liability insurance relating to the operation of the System, with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death; and not less than \$100,000 from claims for damage to property of others which may arise from the District's operation of the System.

(O) The District will carry suitable worker's compensation insurance in accordance with law.

(P) If the District owns or operates a vehicle in the operation of the System, the District will procure and at all times maintain vehicular public liability insurance with limits of not less than \$200,000 for one person and \$500,000 for more than one person involved in one accident to protect the District from claims for bodily injury and/or death, and not less than \$100,000 against claims for damage to property of others which may arise from the District's operation of vehicles. Provided, notwithstanding (M), (N), (O) and (P) above, that so long as USDA holds any 2009 Bonds, the District will procure and maintain insurance of such types and amounts as USDA may specify, which shall not be less than the amounts specified in this Section 8 so long as the Prior Bonds and the 2009 Bonds are outstanding.

(Q) So long as USDA is the holder of any bonds of the District, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of such bonds held by USDA without immediately prepaying all of such bonds held by USDA.

SECTION 9

PARITY BONDS PERMITTED; TERMS

The 2009 Bonds authorized to be issued hereunder and from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues herein pledged, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the 2009 Bonds authorized to be issued under the provisions of this Resolution, regardless of the fact that they may actually be issued and delivered at different times. No other bonds or other obligations shall be issued by the District and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created; provided, however, the District hereby reserves the right and privilege of issuing additional bonds, from time to time, payable from the revenues of the System, ranking on a basis of equality and parity as to security and source of payment with the 2009 Bonds herein authorized for the following purposes and subject to the following conditions and restrictions:

(A) The District hereby reserves the right to add new System facilities and related auxiliary facilities by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from the revenues and any other security pledged to the 2009 Bonds, provided in each instance that:

(i) the facility or facilities to be built from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and the outstanding Prior Bonds;

(ii) the District is in compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the income and revenues of the System or any part thereof; and

(iii) there is procured and filed with the Secretary-Treasurer of the District a statement by an independent certified, public accountant, not in the regular employ of the District on a monthly salary basis, reciting the opinion, based upon reasonable investigation, that the annual net revenues (defined as gross revenues less essential operation and maintenance expenses) of the then existing System for the fiscal year preceding the year of issuance of such additional parity bonds were equal to at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Prior Bonds and parity bonds, if any, then outstanding and on the additional parity bonds then to be issued. (The calculation of average annual debt service requirements of principal and interest on the additional bonds to be issued shall, regardless of whether such bonds are to be serial or term bonds, be determined on the

basis of the principal of and interest on such bonds being payable in approximately equal annual installments.) Provided, however, the foregoing conditions and limitations prescribed in this subparagraph (iii) may be waived or modified by the written consent of the holders of at least seventy-five percent (75%) in principal amount of the then outstanding Prior Bonds and any parity bonds.

(B) The District hereby covenants and agrees that in the event additional series of parity bonds are issued, it shall:

(i) adjust the monthly deposits into the Bond Fund on the same basis as that prescribed in Section 7(B) hereof to reflect the annual debt service on the additional bonds;

(ii) adjust and increase appropriately the monthly amount to be deposited into the Reserve Fund to give recognition to the facilities and equipment to be constructed or acquired with the proceeds of such additional bonds; and

(iii) make such additional 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.

(C) If in any subsequently issued series of bonds secured by a parity lien on the revenues of the System, it is provided that excess revenues in the Revenue Fund shall be used to redeem bonds in advance of scheduled maturity, or if the District at its option undertakes to redeem outstanding bonds in advance of scheduled maturity, it is agreed and understood (a) that calls of bonds will be applied to each series of bonds on an equal pro rata basis (reflecting the proportion of the original amount of each series of bonds outstanding at the time of such call), and (b) that calls of bonds for each series of bonds will be in accordance with the call provisions of the respective bond series. However, the District shall have the right to call, subject to the call provisions of the respective bond series, any or all outstanding bonds which may be called at par prior to calling any bonds that are callable at a premium.

The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section, shall be understood to mean bonds payable from the income and revenues of the System on a parity with the 2009 Bonds, and shall not be deemed to include other bonds or obligations, the security and source of payment of which are subordinate and subject to the priority of the 2009 Bonds. The District expressly reserves the right to issue its bonds or other obligations payable from the revenues herein pledged, and not ranking on a basis of equality and parity with the 2009 Bonds, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for additions or extensions or improvements of the System, and only if the same are issued in express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the 2009 Bonds. Provided, however, that nothing in this Section is intended or shall be construed as a restriction upon the ordinary refunding of the 2009 Bonds, and/or of any bonds which may have been issued and are outstanding under any of the provisions of this Resolution, if such refunding does not operate to increase, in any year

until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

SECTION 10

PROVISIONS OF RESOLUTION CONSTITUTE CONTRACT

The provisions of this Resolution shall constitute a contract between the District and the holders of the 2009 Bonds herein authorized and any parity bonds herein permitted to be issued, and after the issuance of any of the 2009 Bonds, no material change, variation or alteration of any kind of the provisions of this Resolution shall be made in any manner without the written consent of the holder or holders of the 2009 Bonds, except as herein provided, until such time as all of the 2009 Bonds and parity bonds issued hereunder, and the interest thereon, have been paid in full.

SECTION 11

STATUTORY MORTGAGE LIEN ACKNOWLEDGED

A statutory mortgage lien upon the System, together with all appurtenances and additions thereto and extensions thereof, and including the revenues thereof, is granted and created by Section 106.080 of the Kentucky Revised Statutes for the benefit and protection of the holders of the 2009 Bonds issued and parity bonds permitted to be issued under authority of this Resolution, and previously issued and outstanding parity bonds, and of the interest payable thereon; and said statutory mortgage lien is hereby recognized and shall be effective upon delivery of any of the 2009 Bonds and shall continue in full force and effect so long as there shall remain unpaid any part of the principal of or interest on the 2009 Bonds and any parity bonds.

SECTION 12

TAX COVENANTS AND REPRESENTATIONS

The District certifies, covenants and agrees that the Project will be constructed expeditiously and the expenditure of the portion of the proceeds of the 2009 Bonds deposited in the Construction Fund for the payment of the costs of the Project will be made promptly in order that the Project will be completed and in operation at the earliest possible date. The District further certifies and covenants with the holders of the 2009 Bonds that so long as any of the 2009 Bonds remain outstanding, moneys on deposit in any fund or account in connection with the 2009 Bonds, whether or not such moneys were derived from the proceeds of the sale of the 2009 Bonds or from any other sources, will not be invested or used in a manner which will cause the 2009 Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, including applicable sections of the Income Tax Regulations, as the same presently exist, or may from time to time hereafter be amended, supplemented or revised. The Chairman and/or Secretary-Treasurer, as the officers of the District charged with the responsibility for issuing the 2009 Bonds, are authorized and directed,

for and on behalf of the District, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal "arbitrage bond" regulations, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the District.

The District further represents, warrants, agrees and covenants as follows:

(A) Within the meaning of Section 141 of the Code and the Income Tax Regulations issued thereunder, over the terms of the Bonds (i) less than 10% of the proceeds of the 2009 Bonds, if any, will be applied for any private business use, and the payment of principal or interest on less than 10% of the amount of the 2009 Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payments (whether or not to the District) in respect of such property; (ii) at least 90% of the proceeds of the 2009 Bonds will be applied for a governmental use of the District; (iii) any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and (iv) none of the proceeds of the 2009 Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the 2009 Bonds (a) the Project will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity, (b) no nongovernmental person will have any special legal entitlement to use the Project, and (c) there will be no direct or indirect payments made with respect to the Project or the security of the 2009 Bonds by any persons or entities other than payments by the general public as described in clause (a) above.

(B) Within the meaning of Section 148(f)(4)(B), it is reasonably expected at least 75% of the net proceeds (including investment proceeds) of the 2009 Bonds will be used for construction expenditures with respect to property which is owned by a governmental unit, at least 10% of such proceeds will be spent for the governmental purposes of the issue within six months from the date the 2009 Bonds are issued, at least 45% of such proceeds will be spent for such purposes within one year from such date, at least 75% of such proceeds will be spent for such purposes within eighteen months from such date, and at least 100% of such proceeds will be spent within two years from such date. It is also reasonably expected at least 50% of all proceeds (including investment proceeds) of the Bonds will be used for expenditures on the Project within six months, at least 60% will be so used within 12 months and 100% will be so used within 18 months from the date of issuance of the 2009 Bonds. If for any reason the arbitrage rebate requirements of Section 148(f) of the Code should be deemed to apply to the 2009 Bonds, the District will take all action necessary to comply therewith.

(C) It is reasonably expected that during the term of the 2009 Bonds the Project will not be disposed of, provided, however, should there be any disposition of any personal property constituting a part of the Project because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its cost.

(D) The weighted average maturity of the 2009 Bonds does not exceed 120% of the weighted average useful life of the facilities comprising the Project.

(E) The District has not heretofore expended any sums on the Project which are to be reimbursed from the proceeds of the 2009 Bonds, other than (a) certain preliminary expenditures such as engineering and planning costs not exceeding 20% of the 2000 Bond proceeds, (b) expenditures made within 60 days prior to the date of adoption of this Resolution, and (c) expenditures prior to which the District had adopted an official intent resolution regarding reimbursement from tax-exempt bond proceeds.

(F) The 2009 Bonds are not federally guaranteed within the meaning of Section 149(b) of the Code.

(G) The District will comply with the information reporting requirements of Section 149(e) of the Code.

(H) The District will not use or permit the use of any of the funds provided by the 2009 Bonds in such manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the 2009 Bonds. The District shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the District on the 2009 Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

(I) This Resolution is intended to and does constitute, in part, a declaration of official intent under applicable Income Tax Regulations.

SECTION 13

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.

SECTION 14

REPEAL OF INCONSISTENT PROVISIONS

All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

SECTION 15

WHEN RESOLUTION EFFECTIVE

This Resolution shall be in full force and effect from and after its adoption, approval and attestation as provided by law.

ADOPTED BY THE COMMISSION OF THE MARION COUNTY WATER DISTRICT, MARION, NELSON AND WASHINGTON COUNTIES, KENTUCKY, at a meeting held on the ___ day of _____, 2009, on the same occasion signed by the Chairman, attested by the Secretary-Treasurer, and declared to be in full force and effect.

Chairman of the Commission

Attest:

Secretary-Treasurer

Certification

The undersigned, Secretary-Treasurer of the Commission of Marion County Water District, Marion, Nelson and Washington Counties, Kentucky, hereby certifies that the foregoing is a true, complete and correct copy of a Resolution adopted by the Commission of said District, signed by the Chairman thereof, and attested by me as Secretary-Treasurer upon the occasion of a properly convened meeting of the Commission of said District held on the ___ day of _____, 2009, as shown by the official records in my custody and under my control.

WITNESS my hand this ___ day of _____, 2009.

Secretary-Treasurer



United States Department of Agriculture
Rural Development
Kentucky State Office

Exhibit F

December 8, 2008

Barbara May, Chairperson
Marion County Water District
PO Box 528
Lebanon, Kentucky 40033

Dear Ms. May:

This letter establishes conditions which must be understood and agreed to by you before further consideration may be given to the application. The loan/grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan/grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,433,000; a RUS grant not to exceed \$615,000; and a 2008 Kentucky General Assembly Grant in the amount of \$585,000.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application.

In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

771 Corporate Drive • Suite 200 • Lexington, KY 40503
Phone. (859) 224-7336 • Fax. (859) 224-7444 • TDD. (859) 224-7422 • Web. <http://www.rurdev.usda.gov/ky>

Committed to the future of rural communities

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, SW, Washington, DC 20250-9410
or call (800) 795-3272 (voice) or (202) 720-6382 (TDD)

1. Number of Users and Their Contribution:

There shall be 5,472 existing water users. The Area Director will review and authenticate the number of users prior to advertising for construction bids.

2. Grant Agreement:

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

3. Drug-Free Work Place:

Prior to grant closing, the District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the Bond. Principal payment will not be deferred for a period in excess of 2 years from the date of the Bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January 1st and July 1st) and principal will be due on or before the first of January. Rural Development may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

5. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form SF 5510, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance, pay for repairs, and assist with debt service should the need arise.

The District will be required to deposit \$585 per month into a "Funded Depreciation Reserve Account" until the account reaches \$70,200. The deposits are to be resumed any time the account falls below the \$70,200.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond resolutions.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

The District also needs to fund an account for short-lived assets by depositing a sum of \$12,114 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's water system. This short-lived asset reserve amount replaces any previous short-lived assets requirements previously set with any prior RUS loan.

7. Security Requirements:

A pledge of gross water revenue will be provided in the Bond Resolution. Bonds shall rank on a parity with existing bonds, if possible.

If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue.

8. Land Rights and Real Property:

The District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users. The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

9. Organization:

The District will be legally organized under applicable KRS which will permit them to perform this service, borrow and repay money.

10. Business Operations:

The District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the District after review by Rural Development. At no later than loan pre-closing, the District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, delayed payment penalties, disconnect/reconnect fees, bookkeeping, making and delivering required reports and audits.

11. Accounts, Records and Audits:

The District will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits) in accordance with subsection 1780.47 of RUS Instruction 1780.

The enclosed audit booklet will be used as a guide for preparation of audits. The District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

12. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The District will accomplish audits in accordance with OMB Circular A-133, during the years in which federal funds are received. The District will provide copies of the audits to the Area Office and the appropriate Federal cognizant agency as designated by OMB Circular A-133.

13. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$195,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures. The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.
- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in a special flood and mudslide prone areas.

14. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "24" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.

B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:

1. Final plans, specifications and bid documents.
2. Applicant's letter on efforts to encourage small business and minority-owned business participation.
3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

15. Civil Rights & Equal Opportunity:

You should be aware of and will be required to comply with other federal statute 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 Rural Development 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 Subpart E of Part 1901 of this Title, 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. Title II of the Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

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.

Rural Development financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap.

16. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the District.

17. Compliance with Special Laws and Regulations:

The District will be required to conform to any and all state and local laws and regulations affecting this type project.

18. System Operator:

The District is reminded that the system operator must have an Operator's Certificate issued by the State.

19. Prior to Pre-Closing the Loan, the District Will Be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

20. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by

obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the District will apply for and accept such loan in sufficient amount to repay the Government.

21. Commercial Interim Financing:

The District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

22. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

For each "construction account" as established, if the amount of RUS loan and grant funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed \$100,000 at any time, the financial institution will secure the amount in excess of \$100,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

During construction, the District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the District, the Board of Directors shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the District.

Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

Borrowers receiving federal loan and/or grant funds by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

Monthly audits of the District's construction account records shall be made by Rural Development.

23. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the District. Grant funds, upon receipt, must be deposited in an interest bearing account in accordance with 7 CFR part 3016 (as applicable). Interest earned on grant funds in excess of \$100 (as applicable) per year will be submitted to RUS at least quarterly.

24. Cost of Facility:

Breakdown of Costs:

Development	\$ 2,098,000
Land and Rights	15,000
Legal and Administrative	15,000
Engineering	275,000
Interest	60,000
Contingencies	<u>170,000</u>
TOTAL	\$ 2,633,000

Financing:

RUS Loan	\$ 1,433,000
RUS Grant	615,000
2008 KY General Assembly	<u>585,000</u>
TOTAL	\$ 2,633,000

25. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the 2008 Kentucky General Assembly grant in the amount of \$585,000.

26. Use of Remaining Project Funds:

After providing for all authorized costs, any remaining project funds will be considered to be RUS grant funds and refunded in proportion to participation in the project. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

27. Proposed Operating Budget:

You will be required to submit to Rural Development a copy of your proposed annual operating budget that supports the proposed loan repayment prior to this agency giving you written authorization to proceed with the bidding phase. The operating budget should be based on a typical year cash flow, subject to completion of this project in the first full year of operation. Form RD 442-7, "Operating Budget," or similar form may be utilized for this purpose.

28. Rates and 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.

Water rates for 5/8" Meter will be at least:

First	0 gallons @ \$	7.23. - Minimum Bill.
All Over	1 gallons @ \$	4.91. - per 1,000 gallons.

Water rates for 1" Meter will be at least:

First	0 gallons @ \$	15.70. - Minimum Bill.
All Over	1 gallons @ \$	4.91. - per 1,000 gallons.

Water rates for 2" Meter will be at least:

First	0 gallons @ \$	24.90. - Minimum Bill.
All Over	1 gallons @ \$	4.91. - per 1,000 gallons.

Water rates for 3" Meter will be at least:

First	0 gallons @ \$	39.49. - Minimum Bill.
All Over	1 gallons @ \$	4.91. - per 1,000 gallons.

Water rates for 4" Meter will be at least:

First	0 gallons @ \$	62.63. - Minimum Bill.
All Over	1 gallons @ \$	4.91. - per 1,000 gallons.

Water rates for 6" Meter will be at least:

First	0 gallons @ \$	157.52. - Minimum Bill.
All Over	1 gallons @ \$	4.91. - per 1,000 gallons.

29. Water Purchase Contract:

The District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

30. Compliance with the Bioterrorism Act:

Prior to pre-closing the loan, the District will provide a certification they have completed a Vulnerability Assessment (VA) and prepared an emergency response plan (ERP) as required by the Safe Drinking Water Act (SDWA).

31. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain. If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

32. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated May 13, 2008, from Ms. Lee Nalley.
- B. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- C. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted pending the notification process and further directions issued by Agency after consultation with the State Historic Preservation Officer (SHPO).
- D. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- E. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

33. Final Approval Conditions:

Final approval of this assistance will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Area Director will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,


KENNETH SLONE
State Director

Enclosures

cc: Area Director - Columbia, Kentucky
Lincoln Trail ADD - Elizabethtown, Kentucky
Stoll Keenon Ogdren - Louisville, Kentucky
Joseph H. Mattingly III - Lebanon, Kentucky
Monarch Engineering - Lawrenceburg, Kentucky
PSC - ATTN: Dennis Jones - Frankfort, Kentucky



United States Department of Agriculture
Rural Development
Kentucky State Office

April 28, 2009

Stoll, Keenon, Ogden PLLC
Attn: William W. Davis
500 West Jefferson Street
Louisville KY 40202-2874

Re: Marion County Water District
\$1,433,000 Bond Issue

Dear Mr. Davis:

We are enclosing the Maturity Schedule for the referenced Bond Issue. The required deposits to the Funded Depreciation Reserve Account are \$585 per month with a required level of \$70,200. The Rural Development loan of \$1,433,000 was approved at an interest rate of 3.625%.

We are attempting to obtain the Regional Attorney's Closing Instructions at an earlier date in an effort to avoid delays in scheduling bond sales and pre-closing. Hopefully, you will be able to draft the bond authorizing documents at such a time to coincide with the Advertisement for Construction Bids. We plan to request Closing Instructions at the same time we authorize the District to advertise for construction bids.

Please provide this office with one copy of the proposed documents and forward one copy to the Rural Development Area Office.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Vernon C. Brown".

VERNON C. BROWN
Acting State Director

Enclosure

cc: Area Director - Columbia, Kentucky
Monarch Engineers - Lawrenceburg, Kentucky

BOND SCHEDULE, 4/28/2009

Name of Borrower: Marion County Water District			
Amount of Loan	1433000	Annual Interest Rate	0.03625
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	1000	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2011	1	1	51947	51947	0	1433000
2012	1	2	51947	51947	0	1433000
2013	1	3	69947	51947	18000	1415000
2014	1	4	70294	51294	19000	1396000
2015	1	5	69605	50605	19000	1377000
2016	1	6	69917	49917	20000	1357000
2017	1	7	70192	49192	21000	1336000
2018	1	8	70430	48430	22000	1314000
2019	1	9	69633	47633	22000	1292000
2020	1	10	69835	46835	23000	1269000
2021	1	11	70002	46002	24000	1245000
2022	1	12	70132	45132	25000	1220000
2023	1	13	70225	44225	26000	1194000
2024	1	14	70283	43283	27000	1167000
2025	1	15	70304	42304	28000	1139000
2026	1	16	70289	41289	29000	1110000
2027	1	17	70238	40238	30000	1080000
2028	1	18	70150	39150	31000	1049000
2029	1	19	70027	38027	32000	1017000
2030	1	20	69867	36867	33000	984000
2031	1	21	69670	35670	34000	950000
2032	1	22	70438	34438	36000	914000
2033	1	23	70133	33133	37000	877000
2034	1	24	69792	31792	38000	839000
2035	1	25	70414	30414	40000	799000
2036	1	26	69964	28964	41000	758000
2037	1	27	70478	27478	43000	715000
2038	1	28	69919	25919	44000	671000
2039	1	29	70324	24324	46000	625000
2040	1	30	69657	22657	47000	578000
2041	1	31	69953	20953	49000	529000
2042	1	32	70177	19177	51000	478000
2043	1	33	70328	17328	53000	425000
2044	1	34	70407	15407	55000	370000
2045	1	35	70413	13413	57000	313000
2046	1	36	70347	11347	59000	254000
2047	1	37	70208	9208	61000	193000
2048	1	38	69997	6997	63000	130000
2049	1	39	69713	4713	65000	65000
2050	1	40	67357	2357	65000	0
TOTALS			2764953	1331953	1433000	