

AN ORDINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT APPROVING A TRUST AGREEMENT, DATED AS OF THE FIRST DAY OF THE MONTH IN WHICH OBLIGATIONS ARE ISSUED THEREUNDER, BETWEEN THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AND THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. AS TRUSTEE NAMED THEREIN; PROVIDING FOR THE AUTHORIZATION, ISSUANCE AND SALE FROM TIME TO TIME OF SEWER SYSTEM REVENUE BONDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT; PROVIDING FOR THE PAYMENT OF SUCH SEWER SYSTEM OBLIGATIONS AND THE SECURING OF SUCH PAYMENT; AND AUTHORIZING OTHER MATTERS RELATED THERETO.

WHEREAS, the Lexington-Fayette Urban County Council (the "Urban County Council") by adoption of the Prior Bond Ordinance (as defined herein) has provided for the issuance from time to time of Sewer System Revenue Bonds of the Lexington-Fayette Urban County Government (the "Issuer"), with each such issue authorized by a series ordinance adopted by the Urban County Council; and

WHEREAS, the Urban County Council desires to, from this time forward, provide for the financing of sewer system improvements by the issuance of Sewer System Revenue Obligations under a Trust Agreement dated as of the first day of the month in which obligations are issued thereunder (the "Trust Agreement") between the Lexington Fayette Urban County Government and The Bank of New York Mellon Trust Company, N.A. as trustee named therein (the "Trustee"), to reflect changes in Kentucky state law, financing standards, market expectations and financing techniques and to provide the Issuer greater flexibility in financing and investing and improved cash management, from and after the date of execution and delivery of the Trust Agreement; and

WHEREAS, the Issuer will not issue "bonds" from this point forward under (i) the Ordinance of the Urban County Government adopted on July 26, 1985, (the "1985 Ordinance") incident to an issue of the Issuer's Sewer System Revenue Bonds, Series of 1985, dated August 1, 1985, which have been paid and discharged in full, certain provisions of which Ordinance have been expressly reaffirmed, readopted, and continued; (ii) Ordinance No. 96-2001, enacted by the Urban County Council on May 3, 2001, (the "2001 Ordinance") authorizing the issuance of the Lexington-Fayette Urban County Government Sewer System Revenue Bonds, Series A of 2001 and Lexington-Fayette Urban County Government Sewer System Refunding Revenue Bonds, Series B of 2001, each dated May 1, 2001 (which have been paid and discharged in full), which expressly reaffirmed, readopted, and continued certain provisions of the 1985 Bond Ordinance; (iii) Ordinance No. 221-2009, enacted by the Urban County Council on October 15, 2009, (the "2009 Ordinance") authorizing the Lexington-Fayette Urban County Government Taxable Sewer Revenue Bonds, Series 2009 (Build America Bonds - Direct Pay), dated October 22, 2009, issued in the original principal amount of \$35,960,000; and (iv) Ordinance No. 061-2010 enacted by the Urban County Council on April 22, 2010, (the "2010 Ordinance" and collectively, with the 1985 Ordinance, the 2001 Ordinance and the 2009 Ordinance, the "Prior Bond Ordinance") authorizing the Series 2010A Bonds Lexington-Fayette Urban County Government Sewer System Revenue Refunding Bonds, Series 2010A, dated May 13, 2010,

issued in the original principal amount of \$13,860,000; or any similar instrument, other than the Trust Agreement; and

WHEREAS, pursuant to the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), and particularly Sections 82.082, 67A.060, and 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes (the "Act"), the Issuer is authorized to enter into the Trust Agreement with the Trustee providing for the issuance from time to time of bonds, notes and obligations as provided in the Trust Agreement, and other agreements providing for the repayment of money that the Issuer may, from time to time, be authorized to enter into under the laws of the Commonwealth, for the purpose of defraying the cost of acquiring, constructing, maintaining, expanding, financing or improving the Sewer System (as defined in the Trust Agreement); and

WHEREAS, the Issuer desires to make provision for (i) the issuance from time to time of Sewer System Revenue Bonds, (ii) the payment of Bond Service Charges (as defined in the Trust Agreement) thereon and (iii) the security therefor, by this General Bond Ordinance (the "General Bond Ordinance") and the Trust Agreement herein authorized, with each issue of Sewer System Revenue Bonds to be authorized by a separate Bond Legislation (as defined in the Trust Agreement) based upon this General Bond Ordinance and the Trust Agreement and, if required under the Trust Agreement, a Supplemental Trust Agreement (as defined in the Trust Agreement), pertaining to that issue of Sewer Revenue Bonds;

NOW, THEREFORE, BE IT ORDAINED BY THE LEXINGTON-FAYETTE URBAN COUNTY COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, AS FOLLOWS:

SECTION 1. Determinations by the Urban County Council. The Urban County Council hereby finds and determines the facts set forth in the preambles to this General Bond Ordinance are true and correct. In addition, the Urban County Council hereby finds and determines that this General Bond Ordinance is adopted pursuant to the Act.

SECTION 2. Approval of Trust Agreement. As set forth in the preambles hereto, to reflect changes in Kentucky state law, financing standards, market expectations and financing techniques and to provide the Issuer with greater flexibility in financing and investing and improved cash management, this Urban County Council hereby determines that it is necessary to enter into the Trust Agreement, and hereby authorizes the execution thereof substantially in the form presented to this Urban County Council on the date hereof. Said Trust Agreement shall be subject to changes, insertions and omissions as may be approved by the Commissioner of Finance, as well as by Bond Counsel (as defined in the Trust Agreement), which approval shall be conclusively evidenced by the execution of said Trust Agreement as herein provided.

SECTION 3. Execution of Trust Agreement. The Trust Agreement and any accompanying documents, certifications or agreements may be executed on behalf of the Issuer by the Mayor and attested by the Clerk of the Urban County Council.

SECTION 4. Open Meetings Determination. The Urban County Council hereby finds and determines that all formal actions relative to the adoption of this General Bond Ordinance

were taken in an open meeting of the Urban County Council, and that all deliberations of the Urban County Council and of its committees, if any, which resulted in formal action, were taken in meetings open to the public, in full compliance with applicable requirements of Kentucky law.

SECTION 5. Severability. Should it be judicially determined by a court having jurisdiction to pass upon the validity of this General Bond Ordinance or the Trust Agreement, that any provision of this General Bond Ordinance or the Trust Agreement is beyond the powers of the Urban County Council, or is otherwise invalid, then such decision shall in no way affect the validity of the General Bond Ordinance or the Trust Agreement, or any proceedings related thereto, except as to the particular matters found by such decision to be invalid.

SECTION 6. Conflicts. All resolutions or parts thereof in conflict with the provisions of this General Bond Ordinance are, to the extent of such conflict, hereby repealed.

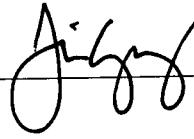
SECTION 7. Effective Date. This General Bond Ordinance shall become effective immediately upon the date of its passage.

INTRODUCED AND GIVEN FIRST READING at a duly convened meeting of the Urban County Council of the Lexington-Fayette Urban County Government on the 11th day of September 2014.

GIVEN SECOND READING, ENACTED AND ADOPTED at a duly convened meeting of the Urban County Council of the Lexington-Fayette Urban County Government on the 25th day of September, 2014.

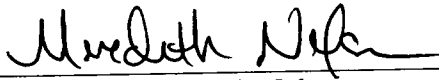
**LEXINGTON-FAYETTE COUNTY
GOVERNMENT**

Approved: _____



Jim Gray
Mayor

Attest:



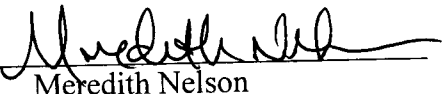
Meredith Nelson
Urban County Council Clerk

PUBLISHED: October 2, 2014 -1t

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting Urban County Council Clerk of the Lexington-Fayette Urban County Government, and as such Urban County Council Clerk, I further certify that the foregoing is a true, correct and complete copy of an Ordinance duly enacted by the Urban County Council of the Lexington-Fayette Urban County Government at a duly convened meeting held on the 25th day of September, 2014, on the same occasion signed by the Mayor is evidence of her approval, and now in full force and effect, all as appears from the official records of the Lexington-Fayette Urban County Government in my possession and under my control.

Witness my hand and the seal of said County as of the 25th day of September, 2014.



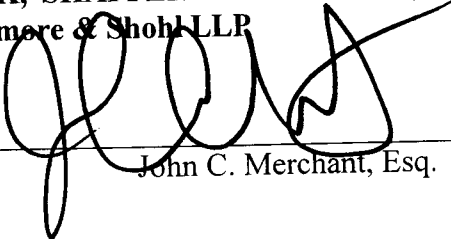
Meredith Nelson
Urban County Council Clerk

[SEAL]

CERTIFICATE

I do hereby certify that the title to this enactment contains an accurate synopsis of the contents thereof and may be used to satisfy the reading and publication requirements of law.

**PECK, SHAFFER & WILLIAMS, a division of
Dinsmore & Shohl LLP**



John C. Merchant, Esq.

TRUST AGREEMENT

DATED AS OF SEPTEMBER 1, 2014

By and Between

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

And

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.
Louisville, Kentucky
Trustee

Securing

\$24,950,000

**Lexington-Fayette Urban County Government
Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A,**

\$11,600,000

**Lexington-Fayette Urban County Government
Taxable Sewer System Revenue Refunding Bonds, Series 2014B,**

and

**Any Additional Bonds
to be Issued on a Parity therewith
Under the Terms of this
Trust Agreement**

*This Instrument also constitutes a Security Agreement
under the Kentucky Uniform Commercial Code.*

*PECK, SHAFFER & WILLIAMS,
A DIVISION OF DINSMORE & SHOHL, LLP
Bond Counsel*

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but for convenience of reference only.)

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TRUST AGREEMENT

THIS TRUST AGREEMENT (the "Trust Agreement") dated as of the 1st day of September, 2014, by and between the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT** (and its successors and assigns) in the Commonwealth of Kentucky (the "Issuer"), an urban County government and political subdivision of the Commonwealth of Kentucky, duly organized and existing under and by virtue of the laws of the Commonwealth of Kentucky and **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (and its successors and assigns), a national banking association organized and existing under and by virtue of the laws of the United States of America and duly authorized to exercise corporate trust powers under the laws of the Commonwealth of Kentucky, with a corporate trust office located in Louisville, Kentucky (the "Trustee"), as Trustee:

WITNESSETH:

WHEREAS, by virtue of the authority of the laws of the Commonwealth of Kentucky, and particularly Sections 82.082, 67A.060, and 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, and pursuant to the Bond Legislation as hereinafter defined, the Issuer is authorized to enter into a Trust Agreement and this Trust Agreement shall constitute such Trust Agreement and to do or cause to be done all the acts and things herein provided or required to be done, and to issue the Bonds as hereinafter defined; and

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the Bonds according to their true intent and meaning, and to secure the performance and observance of all the covenants and conditions therein and herein contained and to declare the terms and conditions upon and subject to which the Bonds are and are intended to be issued, held, secured, and enforced, the Issuer, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Holders and owners thereof, and for other good and valuable considerations, the receipt of which is hereby acknowledged, has executed and delivered this Trust Agreement and does hereby pledge and assign to The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, as Trustee, and to its successors in trust, and its and their assigns, for the securing of the performance of the obligations of the Issuer hereinafter set forth, the Pledged Revenues of the Sewer System, and the Revenue Fund, and any additional pledged security after provision only for the reasonable expenses of operation and maintenance thereof, and any other pledged security, as herein provided, to be paid directly to the Trustee for the account of the Issuer and deposited subject to and in accordance with this Trust Agreement except as provided herein;

TO HAVE AND TO HOLD the Trustee and its successors in said trust and to its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit, security and protection of all present and future Holders and owners of the Bonds issued or to be issued under and secured by this Trust Agreement and for the enforcement of the payment of the Bond Service Charges on the Bonds, when payable, according to the true intent and meaning thereof and this Trust Agreement and to secure the performance of and compliance with the covenants,

terms and conditions of this Trust Agreement, without preference, priority or distinction, as to lien or otherwise, of any one Bond over any other by reason of designation, number, date of the Bonds or of maturity, or otherwise, so that each and all Bonds shall have the same right, lien and privilege under this Trust Agreement, and shall be equally and ratably secured hereby, as if all the Bonds had been made, issued and negotiated simultaneously with the delivery of this Trust Agreement, it being intended that the lien and security of this Trust Agreement shall take effect from the date hereof, without regard to the date of actual issue, sale or disposition of the Bonds as though upon such date all the Bonds were actually issued, sold and delivered to purchasers for value; provided, however, that if the Issuer, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of the Bonds and the interest due or to become due thereon at the times and in the manner mentioned in the Bonds according to the true intent and meaning thereof and shall cause the payment to be made into the Bond Account as required under the Bond Legislation authorizing the Bonds and have caused the Bonds to have been paid and discharged in accordance with Sections 10.01 and 10.02 of this Trust Agreement, shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Trust Agreement to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to them in accordance with the terms and provisions hereof, then this Trust Agreement and the rights hereby granted shall cease, determine and be void; otherwise, this Trust Agreement shall be and remain in full force and effect.

And it is expressly declared that the Bond Legislation set forth above is part of this Trust Agreement and that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all revenues and other security hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes provided in this Trust Agreement, and the Issuer has agreed and covenanted, and does hereby further agree and covenant, with the Trustee and with the respective Holders and owners from time to time, of the Bonds, or any part thereof, as follows:

ARTICLE I DEFINITIONS

In addition to the words and terms elsewhere defined in the Bond Legislation or in this Trust Agreement hereinafter identified and used herein as defined words and terms, the following words and terms as used herein shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

“Accreted Value” means, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Trust Agreement or Bond Legislation authorizing such Capital Appreciation Bond on which interest on such Bond is to be compounded (hereinafter, a “Periodic Compounding Date”) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Capital Appreciation Bonds set forth in the Supplemental Trust Agreement or Bond Legislation authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Trust Agreement or Bond Legislation authorizing such Capital Appreciation Bonds, Accreted Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months.

“Act” means Sections 82.082, 67A.060, and 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes.

“Act of Bankruptcy” means any of the following events which are not subsequently dismissed, stayed, withdrawn or vacated within 60 days from the initiation of such event:

(a) The Issuer (or any other Person obligated, as guarantor or otherwise, to make payments under the Bonds) shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the Issuer or such other Person or of all or any substantial part of its property, (ii) commence a voluntary case under the United States Bankruptcy Code (as now or hereafter in effect), or (iii) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts; or

(b) A proceeding or case shall be commenced, without the application or consent of the Issuer (or any other Person obligated, as guarantor or otherwise, to make payments under the Bonds) in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding-up, or composition or adjustment of debts of the Issuer or such other Person, (ii) the appointment of a trustee, receiver,

custodian, liquidator, or the like of the Issuer or such other Person, or of all or any substantial part of its property, or (iii) similar relief in respect of the Issuer or such other Person under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts.

“Additional Bonds” means Sewer System Revenue Bonds of the Issuer which may be issued hereunder.

“Appreciated Value” means, with respect to any Deferred Income Bond, (a) as of any date of computation prior to the Current Interest Commencement Date with respect to such Deferred Income Bond, an amount equal to the principal amount of such Bond plus the interest accrued on such Bond from the date of original issuance of such Bond to the periodic date specified in the Supplemental Trust Agreement and/or Bond Legislation authorizing such Deferred Income Bond on which interest on such Bond is to be compounded (hereinafter, a “Periodic Compounding Date”) next preceding the date of computation or the date of computation if a Periodic Compounding Date, such interest to accrue at the interest rate per annum of the Deferred Income Bonds set forth in the Supplemental Trust Agreement and/or Bond Legislation authorizing such Bonds, compounded periodically on each Periodic Compounding Date, plus, if such date of computation shall not be a Periodic Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Periodic Compounding Date (or the date of original issuance if the date of computation is prior to the first Periodic Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Periodic Compounding Date, calculated based upon an assumption that, unless otherwise provided in the Supplemental Trust Agreement and/or Bond Legislation authorizing such Deferred Income Bonds, Appreciated Value accrues in equal daily amounts on the basis of a year consisting of twelve 30-day months and (b) as of any date of computation on and after the Current Interest Commencement Date, the Appreciated Value on the Current Interest Commencement Date.

“Assumed Amortization Period” means the period of time, as determined by an Authorized Officer after consultation with a Consultant, financial advisor, investment banker, or municipal advisor selected by the Issuer and experienced in underwriting and/or providing advice, all with respect to indebtedness of the character of the Additional Bonds or Outstanding Bonds, commencing on a date representing the date of issuance of the applicable bonds or the date of the actual or expected (or if not actual or expected, then the assumed) first principal payment of the bonds (or next following principal payment for Outstanding Bonds), which date must be within one-year of the date of issuance of the bonds or, for Outstanding Bonds, within one-year of the applicable date for which Principal and Interest Requirements is being determined, and annually thereafter, over a period extending through the final anniversary date of the bonds, which final anniversary date must not be longer than the maximum period of time over which indebtedness having comparable terms and security issued or incurred by similar issuers of comparable credit standing would, if then being offered, be marketable on reasonable and customary terms, and in no event shall such period of time exceed any maximum maturity limitations prescribed by the Kentucky Revised Statutes.

“Assumed Interest Rate” means,

(a) With respect to any and all Bonds other than Fixed Rate Bonds and Variable Rate Bonds, the rate per annum (determined by an Authorized Officer as of the last day of the calendar month next preceding the month in which the determination of Assumed Interest Rate is being made), as being a rate not lower than the rate set forth in the then current (i) “20-Bond Index” of *The Bond Buyer* with respect to tax-exempt Bonds or (ii) “Revenue Bond Index” of *The Bond Buyer* with respect to taxable Bonds, or if any such index and/or publication is no longer provided or published, then an equivalent successor index and/or equivalent successor publication; provided, to the extent there is more than one applicable successor index, then the appropriate index shall be the index that is most comparable to the applicable Assumed Amortization Period and the credit quality of the Issuer; provided further, that such rate shall not be higher than the highest rate permitted by law at which such Additional Bonds could be sold on said day; or

(b) With respect to any and all Bonds that are Variable Rate Bonds to be issued as Additional Bonds, the rate per annum (determined by an Authorized Officer of the Issuer as of the last day of the calendar month next preceding the month in which the determination of Assumed Interest Rate is being made), as being a rate not lower than (i) 120% of the SIFMA Municipal Swap Index for tax-exempt Variable Rate Bonds (or if the SIFMA Municipal Swap Index is no longer published and there being no equivalent successor index, or if the SIFMA Municipal Swap Index is otherwise not available, then 75% of One-Month Libor), and (ii) 120% of One-Month Libor for taxable Variable Rate Bonds, or if either index is no longer published, then an equivalent successor index; provided that such rate shall not be higher than the highest rate permitted by law at which such Additional Bonds could be sold on said day; or

(c) With respect to any and all Bonds that are Outstanding Variable Rate Bonds, the rate per annum (determined by an Authorized Officer of the Issuer as of the last day of the calendar month next preceding the month in which the determination of Assumed Interest Rate is being made), as being a rate not lower than the greater of (i)(A) the average daily interest rate on such Variable Rate Bond during the preceding 12 months (or during such shorter period as such Variable Rate Bond has been Outstanding) or (B) the actual rate of interest applicable to such Outstanding Variable Rate Bond as of the date with respect to which the calculation of Principal and Interest Requirements is being calculated, and (ii)(A) for tax-exempt Variable Rate Bonds, 120% of the average of the SIFMA Municipal Swap Index during the 12 calendar months preceding the applicable month for which the determination of Principal and Interest Requirements is being made (or if the SIFMA Municipal Swap Index is no longer published and there being no equivalent successor index, or if the SIFMA Municipal Swap Index is otherwise not available, then 75% of the average of One-Month Libor), or (B) for taxable Variable Rate Bonds, 120% of the average of One-Month Libor during the 12 calendar months preceding applicable month for which the determination of Principal and Interest Requirements is being made; provided, that if either index is no longer published, then an equivalent successor index; and provided further, that such rate shall not be higher than the highest rate permitted by law at which Additional Bonds could be sold on said day.

“Authorized Denominations” means those denominations of Bonds requested and sold to and purchased by the Original Purchaser or Original Purchasers.

“Authorized Officer” means “Authorized Officer,” as defined in the Bond Legislation, or any lawful successors and assigns.

“Balloon Bonds” means any Additional Bonds or Bond Anticipation Notes, (a) 25% or more of the principal payments of which are due in a single year, excluding any such principal payments that are subject to mandatory sinking fund requirements in a prior year, or (b) 25% or more of the principal of which may, at the option of the Holder or Holders thereof, be redeemed at one time. Balloon Bonds do not include indebtedness which otherwise would be classified as Tender Bonds.

“Bond” or “Bonds” means the Series 2014 Bonds and any Additional Bonds excluding Subordinate Obligations.

“Bondholder” or “Bondholders” or “Holder” or “Holders” means the person or persons in whose name any Bond is registered.

“Bond Account” means the “Sewer System Revenue Bond Account” created in accordance with Article V hereof, and which account is part of the Revenue Fund.

“Bond Counsel” means a firm of attorneys of nationally recognized standing on the subject of municipal bonds.

“Bond Legislation” means, when used in connection with any series of Bonds, including an earlier series of Bonds (if any), the ordinance or other legislation (including any applicable Certificate of Award) providing for the issuance of such Bonds, as the same may be amended, modified, or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions of the Trust Agreement, and when used in connection with Additional Bonds or related Bonds when subsequent Additional Bonds are outstanding, shall mean or include, as the case may be, the ordinance or other legislation (including any applicable Certificate of Award) providing for the issuance of such Additional Bonds, as the same may be amended, modified, or supplemented by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions of the Trust Agreement.

“Bond Reserve Requirement” means, upon the issuance of Bonds and the issuance of any Additional Bonds, the Bond Reserve Requirement shall mean any amount (including no amount at all) established by the Issuer in its Bond Legislation and/or Supplemental Trust Agreement to be deposited and maintained in a Common Reserve Fund or a Series Reserve Fund, as such amount applies to the applicable Bonds; provided, however, in connection with any and all tax-exempt bonds, the Bond Reserve Requirement, shall not be in excess of the least of (a) 10% of the aggregate original stated principal amount of all applicable Bonds after delivery of such Additional Bonds (provided that if any Bonds have more than a de minimis (2%) amount of original issue discount or premium, the issue price of such Bonds (net of pre-issuance accrued interest) is used to measure the 10% limitation in lieu of its stated principal amount), (b) the

maximum amount of aggregate Principal and Interest Requirements on all applicable Bonds outstanding after delivery of such Additional Bonds, or (c) 125% of average annual aggregate Principal and Interest Requirements on all applicable Bonds outstanding after delivery of such Additional Bonds, along with any further reserve requirements specified in the Bond Legislation authorizing the Additional Bonds; provided further that, to the extent that the conditions, standards, or thresholds in the Code for reasonably required reserve and replacement funds change, then the aforesaid maximum amount of the Bond Reserve Requirement shall change in accordance with such modification or modifications, provided that such a change to this definition shall only be effective with the delivery of an opinion of Bond Counsel. The Bond Reserve Requirement shall be subject to any further reserve requirements specified in the Bond Legislation and/or the Supplemental Trust Agreement authorizing Additional Bonds. There may be more than one Bond Reserve Requirement. A Reserve Fund Guaranty may be used to satisfy an applicable Bond Reserve Requirement.

“Bond Service Charges” means, for any period of time, the principal of (whether at stated maturity, by mandatory redemption, by acceleration or otherwise), Accreted Value, Appreciated Value, any interest and any premium, only to the extent any of the foregoing are applicable, required to be paid by the Issuer on the Bonds for that period or payable at that time, as the case may be.

“Business Day” means a day of the year, other than (a) a Saturday; (b) a Sunday; (c) a day on which banks located in the city in which either the designated corporate trust office of the Trustee pursuant to this Trust Agreement is located or, if applicable, the designated office of the letter of credit bank from which the draws on a letter of credit are required to be presented are required or authorized by law to remain closed; or (d) a day on which the New York Stock Exchange or the payment system of the Federal Reserve System is closed.

“Capital Appreciation Bond” or “Capital Appreciation Bonds” means any Additional Bond or Additional Bonds, issued under a Supplemental Trust Agreement and/or Bond Legislation as to which interest is (a) compounded periodically on dates that are specified in the Supplemental Trust Agreement and/or Bond Legislation authorizing such Capital Appreciation Bond or Bonds and (b) payable only at the maturity, earlier redemption or other payment thereof pursuant to the Supplemental Trust Agreement and/or Bond Legislation authorizing such Capital Appreciation Bond or Bonds.

“Certificate of Award” means a certification of the Issuer, providing for the award of certain terms and provisions in connection with the issuance, sale, and delivery of Bonds, and generally amends and supplements the Bond Legislation.

“Certified Public Accountant” or “Certified Public Accountants” means an independent Certified Public Accountant or Accountants or firm of Certified Public Accountants, duly licensed in Kentucky, and may include Certified Public Accountants regularly employed to audit the financial affairs of the Sewer System and/or of other financial matters of the Issuer.

“Code” means the Internal Revenue Code of 1986, as amended, and the accompanying Treasury Regulations.

“Commercial Paper Obligations” means a negotiable instrument or instruments, as part of a single issuance, a series of issuances, or a program, generally maturing in 270 days or less in accordance with terms (including denominations) set forth in a Supplemental Trust Agreement.

“Common Reserve Fund” means a debt service reserve fund established pursuant to the terms of Bond Legislation for Bonds or pursuant to a Supplemental Trust Agreement for Bonds, which reserve fund shall provide security for the repayment of principal and interest on a series of Bonds or several series of Bonds on a parity basis, meaning that such reserve fund shall equally and ratably secure principal and interest due and payable on such series or several series of Bonds. The Issuer may establish more than one Common Reserve Fund for different series or groups of series of Bonds.

“Compounding Date” means, as to a series of Capital Appreciation Bonds, any date on which interest is compounded, thereon pursuant to the applicable Bond Legislation.

“Computation Date” means, to the extent that the tax status of a series of Bonds is tax-exempt, then for purposes of rebate, a date that is no later than five (5) years after the closing date of such Bonds or any subsequent time period pursuant to Section 148 of the Code.

“Construction Account” means the Construction Account created pursuant to Article V hereto, which account is part of the Revenue Fund.

“Construction Account Requisition Form” means the Construction Account Requisition Form provided for in Section 5.02(b) hereto and in *Exhibit A* hereto.

“Construction Fund” means one or more construction funds or project funds, the moneys in which fund or funds shall be used to pay for Improvements to the Sewer System, and which fund or funds are created in accordance with Article V hereof, as well as Bond Legislation and/or a Supplemental Trust Agreement, and which fund or funds are collectively referred to herein as the “Construction Fund,” despite the existence of one or more of such funds. Such Construction Fund shall not be part of the Revenue Fund.

“Consultant” means a nationally recognized firm of independent consultants knowledgeable in the operation and finances of municipal sewer systems, having a favorable reputation for skill and experience in such work, designated by the Legislative Authority. The Consultant may be an Independent Engineer or, if otherwise qualified, the independent Certified Public Accountant engaged to perform annual audits of the Sewer System.

“Credit Facility” means a letter of credit, insurance policy (including but not limited to a Bond Insurance Policy), Reserve Fund Guaranty, standby purchase

agreement, guaranty agreement or other credit enhancement or support, interest rate swap, or cap or other hedge or liquidity device or liquidity facility: (a) to enhance the security or liquidity of any Additional Bonds, including to provide, in whole or in part, a Bond Reserve Requirement, or (b) any Interest Rate Hedge Agreement.

“Crossover Amount” means the amount of money and escrow securities which are on deposit in a Crossover Escrow Account and which, together with investment income thereon, are held as provided in the definition of “Crossover Refunded Bond.”

“Crossover Date” means, when used with respect to any particular Crossover Refunding Bonds and Crossover Refunded Bonds, the date on which the Crossover Amount on deposit in a Crossover Escrow Account shall be used to retire all such Outstanding Crossover Refunded Bonds for which such Crossover Escrow Account was established.

“Crossover Escrow Account” means an escrow account in which a Crossover Amount is deposited.

“Crossover Refunded Bond” means any Additional Bond if:

(a) The Trustee shall have received and shall hold in trust for and irrevocably committed thereto, moneys sufficient, or

(b) The Trustee shall have received and shall hold in trust for and irrevocably committed thereto, escrow securities which are certified by an independent Certified Public Accountant to be of such maturities, irrevocably established redemption dates or irrevocably established repurchase dates (if such escrow securities are subject to a repurchase agreement) and interest payment dates, and to be of such principal amounts or irrevocably established redemption prices and to bear such interest, which together with any moneys to which reference is made in paragraph (a) above, without the need for further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust, except as provided herein), will be sufficient:

(i) for the payment of all principal of and premium, if any, on such Additional Bond as the same becomes due, whether at its maturity or redemption date or otherwise, as the case may be, or if a default in payment shall have occurred on any maturity or redemption date, then for the payment of all principal of and premium on such Additional Bond to the date of the tender of payment; provided, that if any such Additional Bond is to be redeemed prior to the maturity thereof, notice of that redemption shall have been given or irrevocable provision shall have been made for the giving of that notice and

(ii) for the payment of interest (in whole or in part) on any Crossover Refunding Bonds, the proceeds of which were, in whole or in part, deposited in such Crossover Escrow Account, or both. Prior to the

Crossover Date, the Crossover Amount may be pledged as security for the Crossover Refunding Bonds, the Crossover Refunded Bonds, or both. The moneys and proceeds of such escrow securities shall, to the extent needed, be used for the foregoing purposes or used to reimburse a provider of a Credit Facility for amounts advanced by it for the foregoing purposes.

“Crossover Refunding” means an advance refunding in which Crossover Refunding Bonds are issued to refund Crossover Refunded Bonds and in which a Crossover Amount is deposited in a Crossover Escrow Account.

“Crossover Refunding Bond” or “Crossover Refunding Bonds” means any Additional Bond (or Bonds), to the extent that any proceeds from the sale thereof shall, upon deposit in a Crossover Escrow Account, constitute a Crossover Amount.

“Current Interest Commencement Date” means with respect to any particular Deferred Income Bonds, the date specified in the Supplemental Trust Agreement and/or Bond Legislation authorizing such Deferred Income Bonds (which date must be prior to the maturity date for such Deferred Income Bonds) after which interest accruing on such Deferred Income Bonds shall be payable periodically on dates specified in such Supplemental Trust Agreement and/or Bond Legislation, with the first such payment date being the first such periodic date immediately succeeding such Current Interest Commencement Date.

“Defeasance Obligations” means (a) direct obligations of the United States of America for the payment of which the full faith and credit of the United States of America is pledged; (b) obligations issued by a Person controlled or supervised by and acting as an instrumentality of the United States of America, the payment of the principal of, premium, if any, and interest on which is fully guaranteed as a full faith and credit obligation of the United States of America (including any securities described in (a) or (b) issued or held in book-entry form on the books of the Department of Treasury of the United States of America or Federal Reserve Bank); (c) securities which represent an interest in the securities described in (a) and (b) above; (d) repurchase agreements with respect to securities described in (a) or (b) above that mature in 30 days or less, with a provider rated at the time of purchase at least "Baa3" by Moody's; and (e) money market mutual funds rated at the time of purchase "Aaa" by Moody's that invest only in securities described in (a) or (b) above, including those for which the Trustee or an affiliate performs services for a fee, whether as a custodian, transfer agent, investment advisor or otherwise.

“Deferred Income Bonds” means any Additional Bond or Additional Bonds issued under a Supplemental Trust Agreement as to which interest accruing prior to the Current Interest Commencement Date is (a) compounded periodically on dates specified in the Supplemental Trust Agreement and/or Bond Legislation authorizing such Deferred Income Bonds and (b) payable only at the maturity, earlier redemption, or other payment thereof pursuant to the Supplemental Trust Agreement and/or Bond Legislation authorizing such Deferred Income Bonds.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in Bonds, and to effect transfers of book entry interests in Bonds in book entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York.

“Director of Water Quality” means the Director of Water Quality, or a successor title or position.

“Electronic Means” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

“Eligible Funds” means (a) moneys which (i) constitute proceeds of any refunding obligations and (ii) have been paid directly to the Trustee and have never come into the possession or control of the Issuer, (b) moneys paid to the Trustee as drawings under a Credit Facility (provided the provider of the Credit Facility is subject to International Standby Practices 98 or such provider has agreed to make payments with its own funds), (c) any moneys with respect to which the Trustee has received an opinion of qualified nationally recognized bankruptcy counsel acceptable to the Trustee to the effect that the use by the Trustee of such moneys in accordance with the Trust Agreement would not constitute an avoidable preference under the provisions of Section 547, and will not be recoverable under the provisions of Sections 541 or 550, and will not be subject to the automatic stay provisions of Section 362(a), respectively, of the Federal Bankruptcy Code or similar laws of the United States of America or the Commonwealth of Kentucky in the event a petition in bankruptcy is filed by or against the entity depositing such moneys; or (d) moneys held by the Trustee for a continuous 123-day period, or held by the Trustee for a continuous 366-day period with respect to moneys from guarantors of the Issuer's obligations under the Bonds and the Trust Agreement, during which period no Act of Bankruptcy shall have occurred, which fact must be certified in writing to the Trustee by the Issuer, and with respect to which moneys the Trustee has received an opinion of qualified nationally recognized bankruptcy counsel to the effect that the use of such moneys in accordance with the Trust Agreement would not be subject to the automatic stay provisions of Section 362(a) of the Federal Bankruptcy Code or similar laws of the United States of America or the Commonwealth of Kentucky in the event a petition in bankruptcy is filed by or against the entity depositing such moneys, and (e) the proceeds of the investment of moneys described in (a), (b), (c) and (d) above.

“Eligible Investments” means any investment authorized by Section 66.480 of the Kentucky Revised Statutes, as the same may be amended, modified, revised, supplemented, or superseded from time to time.

“Escrow Amounts” means moneys that have been deposited and/or invested in accordance with an escrow agreement for the refunding of Bonds, and which will be

irrevocably used for the redemption of such Bonds, excluding escrow moneys, investments, and/or securities used to legally defease Bonds.

“Excess Earnings” means rebate amount owed the United States Treasury pursuant to Section 148 of the Code.

“Extraordinary Services” and “Extraordinary Expenses” means all services rendered and all reasonable expenses (including without limitation attorneys’ fees and expenses) properly incurred under this Trust Agreement other than Ordinary Services and Ordinary Expenses.

“Fiscal Year” means July 1st to and including June 30th or such other consecutive twelve month period as may hereafter be established as the fiscal year for the Sewer System by the Issuer for budgeting and accounting purposes to be evidenced by a certificate of an Authorized Officer filed with the Trustee.

“Fixed Rate Bonds” means any Additional Bond or Additional Bonds bearing interest throughout its term at a fixed rate of interest, without consideration to any Interest Rate Hedge Agreement.

“GAAP” means generally accepted accounting principles for local government units as prescribed by (a) the Governmental Accounting Standards Board or any successor thereto, and (b) the pronouncements of the American Institute of Certified Public Accountants or any successor thereto.

“General Obligation Bonds” means the Issuer’s general obligation bonds outstanding as of the date of delivery of the Bonds and such additional general obligation bonds hereafter issued by the Issuer for the purpose of making improvements or enlargements to the Sewer System, excluding general obligation bonds issued in anticipation of the collection of special assessments.

“General Obligation Notes” means the Issuer’s notes (herein the “notes”) issued from time to time in anticipation of the issuance of the Issuer’s General Obligation Bonds, and notes issued to refund such notes for the purpose of making improvements or enlargements to the Sewer System, excluding notes issued in anticipation of General Obligation Bonds which are issued in anticipation of the collection of special assessments.

“Governmental Regulations” means federal or state wage and price controls, economic stabilization, cost containment requirements, or restrictions on rates, charges and/or revenues of the Issuer, or reimbursement regulations and policies.

“Gross Revenues” means all income and revenue of the Sewer System, including rents, royalties, fees, and other revenue and income derived from all operations, services, properties, and facilities of the Sewer System, including rates and charges therefor, and proceeds of the sale or disposition of assets, judgments, and all other income arising out of the operation of the Sewer System, whether or not recurring, determined in accordance with GAAP.

“Improvements” means any improvements, additions or extensions to the Sewer System, including real estate and interests in real estate, buildings, structures, fixtures, and facilities and additions thereto, and machinery, equipment, furniture and other personal property, and/or other capital costs in connection with the acquisition or construction therewith, including but not limited to costs for designs, plans, and specifications that may be capitalized.

“Independent Engineer” means any engineer or firm of engineers, independent of the Issuer, experienced in the construction and operation of plants and systems such as the Sewer System, knowledgeable with respect to rate studies applicable thereto, having a good reputation for skill and experience in such work, selected by the Issuer and satisfactory to the Trustee and the Original Purchasers.

“Interest Payment Date” means the dates identified as such in the Bond Legislation or the dates specified in the applicable Supplemental Trust Agreement for the Bonds.

“Interest Period” means the period from and including an Interest Payment Date to and including the day next preceding the next succeeding Interest Payment Date.

“Interest Rate Hedge Agreement” means an interest rate swap, an interest rate cap or other such arrangement obtained with the goal of lowering the effective interest rate to the Issuer on Additional Bonds or hedging the exposure of the Issuer with respect to its obligations on the Additional Bonds against fluctuations in prevailing interest rates.

“Interest Subaccount” means the Interest Subaccount of the Bond Account as provided for in Article V hereof, which is a separate account or subaccount related to the Bond Account.

“Issuer” means the Lexington-Fayette Urban County Government, an urban county government and political subdivision of the Commonwealth of Kentucky, and its lawful successors and assigns.

“Kentucky Infrastructure Authority Loans” means loans and other programs providing financial assistance from the Kentucky Infrastructure Authority (or its successor organization).

“Legal Officer” means the legal counsel to the operator of the Sewer System.

“Legislative Authority” means the Lexington-Fayette Urban County Council of the Issuer and any officer, board, commission, or other body which hereafter succeeds, by operation of law, to the powers and duties of such council.

“Net Revenues” means all Gross Revenues (excluding (w) grants, (x) gains or losses on disposition of assets and/or judgments received, (y) gains or losses arising from the early extinguishment of Bonds, General Obligation Bonds and Notes and Obligations, and (z) other non-operating revenues, such as (not by way of limitation) exaction fees, interest income, certain transfers, and certain mark-to-market adjustments) minus

Operating and Maintenance Expenses. For purposes of clarification, and by way of example and not limitation, the proceeds of Kentucky Infrastructure Authority Loans are not intended to be included in Net Revenues.

“Notice by Mail” or “notice” of any action or condition “by Mail” shall mean a written notice meeting the requirements of this Trust Agreement mailed by first-class mail to the Holders of specified registered Bonds at the addresses shown in the registration books maintained pursuant to Section 2.04 of the Trust Agreement.

“Notice by Publication” or “notice” of any action or conditions “by Publication” shall mean publication of a notice meeting the requirements of the Trust Agreement in a newspaper or financial journal of general circulation in the City of New York, New York, which carries financial news, is printed in the English language and is customarily published on each Business Day; provided, however, that any successive weekly or monthly publication of notice required hereunder may be made, unless otherwise expressly provided herein, on the same or different days of the week and in the same or different newspapers or financial journals; and provided, further, that if, because of the temporary or permanent suspension of the publication or general circulation of any newspaper or financial journal or for any other reason, it is impossible or impracticable to publish such notice in the manner herein described, then such publication in lieu thereof as shall be made with the approval of the Trustee (or, if there be no trustee hereunder, the Issuer) shall constitute a sufficient publication of such notice.

“Obligations” means all obligations (including Subordinate Obligations) of the Issuer for borrowed money with respect to the Sewer System (including, without limitation, capital leases and Kentucky Infrastructure Authority Loans) which mature, or shall be renewable by the Issuer more than 365 days from incurrence thereof (including Commercial Paper Obligations that are part of a program or expected series of issuances and reissuances and/or expected renewals lasting, in aggregate, more than 365 days), excluding Bonds, General Obligation Bonds and General Obligation Notes, advances, and any obligations issued in anticipation of the collection of special assessments.

“One-Month LIBOR” means the offered rate for U.S. Dollar deposits of not less than \$1,000,000.00 as of 11:00 a.m. City of London, England time as shown on the display designated as “ICE Benchmark Administration Limited (“ICE”) Interest Settlement Rate” on the Telerate System (Telerate), or such other page or pages as may replace such pages on Telerate for the purpose of displaying such rate, as of the applicable computation date.

“Operating and Maintenance Expenses” shall have the meaning which would be given to it in accordance with GAAP consistently applied, but shall include only those expenses applicable to the Sewer System and all its appurtenances, and shall exclude expenses of any other utility of the Issuer whether or not such other utility shall be operated as a single unit with the Sewer System. Notwithstanding the foregoing, interest expense, any expenses relating to credit enhancement of any Bonds, amortization and depreciation shall not be included in Operating and Maintenance Expenses.

“Ordinary Services” and “Ordinary Expenses” means those services normally rendered and those expenses (including, without limitation, attorneys’ fees and expenses), normally incurred by a trustee under instruments similar to this Trust Agreement.

“Original Purchasers” means the Original Purchasers identified pursuant to Bond Legislation and/or a Supplemental Trust Agreement.

“Outstanding,” “outstanding Bonds” or “Bonds outstanding” means all Bonds which have been authenticated and delivered by the Trustee under the Trust Agreement except:

(a) Bonds cancelled or held in safekeeping by the Trustee on surrender, exchange or transfer or cancelled because of payment at maturity or redemption;

(b) Bonds which are deemed to have been paid and discharged pursuant to the provisions of the Trust Agreement;

(c) Bonds in lieu of which others have been authenticated under Section 2.03 of the Trust Agreement.

“Parity Swap Obligations” means any Regularly Scheduled Payments under an Interest Rate Hedge Agreement that, pursuant to the Trust Agreement, which are secured by a pledge of Pledged Revenues and the Revenue Fund on a parity with the pledge of Pledged Revenues and the Revenue Fund securing Bonds.

“Paying Agent” means the banks or trust companies designated by the Issuer at which the principal and interest and any premium on the Bonds shall be payable, and initially means the Trustee.

“Person” means an individual, a corporation, a partnership, an association, a joint stock company, a joint venture, a trust, a limited liability company, an unincorporated organization, or a government or any agency or political subdivision thereof.

“Pledged Revenues” means (a) Gross Revenues of the Sewer System, (b) the Revenue Fund and all accounts in the Revenue Fund, as well as all moneys, investments, investment earnings, and interest thereon regardless of whether any such interest would be included as income under GAAP and (c) net receipts from Interest Rate Hedge Agreements, and (d) Escrow Amounts; and excluding (i) any amounts set aside or to be set aside for rebate to the United States of America pursuant to Section 148(f) of the Code, including, but not limited to, amounts created in any Rebate Fund relating to any Bond or Bonds, (ii) amounts, moneys, investments, or securities in a Common Reserve Fund or a Series Reserve Fund, (iii) any amounts held in a Construction Fund not part of the Revenue Fund, (iv) any cost of issuance account or fund relating to a specific series of Bonds, (v) construction or project accounts or funds established in connection with Kentucky Infrastructure Authority Loans and/or other Subordinate Obligations, and (vi) any amounts deposited in the Rate Stabilization Fund.

“Principal and Interest Requirements” means, except as provided below, for any period of time: as applied to the Bonds of any series, the principal payable (whether pursuant to stated maturity, mandatory sinking fund, or other mandatory redemption requirement), Accreted Value, Appreciated Value, and interest due and payable on the Bonds, only to the extent that any of the foregoing are applicable, less any capitalized interest (if any) and accrued interest (if any) on deposit in the Bond Account; and as applied to General Obligation Bonds and Notes and any other Obligations, the principal payable (whether pursuant to a stated maturity or a mandatory sinking fund, or other mandatory redemption requirement), interest due and payable and other amounts due and payable in that period less any capitalized interest (if any) and accrued interest (if any) available in any fund or account designated for the payment of interest on said General Obligation Bonds and Notes and other Obligations. Principal and Interest Requirements:

(a) on any (i) Bonds that are secured by a letter of credit or other Credit Facility (whether Outstanding or to be issued as Additional Bonds), (ii) Variable Rate Bonds (whether Outstanding or to be issued as Additional Bonds), (iii) Balloon Bonds (whether Outstanding or to be issued as Additional Bonds), and (iv) Tender Bonds (whether Outstanding or to be issued as Additional Bonds), shall be computed by assuming amortization on the basis of level debt service over the Assumed Amortization Period bearing interest at the Assumed Interest Rate; and

(b) on General Obligation Notes, shall be deemed to be the Principal and Interest Requirements on the General Obligation Bonds anticipated thereby, assuming that such Bonds were issued as of the date of issuance of the General Obligation Notes and the first payment of principal thereon is made on September 1st of the second year following the issuance of the General Obligation Notes; and to the extent that any terms of any General Obligation Notes are such that interest thereon for any future period of time is expressed to be calculated at a rate which is not then susceptible of precise determination, then interest on such General Obligation Notes shall be computed by assuming that such General Obligation Notes are to be amortized on the basis of level debt service over the Assumed Amortization Period and that such Additional Bonds bear interest at the Assumed Interest Rate; and

(c) on Additional Bonds with a maturity of seven years or less and issued in anticipation of Additional Bonds with a longer maturity, shall be deemed to be the Principal and Interest Requirements on the Additional Bonds anticipated thereby, assuming that such Additional Bonds were issued as of the date of calculation with a maturity of 25 years, amortized on the basis of level debt service, bearing interest at a rate equal to the higher of (i) the then current “20-Bond Index” of *The Bond Buyer*, or if such index and/or publication is no longer provided or published, then an equivalent successor index and/or equivalent successor publication; provided, to the extent there is more than one applicable successor index, then the appropriate index shall be the index that is most comparable to the applicable Assumed Amortization Period and the credit quality of the Issuer, or (ii) the latest rate borne by Issuer revenue bonds; if the

Principal and Interest Requirements on such Additional Bonds can be measured under either clause (a) above or under this subsection (c), then the result producing the higher Principal and Interest Requirements shall be deemed to be the applicable Principal and Interest Requirements; and

(d) on Additional Bonds and General Obligation Bonds or Notes issued in anticipation of the receipt of grants previously awarded for Sewer System purposes, shall exclude the principal to the extent it is to be paid from the anticipated grant; and

(e) on Bonds, Additional Bonds and General Obligation Bonds or portions thereof for which the Issuer has entered into an Interest Rate Hedge or other agreement with another party (the "Counterparty") or otherwise arranges to (i) swap the debt service due thereon for payment to be made to the Counterparty, (ii) hedge the debt service due thereon against changes in interest rates; or (iii) otherwise synthetically or by derivative means alter, cap or collar the Issuer's debt service thereon, shall be (x) for Fixed Rate Bonds, the higher of the Principal and Interest Requirements on the Fixed Rate Bonds, and to the extent that it is subject to determination, the net effective economic debt service payments to be made by the Issuer under the terms (including the duration) of the Interest Rate Hedge and (y) for Variable Rate Bonds, the higher of the Principal and Interest Requirements determined in a manner consistent with clause (a) above and to the extent that it is subject to determination, the net effective economic debt service payments to be made by the Issuer under the terms (including the duration) of the Interest Rate Hedge.

(f) Notwithstanding the foregoing provisions in this subsection, with respect to determining the Principal and Interest Requirements to establish compliance with the rate covenant in Section 11.01(b) herein, the Principal and Interest Requirements shall be the actual principal of and interest due and payable on the Bonds described in clause (a) above during the Fiscal Year for which compliance with Section 11.01(b) is to be determined, as such calculation is a "Fiscal Year" calculation and not a "maximum annual" calculation.

"Principal Payment Date" means the date or dates identified as such in the Bond Legislation authorizing the issuance of such Additional Bonds.

"Principal Subaccount" means the Principal Subaccount of the Bond Account as provided for in Article V hereof, which is a separate account or subaccount related to the Bond Account.

"Qualified Self Insurance" means insurance maintained through a program of self-insurance which satisfies the applicable standards for maintaining self-insurance provided by the Commonwealth of Kentucky (or the agency, cabinet, or department thereof providing rules and regulations governing insurance for local governments) or, to the extent permitted by law, insurance maintained with an association in which the Issuer has a material interest or of which the Issuer has control, either singly or with others,

which satisfies the applicable standards for maintaining self-insurance provided by the Commonwealth of Kentucky (or an agency, cabinet, or department thereof providing rules and regulations governing insurance for local governments).

“Rate Stabilization Fund” means the Rate Stabilization Fund created pursuant to Article V hereof, and which fund shall not be part of the Revenue Fund.

“Rate Stabilization Fund Required Balance” means any amount on deposit in and credited to the Rate Stabilization Fund, equal to any amount deemed to be the required fund balance by an Authorized Officer of the Issuer, including no required balance at all, as further provided for in the Bond Legislation or in a Supplemental Trust Agreement.

“Rating Agency” means any nationally recognized securities rating agency to which the Issuer has applied for a rating on any outstanding Bonds and which rating is currently in effect.

“Rebate Fund” means the Rebate Fund created pursuant to Article V hereof, and which fund shall not be part of the Revenue Fund.

“Register” means the books kept and maintained by the Registrar for registration and transfer of Bonds pursuant to Article III hereof.

“Registrar” means the Trustee, or any successor Registrar, appointed in accordance with this Trust Agreement, each of which shall be a transfer agent registered in accordance with Section 17(A)(c) of the Securities Exchange Act of 1934. “Designated Office” of the Registrar shall mean the designated corporate trust office of the Trustee if the Trustee is serving as Registrar, and with respect to any other Registrar shall mean the office thereof designated in writing to the Trustee.

“Regular Record Date” means, with respect to any Bond, the close of business on the fifteenth day of the calendar month next preceding an Interest Payment Date.

“Regularly Scheduled Payments” means:

(a) when used with respect to Parity Swap Obligations evidencing or securing Additional Bonds, shall mean regularly scheduled principal and interest payments on such Additional Bonds, when due, including mandatory redemption payments; and

(b) when used with respect to Parity Swap Obligations evidencing or securing an Interest Rate Hedge Agreement, shall mean regularly scheduled payments under such Interest Rate Hedge Agreement.

but shall not, in any case, include amounts payable as a result of acceleration, prepayment, redemption, or other early payment, including a termination amount, resulting from a default, an early termination event, or any other similar event or contingency.

“Reimbursement Agreement” means, with respect to a series of Additional Bonds, any agreement or agreements between one or more Credit Facility providers and the Issuer under or pursuant to which a Credit Facility for such series of Additional Bonds is issued or provided and which sets forth the respective obligations of the Issuer and of the Credit Facility provider or providers.

“Reserve Fund Guarantor” means the issuer of Reserve Fund Guaranty (if any).

“Reserve Fund Guaranty” means a letter of credit, surety bond insurance policy or similar arrangement representing the irrevocable obligation of the Reserve Fund Guarantor to pay the Trustee upon request made by the Trustee up to an amount stated therein, satisfying the requirements of the Bond Legislation and the Trust Agreement.

“Reserve Fund Guaranty Agreement” means the reimbursement agreement, loan agreement or similar agreement between the Issuer and a Reserve Fund Guarantor with respect to repayment of amounts advanced under the Reserve Fund Guaranty.

“Reserve Fund Guaranty Coverage” means the amount available at any particular time to be paid to the Trustee under the terms of the Reserve Fund Guaranty.

“Revenue Fund” means the “Sewer System Revenue Fund” created in accordance with Article V herein.

“Series Reserve Fund” means a debt service reserve fund established pursuant to the terms of Bond Legislation for Bonds or pursuant to a Supplemental Trust Agreement for Bonds, which reserve fund shall provide security for the repayment of principal and interest on a particular series of Bonds. The Issuer may establish more than one Series Reserve Fund, each separately securing different series of Bonds.

“Series 2014 Bonds” means, together, the Series 2014A Bonds and the Series 2014B Bonds.

“Series 2014A Bonds” means the Lexington-Fayette Urban County Government Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A, issued in the original principal amount of \$24,950,000.

“Series 2014B Bonds” means the Lexington-Fayette Urban County Government Taxable Sewer System Revenue Refunding Bonds, Series 2014B, issued in the original principal amount of \$11,600,000.

“Sewer System” means the sewer system presently owned or operated by the Issuer as a public utility, and includes any extensions, modifications, enlargements, or additions thereto, including Improvements, if any.

“SIFMA Municipal Swap Index” means the Securities Industry and Financial Markets Association Municipal Swap Index, a 7-day high-grade market index, comprised of tax-exempt variable rate demand obligations, or an equivalent successor index.

“Special Record Date” means with respect to any Bond, any date established by the Trustee in connection with the payment of overdue interest on that Bond pursuant to Section 2.04 of the Trust Agreement.

“Subordinate Obligations” means certain Obligations secured by a security interest in all or a portion of Pledged Revenues subordinate to that of the Bonds, which contains provisions substantially in the form set forth in *Exhibit C* hereto and Kentucky Infrastructure Authority Loans.

“Supplemental Trust Agreement” means a trust agreement amending or supplementing the terms of this Trust Agreement, as provided for in Article IX hereto.

“Surplus Account” means the “Sewer System Revenue Surplus Account” created in accordance with Article V hereof, and which account is part of the Revenue Fund.

“Tax Status” means, in relation to the Bonds and any other Outstanding Bonds issued as tax-exempt obligations under the Code, recognition that the interest on such Bonds is excluded from gross income for purposes of Section 103 of the Code, or to the extent that any Bonds are uniquely recognized as tax credit bonds, build America bonds, or other similar bonds with a specially designated tax status or tax benefit under the Code, then, the tax status shall refer to such specially recognized tax status.

“Tender Bonds” means obligations that are (a) payable or required to be purchased or redeemed by or on behalf of the underlying obligor, at the option of the owner thereof, prior to its stated maturity date or (b) payable or required to be purchased or redeemed from the owner by or on behalf of the underlying obligor (other than at the option of the owner) prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund, other than by reason of acceleration upon the occurrence of an event of default.

“Trustee” means, the bond trustee and its successors and any corporation or associations resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee at the time serving as successor trustee under the Trust Agreement, all as further identified in the Bond Legislation, and/or pursuant to a Supplemental Trust Agreement.

“Trust Agreement” means this Trust Agreement, dated as of September 1, 2014, by and between the Issuer and the Trustee, as the same may be amended, modified, or supplemented from time to time by any amendments or modifications thereof and supplements thereto entered into in accordance with the provisions thereto, including without limitation, any Supplemental Trust Agreement.

“Valuation Date” means the last day of each Fiscal Year.

“Variable Rate Bond” or “Variable Rate Bonds” means any Additional Bond or Additional Bonds not bearing interest throughout its term at a fixed interest rate, but rather at a rate which varies or floats from time to time based upon a formula or other method of determination set forth in the applicable Bond Legislation or Supplemental

Trust Agreement, without consideration to any Interest Rate Hedge Agreement; provided, however, that if any Additional Bond is issued in conjunction with another Additional Bond which bears interest at a rate that is, at all times, the balance remaining after the subtraction of the rate of interest on the other Additional Bond from a constant, with the result that the rate of interest paid by the Issuer on the two Additional Bonds is, and must at all times be, fixed, then neither such Additional Bond shall be treated as a Variable Rate Bond for purposes of this Trust Agreement, but rather such Additional Bonds shall be treated together as a fixed rate Additional Bond.

“Year” means the calendar year unless otherwise specified. The calendar year shall be the Fiscal Year of the Sewer System unless otherwise provided by law.

ARTICLE II
FORM, EXECUTION, AUTHENTICATION, REGISTRATION AND
EXCHANGE OF BONDS

SECTION 2.01. Form and Terms of Bonds.

The form of the Bonds substantially in the form set forth in the Bond Legislation or a Supplemental Trust Agreement with such omissions, insertions, and variations as may be authorized or permitted by the Bond Legislation authorizing, or Supplemental Trust Agreement entered into in connection with, any series of Bonds, including Additional Bonds, all consistent with this Trust Agreement. Each Bond shall be of a single maturity, unless the Trustee shall approve the authentication and delivery of a Bond of more than one maturity.

SECTION 2.02. Terms of Additional Bonds.

Any series of Additional Bonds shall have maturities, interest rates, interest payment dates, redemption provisions, denominations, and other terms as provided in the Bond Legislation authorizing the issuance thereof, and the proceeds thereof shall be held, invested and paid out as provided therein, provided that such terms and provisions shall not be otherwise inconsistent with this Trust Agreement. Before any such Additional Bonds shall be authenticated and delivered by the Trustee, there shall be filed with the Trustee the documents required by the Bond Legislation. When said documents shall have been filed with the Trustee and when the Bonds described in the Bond Legislation for the Additional Bonds shall have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver such Additional Bonds at one time to or upon the order of the purchasers named in the Bond Legislation for the Additional Bonds, but only upon payment of the purchase price of such Additional Bonds in accordance with the terms of the Bond Legislation. The Trustee shall be entitled to rely upon such Bond Legislation as to the names of the purchasers and the amount of such purchase price.

As provided in the Bond Legislation, nothing herein shall be construed to prohibit or restrict the right of the Issuer to issue bonds subordinate in lien to Bonds then outstanding.

SECTION 2.03. Execution and Authentication of Bonds.

The Bonds shall be executed in the manner provided in the Bond Legislation authorizing such Bonds; provided, however, that such manner of execution shall not be inconsistent with any requirements of law or of this Trust Agreement. In case an Authorized Officer, or any or all of them, who shall have signed any Bond shall cease to be such officer before the Bond so signed shall have been actually authenticated, recorded, and delivered, such Bond nevertheless may be issued, authenticated, recorded, and delivered as though the person who signed such Bond has not ceased to be an officer of the Issuer, and also, any Bond may be signed on behalf of the Issuer by such person, who at the actual date of execution of such Bond shall be the proper officer of the Issuer, although at the date of such Bond such person shall not have been such an officer of the Issuer. After execution and delivery of this Trust Agreement, the Issuer shall execute and deliver any Bonds to the Trustee for authentication. The Trustee shall authenticate said Bonds and deliver the same to the Issuer or to such person as may be specified in the Bond Legislation or by written order of the Issuer.

No Bond shall be valid or become obligatory for any purpose or shall be entitled to any security or benefit under this Trust Agreement unless and until an authentication certificate shall have been duly endorsed upon such Bond. Such authentication by the Trustee upon any Bond shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered hereunder and is entitled to the security and benefit of this Trust Agreement. Such certificate of the Trustee may be executed by any person duly authorized by the Trustee, but it shall not be necessary that the same person sign the authentication certificate on all of the Bonds.

Anything herein to the contrary notwithstanding, the aggregate principal amount of the Bonds which may be executed, authenticated, and delivered pursuant hereto may, at any time of the election of the Issuer evidenced by a trust agreement supplemental hereto, be limited, so far as future issues are concerned, to such definite aggregate principal amount as may be specified in such supplemental trust agreement.

SECTION 2.04. Payment, Ownership, Transfer and Exchange of Bonds.

Unless otherwise provided in the Bond Legislation, the principal of all Bonds shall be payable in lawful money of the United States of America upon surrender thereof at the designated corporate trust office of the Trustee to the person appearing on the registration books as the registered Holder thereof. Interest on the Bonds shall be paid by wire, check, or draft sent or delivered by the Trustee to such registered Holder at his address as it appears on such registration books on the Regular Record Date applicable to said Interest Payment Date as provided in the Bond Legislation; provided however that any wire transfer shall only be made to a wire transfer address in the continental United States only to Holders of \$1,000,000 or more in aggregate principal amount of Bonds who request in writing to the Trustee prior to the record date for such Bonds.

If and to the extent, however, that the Issuer shall fail to make payment or provision for payment of interest on any Bond on any Interest Payment Date, that interest shall cease to be payable to the Person who was the Holder of that Bond (or of one or more predecessor Bonds) as of the applicable Regular Record Date. When moneys become available for payment of the interest, (x) the Trustee shall establish a Special Record Date for the payment of that interest which shall be not more than 15 nor fewer than ten days prior to the date of the proposed payment, and (y) the Trustee shall cause notice of the proposed payment and of the Special Record Date to be mailed by first class mail, postage prepaid, to each Holder at its address as it appears on the bond register not fewer than ten days prior to the Special Record Date and, thereafter, the interest shall be payable to the Persons who are the Holders of the Bonds (or their respective predecessor Bonds) at the close of business on the Special Record Date.

Each Bond delivered under this Trust Agreement upon transfer thereof, or in exchange for or in replacement of any other Bonds, shall carry the rights to interest accrued and unpaid, and to accrue on that Bond, or which were carried by the Bond.

Bonds may be exchanged, at the option of their Holder, for Bonds of any Authorized Denomination or Denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of and bearing interest at the same rate and maturing on the same date or dates as, the Bonds being exchanged. The exchange shall be made upon presentation and

surrender of the Bonds being exchanged at the designated corporate trust office of the Trustee together with an assignment duly executed by the Holder or its duly authorized attorney in any form which shall be satisfactory to the Trustee.

Any Bond may be transferred only upon presentation and surrender thereof at the designated corporate trust office of the Trustee together with an assignment duly executed by the registered Holder or his duly authorized attorney in such form as shall be satisfactory to the Trustee, such transfer to be made on such books by the Trustee and endorsed on the Bond by an appropriate officer or officers of the Trustee.

Upon transfer of any Bond and on request of the Trustee, the Issuer shall execute in the name of the transferee, and the Trustee shall authenticate and deliver, a new Bond or Bonds, of any Authorized Denomination or Denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Bonds presented and surrendered for transfer.

In all cases in which Bonds shall be exchanged or transferred hereunder, the Issuer shall execute, and the Trustee shall authenticate and deliver, Bonds in accordance with the provisions of this Trust Agreement. The exchange or transfer shall be made without charge; provided, that the Trustee may make a charge for every exchange or transfer of Bonds, sufficient to reimburse them for any tax or excise required to be paid with respect to the exchange or transfer. The charge shall be paid before a new Bond is delivered.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Trust Agreement, as the Bonds surrendered upon transfer or exchange. Neither the Issuer, nor the Trustee, shall be required to make any exchange or transfer of a Bond during a period beginning at the opening of business 15 days before the day of the mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing or to transfer or exchange any Bonds selected for redemption, in whole or in part, to transfer or exchange any Bond during the period from the day following a Regular Record Date through the day preceding the ensuing Interest Payment Date.

As to any Bond the person in whose name the same shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Bond shall be made only to or upon the order of the registered Holder thereof or his duly authorized attorney, and neither the Issuer nor the Trustee shall be affected by any notice to the contrary, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond, including the interest thereon, to the extent of the sum or sums so paid.

Each Bond shall bear interest from its date and shall be dated as of the Interest Payment Date next preceding the date of its authentication, unless authenticated upon an Interest Payment Date, in which case it shall be dated as of the date of its authentication; provided, however, that if at the time of authentication of any Bond, interest is in default, such Bond shall be dated as of the date to which interest has been paid, and if authenticated prior to the first Interest Payment

Date of each Bond, such Bond shall be dated as of the same date as the original issuance of the Bonds.

In case any Bond is redeemed in part only, the Trustee, on or after the redemption date and upon surrender of such Bond, shall issue a new Bond or Bonds in principal amount equal to the unmatured and unredeemed portion of such Bond.

So long as any of the Bonds remain outstanding, the Issuer will cause to be maintained and kept, at the corporate trust office of the Trustee, books for the aforesaid registration and transfer of Bonds, except that as to any series of Bonds an additional or different registrar or co-registrar may be designated in the applicable Bond Legislation.

SECTION 2.05. Mutilated, Lost, Wrongfully Taken or Destroyed Bonds.

In the event any Bond is mutilated, lost, wrongfully taken or destroyed, the Issuer shall execute and the Trustee shall authenticate a new Bond, as the case may be, of like date, maturity and denomination as that mutilated, lost, wrongfully taken or destroyed, which new Bond, shall correspond in all respects to that mutilated, lost, wrongfully taken or destroyed; provided that (a) in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and (b) in the case of any lost, wrongfully taken or destroyed Bond, there shall be first furnished to the Issuer and the Trustee evidence of such loss, wrongful taking or destruction satisfactory to an Authorized Officer and the Trustee, together with indemnity satisfactory to them. In the event such lost, wrongfully taken or destroyed Bond shall have matured, instead of issuing a new Bond, the Issuer, by its Authorized Officer, may direct the Trustee to pay the same without surrender thereof upon the furnishing of the satisfactory evidence and indemnity as in the case of issuance of a new Bond. The Issuer and the Trustee may charge the Holder of such Bond with their reasonable fees and expenses in connection with their action pursuant to this Section.

Every new Bond issued pursuant to this Section shall, with respect to such Bond, constitute an additional contractual obligation of the Issuer, whether or not the lost, wrongfully taken or destroyed Bond shall be found at any time, and shall be entitled to all the benefits of this Trust Agreement equally and proportionately with any and all other Bonds duly issued hereunder. All Bonds shall be held and owned on the express condition that the foregoing provisions of this Section are exclusive with respect to the replacement or payment of mutilated, lost, wrongfully taken or destroyed Bonds and shall preclude any and all rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or other securities without their surrender.

SECTION 2.06. Safekeeping and Cancellation of Bonds.

Any Bond surrendered for the purpose of payment or retirement, or for exchange, or for replacement or payment pursuant to Section 2.05, shall be cancelled upon surrender thereof to the Trustee and certification of such cancellation shall be made to the Issuer as provided in this Section. Certification of such surrender and cancellation, shall be made to the Issuer by the Trustee upon written request. Unless otherwise directed by the Issuer or other lawful authority, cancelled Bonds shall promptly be destroyed by shredding or cremation by the Trustee in accordance with its document retention policy in effect from time to time.

SECTION 2.07. Delivery of the Series 2014 Bonds.

Upon the execution and delivery of this Trust Agreement and subject to the Bond Legislation, the Issuer shall execute and deliver to the Trustee and the Trustee shall authenticate, the Series 2014 Bonds and deliver them to, or for the account of, the Original Purchasers thereof as may be directed by the Issuer as hereinafter in this Section 2.07 provided.

Prior to the delivery by the Trustee of any of the Series 2014 Bonds there shall be filed with the Trustee:

(a) A copy, duly certified by the Clerk of the Legislative Authority, of the Bond Legislation authorizing the execution and delivery of the Trust Agreement and the issuance and sale of the Series 2014 Bonds.

(b) An original executed counterpart of the Trust Agreement.

(c) A request and authorization to the Trustee on behalf of the Issuer, which may be included in the Bond Legislation, to authenticate and deliver or cause to be authenticated and delivered the Series 2014 Bonds to, or on the order of, the Original Purchasers upon payment to the Issuer, of the sum specified therein plus accrued interest, which shall be deposited as provided in the Bond Legislation.

(d) Executed counterparts of an escrow agreement and a verification from an independent firm of Certified Public Accountants that the funds on deposit under such escrow agreement are sufficient to pay the principal of and interest on the refunded bonds, as provided for therein, to maturity or redemption as the same shall become due or payable without further investment or reinvestment.

(e) An executed counterpart of the respective Certificate or Certificates of Award, and any opinions of any legal counsel as required therein and not otherwise listed in this Section.

(f) The written opinion of counsel for the Issuer, or other counsel reasonably satisfactory to the Trustee, who may be Bond Counsel, to the effect that: (i) the documents submitted to the Trustee in connection with the request then being made comply with the requirements of this Trust Agreement; and (ii) all conditions precedent to the delivery of the Series 2014 Bonds have been fulfilled.

(g) A written opinion of Bond Counsel to the Issuer (who also may be the counsel to which reference is made in subparagraph (f)), to the effect that when executed for and in the name and on behalf of the Issuer and when authenticated and delivered by the Trustee, those Series 2014 Bonds will be valid, binding, and legal obligations of the Issuer, in accordance with their terms and will be secured by this Trust Agreement.

(h) Copies of insurance certificates or evidence of self-insurance, satisfactory to the Trustee, to the effect that the insurance required by this Trust Agreement is in effect.

(i) To the extent necessary, moneys equal to the applicable Bond Reserve Requirement for deposit to the credit of any applicable Common Reserve Fund or Series Reserve Fund.

(j) To the extent necessary, moneys equal to the Rate Stabilization Fund Required Balance for deposit to the credit of the Rate Stabilization Fund.

(k) Such other documents as shall reasonably be required by Bond Counsel satisfactory to the Trustee.

SECTION 2.08. Additional Bonds.

Generally. If no Event of Default, as defined herein, has occurred and is continuing, as certified to the best of his knowledge by an Authorized Officer, after such investigation as he deems necessary, the Issuer may, to the extent permitted by law in effect at the time thereof, and without jeopardy to the tax-exempt status any tax-exempt Bonds then outstanding hereunder, issue Additional Bonds from time to time for any lawful purpose including, but not limited to, (a) refunding any one or more series of Bonds and (b) making Improvements to the Sewer System. Additional Bonds of any series shall be equally and ratably secured by the Pledged Revenues (including without limitation, the Revenue Fund).

Before any Additional Bonds shall be issued under the provisions of this Section, the Legislative Authority shall adopt the Bond Legislation authorizing the issuance of such Additional Bonds, fixing or providing for the fixing of the amount and the details thereof, determining the necessity thereof, describing in brief and general terms the additional work (if any) and payments necessary to make the Improvements to be acquired and constructed and the estimated cost thereof and describing any reimbursement to be made to the Issuer for the cost of any Improvements theretofore acquired or constructed. Such Additional Bonds shall be dated, shall be retired (whether by stated maturity or mandatory sinking fund redemption) at such time or times, shall bear interest at a rate or rates, may be made redeemable at such times and prices (subject to the provisions of Article III hereof), shall be numbered and shall have such paying agent, transfer agents, authenticating agent and/or registrar, if any, all as may be provided in or pursuant to the Bond Legislation authorizing the issuance of such Additional Bonds.

Except as to any differences in the maturities thereof or in the rate or rates of interest or the provisions for redemption or credit enhancement facilities, such Additional Bonds shall be on a parity with and shall be entitled to the same benefit and security of the Trust Agreement as all other Bonds issued under the Trust Agreement.

Such Additional Bonds shall be executed substantially in the form and manner provided herein with such changes as may be necessary or appropriate to conform to the provisions of the Bond Legislation authorizing the issuance of such Additional Bonds and shall be deposited with the Trustee for authentication, but before such Additional Bonds shall be authenticated and delivered by the Trustee there shall be filed with the Trustee the following:

(a) a copy, certified by the Clerk of the Legislative Authority, of the Bond Legislation passed by the Legislative Authority authorizing the issuance of such Additional Bonds;

(b) an original signed copy of any Certificate of Award or ordinance of award executed pursuant to the Bond Legislation (and only to the extent applicable, a bond purchase agreement), specifying the interest rate or rates of such Additional Bonds and other matters and directing the authentication and delivery of such Additional Bonds to or upon the order of the purchaser therein named upon payment of the purchase price set forth therein;

(c) if for Improvements, a statement, signed by a Consultant, the independent auditor of the Issuer, or an Independent Engineer or Director of Water Quality, giving

(i) an estimate of the cost of the Improvements, including an amount for contingencies but excluding financing charges, reserves and interest during construction, and

(ii) an estimate of the completion date for said Improvements;

(d) Reserved;

(e) a certificate, signed by an Authorized Officer, setting forth:

(i) the Net Revenues for the most recent Fiscal Year for which audited financial statements are available, adjusted to reflect on an annualized basis any increase or decrease in rates, charges and rentals of the Sewer System which became effective during that period or prior to the date of issuance of the Additional Bonds, and

(ii) the amount of the maximum annual Principal and Interest Requirements on Bonds for any Fiscal Year thereafter, including the Principal and Interest Requirements on such Additional Bonds for the purposes of subparagraphs (II) and (III) of this Section;

In executing the certificate required by this subparagraph, the appropriate Authorized Officer may rely on a certificate or certificates of a Consultant, the independent auditor of the Issuer, or an Independent Engineer or Director of Water Quality;

(f) a certificate, signed by an Authorized Officer or the Director of Water Quality, stating that they are unaware of any Event of Default which will be existing and continuing immediately after the issuance of such Additional Bonds;

(g) an opinion of Bond Counsel to the effect that such counsel is of the opinion that the issuance of such Additional Bonds has been duly and validly authorized, that all conditions precedent under the Trust Agreement and Bond Legislation to the delivery of such Additional Bonds and any Supplemental Trust Agreement permitted by Section IX hereof to be performed by the Issuer have been fulfilled and that such Additional Bonds are valid and binding special obligations of the Issuer enforceable in accordance with their terms with customary exceptions for bankruptcy, creditor's rights and general principles of equity;

(h) a fully executed counterpart of the Supplemental Trust Agreement;

(i) A request and authorization to the Trustee on behalf of the Issuer to authenticate and deliver such Additional Bonds to, or on the order of, the Original Purchaser or Purchasers thereof upon payment to the Trustee, but for the account of the Issuer of the sum specified therein plus accrued interest, which shall be deposited as provided in the Bond Legislation authorizing such Additional Bonds; and

(j) To the extent necessary, an escrow agreement providing for the refunding of any series of Bonds being refunded and a verification report from an independent firm of Certified Public Accountants that the funds on deposit under the applicable escrow agreement are sufficient to pay the principal of and interest on the refunded bonds, as provided for therein, to maturity or redemption as the same shall become due or payable without further investment or reinvestment.

When the documents mentioned above in this Section shall have been filed with the Trustee, and the Trustee has determined that no event of default exists with respect to any payment due and payable under the Trust Agreement, and when the Additional Bonds and the certificate mentioned in paragraphs (a) and (b) of this Section, respectively, shall have been executed and authenticated as required by this Trust Agreement, the Trustee shall deliver such Additional Bonds at one time to or upon the order of the purchasers named in the Bond Legislation, Certificate of Award or ordinance of award (and only to the extent applicable, the bond purchase agreement) referred to in said subparagraph (b), but only upon payment of the purchase price of such Additional Bonds in accordance with the Bond Legislation. The Trustee shall be entitled to rely upon such Bond Legislation or Certificate of Award or ordinance of award as to the matters set forth therein (and only to the extent applicable, a bond purchase agreement).

Additional Bonds for New Money Improvements. The Trustee shall not authenticate and deliver such Additional Bonds unless it receives a certificate from (1) so long as prior bonds remain outstanding, a Consultant, an independent auditor of the Issuer, or an Independent Engineer or Director of Water Quality, stating that the rate covenant specified in the trust agreement or ordinance authorizing the prior bonds is currently being met, and (2) an Authorized Officer of the Issuer stating that:

(I) the proceeds (excluding accrued interest but including any premium) of such Additional Bonds shall be not less than the additional cost of the Improvements (or portions thereof) determined to be the higher of such cost as estimated (A) in the Bond Legislation mentioned in paragraph (a), or (B) in the statement of the Director of Water Quality or the Independent Engineer mentioned in paragraph (c) of this Section or the opinion of the Legal Officer mentioned in paragraph (d) of this Section, whichever is applicable, less any other funds available or to be made available to pay the additional costs of the Improvements; and

(II) the Net Revenues during that twelve (12) consecutive calendar months in which Net Revenues was the greatest in the eighteen (18) immediately preceding calendar months immediately preceding the calendar month in which such Additional

Bonds are issued, as set forth in the certificate required under paragraph (e)(i) of this Section, is at least equal to (A) 120% of the maximum annual Principal and Interest Requirements as set forth in the certificate required under paragraph (e)(ii) above including the Principal and Interest Requirements on all Bonds and the proposed Additional Bonds and (B) 100% of the maximum aggregate annual Principal and Interest Requirements on all Bonds and the proposed Additional Bonds as set forth in the certificate required under paragraph (e)(ii) above and on General Obligation Bonds and Notes and other Obligations in any subsequent Fiscal Year; or

(III) the forecasted Net Revenues of the first two full Fiscal Years of the Sewer System shown in the statement, study or report described in the next paragraph are at least equal to (A) 125% of the maximum Principal and Interest Requirements shown in paragraph (e)(ii) above and (B) 105% of the maximum aggregate annual Principal and Interest Requirements on all Bonds and the proposed Additional Bonds as set forth in the certificate required under paragraph (e)(ii) above and on General Obligation Bonds and Notes and other Obligations in any subsequent Fiscal Year.

The statement, study or report referred to in subparagraph (III) above shall be signed by a Consultant, the independent auditor of the Issuer, or an Independent Engineer, retained by the Issuer, giving a forecast for the first two Fiscal Years immediately following the Fiscal Year in which the completion date of the any "project" or said Improvements is to occur (as estimated by a Consultant, an independent auditor of the Issuer, or an Independent Engineer or the Director of Water Quality as part of the statement mentioned in paragraph (c) above), of the Net Revenues, if any, stating the basis of such forecast; provided, however, that the rates and charges assumed by such Consultant, independent auditor of the Issuer, or Independent Engineer in issuing its statement, study or report for the purposes of subparagraph (III) above shall be authorized by the Legislative Authority prior to the issuance of the Additional Bonds authorized by the ordinance referred to in paragraph (a) above.

The proceeds of all Additional Bonds issued under the provisions of this Section shall be deposited with the Trustee, on behalf of the Issuer, to the credit of the Construction Account, Construction Fund, or the Surplus Account for the purpose of paying the cost of the Improvements to be acquired or constructed or to reimburse the Issuer for the costs of Improvements theretofore acquired or constructed, except that (i) the accrued interest received shall be deposited to the credit of the Bond Account, (ii) the amount, if any, authorized under the Bond Legislation described in paragraph (a) of this Section, and set forth therein or in the Certificate of Award or ordinance of award (and only to the extent applicable, bond purchase agreement) referred to in paragraph (b) of this Section for the payment of interest during the period of acquisition or construction of the Improvements and for a reasonable period thereafter, to the extent permitted by law, shall be deposited to the credit of the Bond Account, (iii) the amount, if any, which is specified in the Bond Legislation described in paragraph (a) of this Section shall be deposited in a Common Reserve Fund or Series Reserve Fund provided that not more than three years after the issuance of such Additional Bonds, the aggregate amount on deposit in any such Common Reserve Fund or Series Reserve Fund shall equal the applicable Bond Reserve Requirement after taking into account the issuance of such Additional Bonds, and (iv) expenses incurred with respect to the issuance of the Additional Bonds shall be paid by the Trustee as directed in writing by the Issuer.

Additional Bonds for Refunding. Before any Additional Bonds for the purpose of refunding or advance refunding all or a portion of the Bonds outstanding (so long as the exemption from federal income taxation of interest on the Bonds to be refunded or advance refunded is not adversely affected) shall be issued under the provisions of this Section, the Issuer shall adopt Bond Legislation authorizing the issuance of such Additional Bonds, fixing or providing for the fixing of the amount and the details thereof and describing the Bonds to be refunded. Such Additional Bonds shall be appropriately designated, with the inclusion of the term "Refunding" in the designation.

Before such refunding Additional Bonds shall be authenticated and delivered by the Trustee, there shall be filed with the Trustee documents, similar to those mentioned in clauses (a), (b) and (g) through j of this Section and, in case such Additional Bonds are to be issued for the purpose of redeeming Bonds prior to their stated maturity or maturities, such additional documents as shall be required by the Trustee to show that provision has been duly made in accordance with the provisions of the Trust Agreement for the redemption of all of the Bonds to be redeemed.

But the Trustee shall not authenticate and deliver such refunding Additional Bonds unless:

(x) the proceeds (excluding accrued interest but including any premium) of such refunding Additional Bonds plus any moneys to be withdrawn from the Revenue Fund by the Trustee for such purpose, as hereinafter provided, together with any other funds available to the Issuer for such purpose, together with the interest that shall accrue (without further investment or reinvestment of either the principal amount of such Defeasance Obligations or the interest earnings therefrom) upon any Defeasance Obligations acquired pursuant to paragraph (2) below of this Section, shall be not less than an amount sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will accrue thereon to the redemption date or maturity dates, as the case may be, and the expenses incident to such financing to the extent not paid from other sources, as required to cause such Bonds to be paid and discharged in accordance with Article X of the Trust Agreement, and

(y) either (a) the maximum annual Principal and Interest Requirements for any Fiscal Year thereafter after giving effect to the issuance of such refunding Additional Bonds shall, for any Fiscal Year during which all Bonds not being refunded are outstanding, be not greater than 105% of the maximum annual Principal and Interest Requirements on account of all Bonds outstanding immediately prior to the issuance of such refunding Bonds, including the Bonds to be refunded or (b) the conditions set forth in paragraphs (II) or (III) of this Section are met with respect to such refunding Additional Bonds.

Simultaneously with the delivery of such Additional Bonds, the Trustee shall apply, after payment of the expenses incident to such financing, the proceeds of such refunding Additional Bonds (including accrued interest) and any other moneys provided for such purpose, as follows:

(1) The accrued interest received shall be deposited to the credit of the Bond Account;

(2) an amount, which, together with interest to accrue on such amount invested in Defeasance Obligations specified in paragraph (x) of this Section, is sufficient to pay principal of, interest and any redemption premium on the Bonds to be refunded hereunder shall be deposited by the Trustee to the credit of a special escrow deposit fund appropriately designated, to be held in trust for the sole and exclusive purpose of paying such principal, redemption premium and interest. Moneys held for the credit of such escrow fund shall be invested and reinvested by the Trustee, at the written direction of an Authorized Officer of the Issuer, in obligations as specified in paragraph (x) of this Section, which shall mature, or which shall be subject to redemption by the Holder thereof at the option of such Holder, not later than the respective dates when the moneys held for the credit of such redemption fund will be required for the purposes intended;

(3) the amount, if any, required to make the amount on deposit in any applicable Common Reserve Fund and/or Series Reserve Fund equal to the applicable Bond Reserve Requirement shall be deposited to the credit of such Common Reserve Fund and/or Series Reserve Fund; and

(4) any balance of such proceeds shall be deposited to the credit of the Bond Account.

In making the calculation for purposes of the certificate of the Consultant, independent auditor of the Issuer, or Independent Engineer or Director of Water Quality]provided for in paragraph (c) above, in the case of issuance of Additional Bonds for refunding any outstanding Bonds, payments of Principal and Interest Requirements of such Additional Bonds shall be used in lieu of payments of Principal and Interest Requirements of the Bonds being refunded thereby.

Subordinate Bonds. To the extent permitted by law, the Issuer may issue Subordinate Obligations without meeting any other requirements of this Section, if the written agreement and any other instrument and document evidencing the Subordinate Obligations is binding upon the owners and holders of the Subordinate Obligations and includes provisions making such indebtedness, by its terms, specifically subordinate to the Bonds which are outstanding or may be issued pursuant to this Trust Agreement, which Subordinate Obligations must substantially comply with the provisions set forth in *Exhibit C* hereto. Substantial compliance with the provisions in *Exhibit C* hereof may be achieved even without incorporation of substantially all of the language in *Exhibit C* hereof provided that similar provisions are incorporated providing a similar result. The Issuer will be required to evidence compliance with those provisions by delivering to the Trustee as soon as practical prior to the incurrence of Subordinate Obligations (a) copies of the agreement and any other instrument and document to which reference is made in the immediately preceding sentence and (b) an opinion, satisfactory to the Trustee, of Bond Counsel to the effect that the agreement and other instrument and document so complies and is a valid and legally binding obligation and limitation upon the parties signatory thereto and upon the owners and holders of the Subordinate Obligations. For purposes of clarification, and by way of example and not limitation, any and all Kentucky Infrastructure Authority Loans currently outstanding shall continue to be Subordinate Obligations, and nothing in this Trust

Agreement is intended to change or alter the status of such Kentucky Infrastructure Authority Loans as Subordinate Obligations now or in the future, unless otherwise explicitly provided for in a Supplemental Trust Agreement.

Specific Types of Additional Bonds Other Than Fixed Rate Bonds. In the event that all or any portion of any series of Additional Bonds have been issued or are proposed to be issued with a Credit Facility, with mandatory or optional tender provisions, with an Interest Rate Hedge Agreement, as Variable Rate Bonds, as Balloon Bonds, as Capital Appreciation Bonds, with Crossover Refunded Bonds, as Crossover Refunding Bonds, as Deferred Income Bonds, or as Commercial Paper Obligations, then the following rules apply:

(A) ***Bonds Which Are Insured or Secured by a Credit Facility.*** In the event that the payment of Bond Service Charges on all or any portion of any series of Additional Bonds are to be insured or secured by a Credit Facility, then the Supplemental Trust Agreement with respect to such Additional Bonds may contain such provisions as are necessary and appropriate to reflect (a) the time at which and manner in which amounts paid under such Credit Facility shall be applied to the payment of Bond Service Charges, (b) the rights to be granted to the provider of such Credit Facility for reimbursement of such amounts paid or drawn, provided that no such provider will be granted a right to payment from or security interest in the Pledged Revenues (including the Revenue Fund) prior or superior to such right or security interest granted to the Trustee under this Trust Agreement, (c) the rights, if any, to be granted to such provider to approve amendments to this Trust Agreement, to instruct or request the Trustee to exercise remedies or to take any other action under this Trust Agreement on behalf of, in lieu of, or as subrogee for, the Holders of such Additional Bonds, or (d) any other terms or conditions relating to such Credit Facility not contrary to or inconsistent with this Trust Agreement.

(B) ***Tender Bonds.*** The Issuer may elect to issue Tender Bonds as Additional Bonds pursuant to the terms of a Supplemental Trust Agreement, which Supplemental Trust Agreement may contain such provisions as are necessary and appropriate to reflect (a) the time or times at which Holders are entitled or required to tender such Additional Bonds to the Issuer for purchase prior to stated maturity and any purchase price required to be paid upon such tender, (b) the repayment rights to be granted to the Holder or Holders of Tender Bonds, provided that no such provider will be granted a right to payment from or security interest in the Pledged Revenues (including the Revenue Fund) prior or superior to such right or security interest granted to the Trustee under this Trust Agreement, or (c) any other terms or conditions relating to such Holder or Holders of Tender Bonds not contrary to or inconsistent with this Trust Agreement.

(C) ***Bonds with an Interest Rate Hedge Agreement.*** The Issuer may elect to enter into an Interest Rate Hedge Agreement in connection with an existing series of Bonds and/or Additional Bonds in order to simulate a fixed rate of interest on Variable Rate Bonds or to simulate a variable rate of interest on Fixed Rate Bonds, provided that, (a) no such Interest Rate Hedge Agreement purports to entitle the counterparty to the Interest Rate Hedge Agreement to payment by the Issuer from any source other than the Pledged Revenues (including the Revenue Fund), but such Interest Rate Hedge

Agreement may provide for securing any portion of the payment obligations of the Issuer thereunder that represents the equivalent of interest on the notional amount of the Interest Rate Hedge Agreement (but does not represent, among other things, any termination payment that may be payable by the Issuer thereunder) with a pledge of the Pledged Revenues (including the Revenue Fund) on a parity with the pledge thereof that secures the Additional Bonds, (b) the cost of obtaining such Interest Rate Hedge Agreement has been determined by an Authorized Officer (who may obtain the written advice of a financial advisor) to be justified by the corresponding benefit to the Issuer and to be commercially reasonable based on then current market conditions, (c) any non-scheduled payments, such as termination payments, expense and default interest payments under the Interest Rate Hedge Agreement shall be secured by a security interest in (i) Pledged Revenues (including the Revenue Fund) that is subordinate to the Bonds and/or Additional Bonds issued pursuant to the Trust Agreement or (ii) security or collateral other than Pledged Revenues (including the Revenue Fund), and (d) unless superseded by state law, the Issuer shall follow its policy regarding Interest Rate Hedge Agreements. In the event the Issuer enters into any such Interest Rate Hedge Agreement, it shall not exercise any option to terminate such Interest Rate Hedge Agreement unless the respective Fixed Rate Bonds or the Variable Rate Bonds to which such Interest Rate Hedge Agreement had related and which will remain outstanding after the termination thereof would fulfill the requirements of the Trust Agreement as they apply to Fixed Rate Bonds or Variable Rate Bonds (as appropriate), as though such Fixed Rate Bonds or Variable Rate Bonds were being issued on the date of the termination of such Interest Rate Hedge Agreement. If deposits to the Bond Account for Parity Swap Obligations created pursuant to this paragraph are required to be made more frequently than had been required for Bond Service Charges on any affected Outstanding Bonds, then, from and after the time such deposits for Parity Swap Obligations commence, deposits to the Bond Account shall be required for all affected Outstanding Bonds with the same frequency as they are required for such Parity Swap Obligations.

(D) ***Variable Rate Bonds.*** The Issuer may elect to issue Variable Rate Bonds as Additional Bonds pursuant to the terms of a Supplemental Trust Agreement, which Supplemental Trust Agreement may contain such provisions as are necessary and appropriate to reflect (a) the methodology for calculating the rates of interest of such Additional Bonds, (b) the repayment rights to be granted to the Holder or Holders of Variable Rate Bonds, provided that no such provider will be granted a right to payment from or security interest in the Pledged Revenues (including the Revenue Fund) prior or superior to such right or security interest granted to the Trustee under this Trust Agreement, or (c) any other terms or conditions relating to such Holder or Holders of Variable Rate Bonds not contrary to or inconsistent with this Trust Agreement.

For the purpose of determining whether any Outstanding Variable Rate Bond is deemed paid and discharged pursuant to the Trust Agreement, such Variable Rate Bond will be deemed to bear interest at the actual rate of interest borne thereby for the remainder of the period that such rate will remain in effect, and for any subsequent period prior to the time at which such Variable Rate Bond is actually to be paid and discharged, such Variable Rate Bond will be deemed to bear interest at the maximum rate of interest such Variable Rate Bond may bear pursuant to the Bond Legislation applicable thereto.

(E) ***Balloon Bonds.*** The Issuer may elect to issue Balloon Bonds as Additional Bonds pursuant to the terms of a Supplemental Trust Agreement, which Supplemental Trust Agreement may contain such provisions as are necessary and appropriate to reflect (a) the repayment rights to be granted to the Holder or Holders of Balloon Bonds, provided that no such provider will be granted a right to payment from or security interest in the Pledged Revenues (including the Revenue Fund) prior or superior to such right or security interest granted to the Trustee under this Trust Agreement or (b) any other terms or conditions relating to such Holder or Holders of Balloon Bonds not contrary to or inconsistent with this Trust Agreement.

(F) ***Capital Appreciation Bonds/Deferred Income Bonds.*** The Issuer may elect to issue Capital Appreciation Bonds and/or Deferred Income Bonds as Additional Bonds pursuant to the terms of a Supplemental Trust Agreement, which Supplemental Trust Agreement may contain such provisions as are necessary and appropriate to reflect (a) the repayment rights to be granted to the Holder or Holders of Capital Appreciation Bonds and/or Deferred Income Bonds (as applicable), provided that no such provider will be granted a right to payment from or security interest in the Pledged Revenues (including the Revenue Fund) prior or superior to such right or security interest granted to the Trustee under this Trust Agreement or (b) any other terms or conditions relating to such Holder or Holders of Capital Appreciation and or Deferred Income Bonds (as applicable) not contrary to or inconsistent with this Trust Agreement.

The principal and interest portions of the Accreted Value of Capital Appreciation Bonds or the Appreciated Value of Deferred Income Bonds becoming due at maturity or by virtue of mandatory redemption requirements shall be included in the calculations of accrued and unpaid and accruing interest or principal installments made under the definitions of Bond Service Charges or Principal and Interest Requirements only from and after the date (the "Calculation Date") which is one year prior to the date on which such Accreted Value or Appreciated Value, as the case may be, becomes so due, and the principal and interest portions of such Accreted Value or Appreciated Value shall be deemed to accrue in equal daily installments from the Calculation Date to such due date.

For the purposes of (a) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (b) receiving payment of a Capital Appreciation Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default or (c) computing the principal amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer any notice, consent, request, or demand pursuant to the Bond Legislation or the Trust Agreement for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its then-current Accreted Value.

For the purposes of (a) receiving payment of the redemption price if a Deferred Income Bond is redeemed prior to maturity, or (b) receiving payment of a Deferred Income Bond if the principal of all Bonds is declared immediately due and payable following an Event of Default, or (c) computing the principal amount of Bonds held by the Holder of a Deferred Income Bond in giving to the Issuer any notice, consent, request, or demand pursuant to the Bond Legislation or the Trust Agreement for any

purpose whatsoever, the principal amount of a Deferred Income Bond shall be deemed to be its then current Appreciated Value.

(G) ***Crossover Refunded Bonds and Crossover Refunding Bonds.*** The Issuer may elect to issue Crossover Refunding Bonds as Additional Bonds pursuant to the terms of a Supplemental Trust Agreement, which Supplemental Trust Agreement may contain such provisions as are necessary and appropriate to reflect (a) the repayment rights to be granted to the Holder or Holders of Crossover Refunding Bonds, provided that no such provider will be granted a right to payment from or security interest in the Pledged Revenues (including the Revenue Fund) prior or superior to such right or security interest granted to the Trustee under this Trust Agreement or (b) any other terms or conditions relating to such Holder or Holders of Crossover Refunding Bonds not contrary to or inconsistent with this Trust Agreement.

If any Outstanding Additional Bonds are Crossover Refunded Bonds, then any principal of and premium on such Crossover Refunded Bonds to be paid from a Crossover Escrow Account shall be excluded from Bond Service Charges. If any Outstanding Additional Bonds are Crossover Refunding Bonds, then any interest paid or to be paid on such Crossover Refunding Bonds from any Crossover Escrow Account shall be excluded from Bond Service Charges.

(H) ***Commercial Paper Obligations.*** The Issuer may elect to issue Commercial Paper Obligations as Additional Bonds pursuant to the terms of a Supplemental Trust Agreement, which Supplemental Trust Agreement may contain such provisions as are necessary to reflect (a) the repayment rights to be granted to the Holder or Holders of Commercial Paper Obligations, provided that no such provider will be granted a right to payment from or security interest in the Pledged Revenues (including the Revenue Fund) prior or superior to such right or security interest granted to the Trustee under this Trust Agreement or (b) any other terms or conditions relating to such Holder or Holders of Commercial Paper Obligations not contrary to or inconsistent with this Trust Agreement and provided further that the Issuer must engage, at its expense, a commercial paper issuing and paying agent (the "Issuing Agent"), reasonably acceptable to the Trustee and the Paying Agent, having access to the Depository's electronic money market issuing and payment system and otherwise eligible to serve as an issuing and paying agent under the Depository's policies and procedures for the issuance and payment of commercial paper obligations.

To the extent that the amounts of deposits required to be made under this Trust Agreement are to be determined on the basis of the principal amount or principal and interest requirements of Bonds Outstanding, in determining the amounts of such deposits made or to be made while there remain Outstanding Bonds for the refunding of which Additional Bonds have been issued, the principal amount and principal and interest requirements of such Outstanding Bonds shall be disregarded.

SECTION 2.09. Special Agreement with Holders.

Notwithstanding any provision of this Trust Agreement or of any Bond to the contrary, the Trustee may enter into an agreement with any Holder providing for making all payments to the Holder of principal of and interest and any premium on that Bond or any part thereof (other than any payment of the entire unpaid principal amount thereof) at a place and in a manner other than as provided in this Trust Agreement and in the Bond, without presentation or surrender of the Bond, upon any conditions which shall be satisfactory to the Trustee; provided, that payment in any event shall be made to the Person in whose name a Bond shall be registered with respect to payment of principal and premium, on the date such principal and premium is due, and, with respect to the payment of interest as of the applicable Regular Record Date or Special Record Date, as the case may be.

The Trustee will furnish a copy of each of those agreements, certified to be correct by an officer of the Trustee, to the Issuer. Any payment of principal, premium or interest pursuant to such an agreement shall constitute payment thereof pursuant to, and for all purposes of this Trust Agreement.

SECTION 2.10. The Depository.

As provided for in the Bond Legislation, Bonds may be originally issued only to a Depository to be held in a book entry system, in which case: (a) the Bonds shall be registered in the name of the Depository or its nominee, as Holder, and immobilized in the custody of the Depository; (b) unless otherwise requested by the Depository, there shall be a single Bond for each maturity; and (c) the Bonds shall not be transferable or exchangeable, except for transfer to another Depository or another nominee of a Depository, without further action by the Issuer. The owners of beneficial interests in the Bonds shall not have any right to receive Bonds in the form of physical bonds, except as otherwise provided herein.

So long as a book entry system is in effect for the Bonds originally issued to a Depository, the Issuer and Trustee shall recognize and treat the Depository, or its nominee, as the Holder of the Bonds for all purposes, including payment of Bond Service Charges, giving of notices, and enforcement of remedies. The crediting of payments of Bond Service Charges on the Bonds and the transmittal of notices and other communications by the Depository to owners of beneficial interests in the Bonds are the responsibility of the Depository and are not the responsibility of the Issuer or the Trustee; provided, however, that the Issuer and the Trustee understand that neither the Depository nor its nominee shall provide any consent requested of Holders of Bonds pursuant to this Trust Agreement, and that the Depository will mail an omnibus proxy (including a list identifying the owners of the book entry interests in the Bonds) to the Trustee which assigns the Depository's, or its nominee's, voting rights to the Holders of the book entry interests in the Bonds (as credited to their accounts at the Depository as of the record date for mailing of requests for such consents). Upon receipt of such omnibus proxy, the Trustee shall then treat such Holders as owners of the Bonds for purposes of obtaining any consents pursuant to the terms of this Trust Agreement. Neither the Issuer nor the Trustee shall have any responsibility or obligation to the Depository participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by the Depository or the Depository participants, the payments by the Depository or Depository

participants of any amount in respect of principal, redemption price or interest on the Bonds, any notice which is permitted or required to be given to or by Holders hereunder (except such notice as is required to be given by the Issuer to the Trustee or to the Depository), or any consent given or other action taken by the Depository as Bondholder, or the selection by the Depository of any person to receive payment in the event of partial redemption of the Bonds.

As long as the Bonds are registered in the name of a Depository, or its nominee, the Registrar and Trustee agree to comply with the terms and provisions of the Letter of Representations, including the provisions of the Letter of Representations with respect to any delivery of the Bonds to the Trustee which shall supersede the provisions of this Trust Agreement with respect thereto.

If any Depository determines not to continue to act as a Depository for the Bonds held in a book entry system, the Registrar and Trustee may attempt to have established a securities depository/book entry system relationship with another Depository under this Trust Agreement. If the Registrar and Trustee do not or are unable to do so, the Registrar and Trustee, after the Registrar and Trustee have made provision for notification of the Holders of book entry interests by appropriate notice to the then Depository, shall permit withdrawal of the Bonds from the Depository and shall authenticate and deliver Bonds in fully registered form to the assignees of the Depository or its nominee. Such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing and delivering such replacement Bonds) of the Issuer or otherwise at the cost and expense of the person requesting such withdrawal. Such replacement Bonds shall be in Authorized Denominations.

**ARTICLE III
REDEMPTION OF BONDS**

SECTION 3.01. Privilege of Redemption and Redemption Price.

The Bonds shall be subject to redemption prior to maturity at such times, to the extent and in the manner provided in the applicable Bond Legislation, all subject to this Trust Agreement.

SECTION 3.02. Partial Redemption and Selection of Bonds to be Redeemed.

If fewer than all of the Bonds of a single maturity are to be redeemed, the selection of the Bonds to be redeemed, or portions thereof in amounts of Authorized Denominations or any integral multiple of Authorized Denominations thereof, shall be made by lot by the Trustee in any manner which the Trustee may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than the minimum Authorized Denomination (such as a \$5,000 Authorized Denomination) are then outstanding, then in such example, each \$5,000 unit of face value of principal thereof shall be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all of the minimum Authorized Denominations, such as a \$5,000 Authorized Denomination or units of face value represented by a Bond are to be called for redemption, then, for example, upon notice of redemption of a \$5,000 unit or units, the Holder of that Bond shall surrender the Bond to the Trustee (a) for payment of the redemption price of the \$5,000 unit or units of face value called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (b) for issuance, without charge to the Holder thereof, of a new Bond or Bonds, of any Authorized Denomination or Authorized Denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Bond surrendered.

SECTION 3.03. Issuer's Election to Redeem.

The Issuer shall give written notice to the Registrar and the Trustee of its election to redeem in the manner provided in and in accordance with the applicable Bond Legislation, of the places where the amounts due upon such redemption are payable, and of the redemption date and of the principal amount of each maturity of each series of redeemable Bonds to be redeemed, which notice shall be given at least 45 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. In the event notice of redemption shall have been given as in Section 3.04 provided, the Issuer shall, and hereby covenants that it will, on or prior to the redemption date, pay or cause to be paid to the Trustee an amount in cash which, in addition to other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem at the redemption price thereof, plus interest accrued to the redemption date, all of the redeemable Bonds which the Issuer has so elected to redeem.

SECTION 3.04. Notice of Redemption.

Unless waived by any Holder of Bonds to be redeemed, notice of any such redemption shall be given by the Registrar and Trustee, on behalf of the Issuer, by mailing a copy of an official redemption notice by first class mail, postage prepaid, or by sending a confirmed

facsimile, at least 30 days prior to the date fixed for redemption to the registered Holder or Holders of the Bond or Bonds at the address shown on the Register or at such other address as is furnished in writing by such registered Holder to the Registrar and Trustee; provided that, if less than all of an outstanding Bond of one maturity in a book entry system is to be called for redemption, the Registrar and Trustee shall give notice to the Depository or the nominee of the Depository that is the Holder of such Bond, and the selection of the beneficial interests in that Bond to be redeemed shall be at the sole discretion of the Depository and its participants; provided further, that, in connection with any optional redemption, the Registrar and Trustee may, at the written request of the Issuer, provide for conditional notice of optional redemption to the registered Holder or Holders of a Bond or Bonds so long as any revocation of such notice is sent by first class mail, postage prepaid or sent by facsimile (immediately followed by written confirmation of receipt of such facsimile transmission) to the registered Holder of a Bond of Bonds at least ten Business Days prior to the redemption date.

All official notices of redemption shall be dated and shall state:

- (a) the redemption date,
- (b) the redemption price,
- (c) that on the redemption date, the redemption price will become due and payable upon each Bond, and that interest thereon shall cease to accrue from and after said date, and
- (d) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Registrar.

Prior to any redemption date, the Issuer shall deposit with the Registrar and Trustee an amount of money sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date, provided, however, no such deposit need be made if a conditional notice is being sent.

Official notice of redemption having been given as aforesaid, the Bonds shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price), the applicable Bonds shall cease to bear interest. Upon surrender of the applicable Bonds for redemption in accordance with said notice, the applicable Bonds shall be paid by the Registrar and Trustee at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be cancelled and destroyed by the Registrar and Trustee, and shall not be reissued, subject to the provisions of Section 2.06.

In addition to the foregoing notice, further notice shall be given by the Registrar and Trustee as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

(i) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed.

(ii) Each further notice of redemption shall be sent in an electronic format as prescribed by the Municipal Securities Rulemaking Board (the "MSRB"), together with such identifying information as is prescribed by the MSRB at least 30 days; provided further, that written notice of redemption shall also be sent to the Depository or the nominee of the Depository that is the Holder of such Bond in a manner prescribed by the Depository.

Failure to receive notice by mailing or any defect in that notice regarding any Bond, however, shall not affect the validity of the proceedings for the redemption of any Bonds.

Notice of any redemption hereunder with respect to Bonds held under a book entry system shall be given by the Registrar and Trustee only to the Depository, or its nominee, as the Holder of such Bonds. Selection of book entry interests in the Bonds called for redemption is the responsibility of the Depository and any failure of such Depository to notify the book entry interest owners of any such notice and its contents or effect will not affect the validity of such notice of any proceedings for the redemption of such Bonds.

SECTION 3.05. Payment of Redeemed Bonds.

Notice having been given in the manner provided in Section 3.04, the Bonds so called for redemption shall become due and payable on the redemption date at the redemption price, and upon presentation and surrender thereof, at the place or places specified in such notice, such Bonds shall be paid at the redemption price plus interest accrued to the redemption date. If, on the redemption date, moneys for the redemption of all such Bonds to be redeemed, together with interest to the redemption date, are held by the Trustee so as to be available therefor on said date and if notice of redemption shall have been, given as aforesaid, from and after the redemption date, such Bonds so called for redemption shall cease to bear interest and said Bonds shall no longer be considered as outstanding hereunder. If said moneys shall not be so available on the redemption date, such Bonds shall continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

All moneys deposited in the Bond Account and held by the Trustee or Registrar for the redemption of particular Bonds shall be held in trust for the account of the Holders thereof and shall be paid to them respectively upon presentation and surrender of such Bonds.

SECTION 3.06. Purchase In Lieu of Redemption.

The Issuer may require any Bond that is subject to optional redemption to be tendered by the Holder thereof for mandatory purchase by the Issuer, in lieu of such optional redemption, on any date permitted for such optional redemption, at a purchase price equal to the then applicable redemption price that would apply on the purchase date. In order to exercise this option, the

Issuer must obtain the prior written consent of any applicable bond insurer or credit provider whose Bonds will be subject to purchase in lieu of redemption. Upon receiving any necessary consents, the Issuer may exercise this option by written request delivered to the Trustee within the time period specified in the Trust Agreement for the optional redemption of the Bonds, and the purchase of any Bonds in lieu of redemption will be mandatory and enforceable against any Holders. On the date fixed for purchase under any exercise of this option, the Issuer shall pay to the Trustee the purchase price of the Bonds then being purchased in immediately available funds, and the Trustee shall pay the same to the Holders of such Bonds against delivery. In the case of the purchase of less than all of the Bonds of a particular series, the particular Bonds of such series to be purchased will be selected in accordance with the provisions specified in the Trust Agreement as though the purchase price were a redemption of those Bonds or in such other manner as the Issuer shall direct. Notwithstanding the foregoing, no purchase in lieu of redemption will be made unless the Issuer has delivered to the Trustee concurrently therewith an opinion of Bond Counsel to the effect that the purchase will not adversely affect, to the extent applicable, the Tax Status of each series of Bonds subject to purchase in lieu of redemption. Following such purchase, the person depositing moneys to purchase such Bonds shall be the owner of such Bonds for all purposes under the Trust Agreement and interest accruing on such Bonds after such deemed purchase shall be payable solely to the purchaser thereof or assignees of its interest in such Bonds.

**ARTICLE IV
PROVISIONS AS TO FUNDS, PAYMENTS
AND THE TRUST AGREEMENT**

SECTION 4.01. Provisions for Payment.

The Issuer hereby authorizes and directs the Trustee to cause withdrawal of sufficient funds from the Bond Account, Surplus Account, any and all Common Reserve Funds and Series Reserve Funds, available for such purpose to pay Bond Service Charges, if any, on the Bonds as the same become due and payable, which authorization and direction the Trustee hereby accepts.

SECTION 4.02. Non-presentment of Bonds.

In the event any Bond shall not be presented for payment when the principal thereof becomes due in whole or in part, whether at maturity, at the date fixed for redemption thereof, or otherwise, or a wire, check, or draft for interest is not recognized or uncashed, if funds sufficient to pay such Bond shall have been made available to the Trustee for the benefit of the Holder or Holders thereof, all liabilities of the Issuer to the Holder thereof for the payment of such Bond, as the case may be, shall thereupon cease and be completely discharged, and it shall be the duty of the Trustee to hold such funds for a period of four years, without liability for interest thereon, in a separate account in the Bond Account for the benefit of the Holder of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Trust Agreement or on, or with respect to, said Bond.

Any of those moneys which shall be so held by the Trustee, and which remain unclaimed by the Holder of a Bond not presented for payment, or any wire, check, or draft not sent for a period of four years after the due date thereof, shall be paid upon written request to do so to the Issuer free of any trust or lien. Thereafter, the Holder of that Bond shall look only to the Issuer for payment and then only to the amounts so received by the Issuer without any interest thereon, and the Trustee shall not have any responsibility with respect to those moneys. In the absence of any such written request, the Trustee shall from time to time deliver such unclaimed funds to or as directed by pertinent escheat authority, as identified by the Trustee in its sole discretion, pursuant to and in accordance with applicable unclaimed property laws, rules or regulations. Any such delivery shall be in accordance with the customary practices and procedures of the Trustee and the escheat authority. All moneys held by the Trustee and subject to this Section shall be held uninvested and without liability for interest thereon.

SECTION 4.03. Moneys to be Held in Trust.

All moneys required or permitted to be deposited with or paid to the Trustee under any provision of this Trust Agreement, and any investments thereof, shall be held by the Trustee in trust and, except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and moneys held by the Trustee pursuant to Section 4.04 hereof, shall, while held by the Trustee, be subject to the lien hereof.

SECTION 4.04. Extension of Payment of Bonds.

The Issuer shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any of the claims for interest, by the purchase of such Bonds, or claims for interest or by any other arrangement, and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any Event of Default under this Trust Agreement to the benefit of the Trust Agreement or to any payment out of the funds (except funds held for the payment of particular Bonds, or claims for interest pursuant to this Trust Agreement held by the Trustee) except subject to the prior payment of the principal of all Bonds issued and outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Issuer to fund, refund, or advance refund the Bonds within the meaning of the laws of the Commonwealth of Kentucky, and such funding, refunding, or advance refunding shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 4.05. Payments to Trustee.

The Issuer hereby agrees to pay to the Trustee, continuing until the outstanding Bonds shall have been fully paid and discharged in accordance with the provisions of the Trust Agreement, the reasonable fees, charges and expenses of the Trustee, as Trustee (for Ordinary and Extraordinary Services and Expenses), as and when the same become due; provided, that the Issuer may, without creating a default thereunder, contest in good faith the necessity for any such Extraordinary Services and Extraordinary Expenses and the reasonableness of any such fees, charges or expenses. The initial or acceptance fees of the Trustee and the fees, charges, and expenses of the Trustee referred to in the first sentence of this Section may be paid by the Issuer from the proceeds of the sale of the applicable series of Bonds.

**ARTICLE V
FUNDS AND ACCOUNTS**

SECTION 5.01. Creation of Certain Accounts.

(a) There is hereby created and ordered maintained in the custody of the Trustee as a trust fund, which fund shall be known as the Sewer System Revenue Fund (the "Revenue Fund") consisting of the following accounts:

(i) Sewer System Revenue Bond Account (the "Bond Account"), and within the Bond Account, three separate subaccounts, to wit:

(A) the Principal Subaccount,

(B) the Sinking Fund Subaccount, and

(C) the Interest Subaccount into which deposits for the payment of principal of the Bonds, capitalized interest on the Bonds, and interest on the Bonds, respectively, shall be deposited;

and further, the Trustee may create additional subaccounts under the aforesaid subaccounts within the Bond Account for each separate series of Bonds; provided however, capitalized interest may also be deposited into a Construction Account;

(ii) Sewer System Revenue Construction Account (the "Construction Account"); and

(iii) Sewer System Revenue Surplus Account (the "Surplus Account").

(b) In addition, the Bond Legislation may provide for the creation of funds and/or accounts in addition to the Revenue Fund and the accounts therein, as provided below.

Bond Legislation may provide for the creation of a construction fund (or funds) or a project fund (or funds) for any particular Improvements (collectively, the "Construction Fund"), which fund (or funds) may be maintained in the custody of the Trustee, the Issuer, or another designee of the Issuer, which Construction Fund shall not be part of the Revenue Fund. Capitalized interest may be deposited into a Construction Fund.

To the extent necessary, the Trustee shall establish a Rebate Fund in accordance with Section 5.08 hereof.

In the sole discretion of the Issuer, the Issuer may request and direct the Trustee to create a Rate Stabilization Fund, as provided for in Section 5.09 hereof, which fund shall not be part of the Revenue Fund.

In addition, additional accounts and/ or funds may be created pursuant to Bond Legislation and/or Supplemental Trust Agreements, such as costs of issuance accounts or funds,

escrow accounts or funds for the redemption of Bonds, and other similar special accounts and/or funds, which accounts and funds shall not be part of the Revenue Fund.

The aforesaid accounts and funds shall be held by the parties identified in the Bond Legislation and/or Supplemental Trust Agreement, and shall be used and invested as set forth in the Bond Legislation, any Supplemental Trust Agreement, and/or as provided herein.

SECTION 5.02. Accounts Within the Revenue Fund: Bond Account, Construction Account, and Surplus Account.

(a) **Bond Account.** The Bond Account shall be maintained in the custody of the Trustee. The Bond Account (including the Interest Subaccount and the Principal Subaccount) and the moneys and the Eligible Investments therein shall be used solely for the payment of Bond Service Charges as they become due in accordance with the provisions of this Trust Agreement (except as otherwise provided in the Trust Agreement), including the payment of principal of and premium, if any, and interest on the Bonds, and for the redemption, and the purchase for retirement, of the Bonds. Bond Service Charges shall be payable as they become due in the following order: (i) from amounts on deposit in the Bond Account, (ii) if moneys then on deposit in the Bond Account and available for that purpose are not sufficient to pay the Bond Service Charges, from other Pledged Revenues of the Sewer System to the extent then available, and (iii) from any other source lawfully available to the Trustee, at the written direction of the Issuer, including without limitation, any applicable Common Reserve Fund, Series Reserve Fund, and/or the Surplus Account. In addition, capitalized interest may be deposited into the Interest Subaccount of the Bond Account.

(b) **Construction Account.** Upon the issuance of a series of Bonds, and as provided further in the applicable Bond Legislation and/or Supplemental Trust Agreement, an appropriate subaccount shall be created within the Construction Account. The Construction Account (and accompanying subaccounts) shall be maintained in the custody of the Trustee. The Construction Account and the moneys and the Eligible Investments therein shall, to the extent necessary from time to time, be used to acquire, construct, equip, and make Improvements to the Sewer System, or provide for reimbursement of costs expended to make such Improvements to the Sewer System, and to the extent that the applicable projects have been completed and there are excess or unused moneys or Eligible Investments remaining in the Construction Account, such moneys and Eligible Investments shall be applied to the payment of principal of and interest on the applicable series of Bonds, or to the extent that an opinion of Bond Counsel is provided, such moneys and Eligible Investments may be transferred to the Surplus Account for expenditure on other eligible capital costs. The Issuer may provide that costs of issuance are payable from the Construction Account.

Payments from the Construction Account (except any payments relating to costs of issuance, the payment for which costs of issuance are authorized in a closing letter of instructions or other closing certificate executed by the Issuer) shall be made only upon completion of a Construction Account Requisition Form to be signed by the Commissioner of Finance and/or Director of Water Quality, a form of which is attached

hereto as **Exhibit A**. Each Construction Account Requisition Form shall contain the following information and certifications: (i) the item number of the payment or requisition number, (ii) the name of the person, firm, or corporation to whom payment is due, or for which reimbursement is sought, (iii) the amount to be paid, (iv) the purpose for which the obligation to be paid was incurred, (v) a certification that the obligations in the stated amounts have been incurred by the Issuer and that each such obligation is a proper charge against the appropriate Construction Account and has not been previously paid therefrom, (vi) a certification that there has not been filed with or served upon the Issuer notice of any lien, right to lien, attachment upon, or claim affecting the right to receive payment of any of the moneys payable to any of the persons, firms, or corporations named in such requisition, which has not been released or will not be released simultaneously with the payment of such obligation, and (vii) a certification that such requisition contains no item representing payment on account of any retained percentage which the Issuer is, at the date of such certificate, entitled to retain. The Trustee shall rely fully on any such request and certificate delivered pursuant to this Section and shall not be required to make any investigation in connection therewith.

In addition, the Issuer shall not request any withdrawals or requisitions for payment from the Construction Account for the purchase price or cost of any real property or interest therein, unless the Issuer will have upon such payment sufficient title, leasehold interest, or easement to allow the Issuer to acquire and construct Improvements in accordance with this Trust Agreement without adversely affecting the authority of the Issuer to collect Pledged Revenues.

(c) **Surplus Account.** The Surplus Account shall be maintained in the custody of the Trustee. The Surplus Account and the moneys and the Eligible Investments therein shall, to the extent necessary from time to time, be transferred to the Bond Account or any applicable Common Reserve Fund, or Series Reserve Fund upon the written request of an Authorized Officer of the Issuer to permit the payment of all obligations payable from such accounts, and otherwise for any other Sewer System purpose, including debt service payments on General Obligation Bonds or Notes of the Issuer and/or the payment of other Obligations, all related to Sewer System purposes, and otherwise transferred from the Trustee to the Issuer for any other legally permissible Sewer System purpose. Unless there has been a default in the payment of principal or of interest on any Bonds outstanding under this Trust Agreement, the Trustee shall pay any amount requisitioned on the Surplus Account by the Issuer so long as the requisition (in the form attached as **Exhibit B** to this Trust Agreement) states that such payment is (i) for Improvements to, the Sewer System (including replacements) and that the procedures of the Act have been complied with and that the Legislative Authority of the Issuer has approved the expenditure of funds for such Improvements, (ii) required for Operating and Maintenance Expenses, (iii) required for debt service payments on General Obligation Bonds or Notes of the Issuer and/or the payment of other Obligations, all related to Sewer System purposes, (iv) is to applied to the Bond Account, a Common Reserve Fund, or a Series Reserve Fund, or (v) is to be applied to other legally permissible purposes of the Sewer System, which purposes should be specified. The Trustee is hereby released from any duty or requirement to investigate any such requisition of the Issuer and shall pay any such requisition within five Business Days of receipt (or as soon as possible thereafter).

To the extent that the Issuer provides the Trustee with a requisition for on-going transfers of moneys in the Surplus Account, it shall not be necessary for the Issuer to submit a requisition to the Trustee for each such transfer, provided that any subsequent transfer or alternate direction to transfer must be accompanied by a executed requisition form, the form of which appears in *Exhibit B* to this Trust Agreement.

The Issuer may, but shall not be required to, deposit moneys from any legally available source to the credit of the Surplus Account.

SECTION 5.03. Common Reserve Fund and Series Reserve Fund; Valuation and Transfers.

To the extent deemed necessary by the Issuer, for any particular issue of Bonds, a Common Reserve Fund or a Series Reserve Fund shall, at the written direction of an Authorized Officer of the Issuer, be maintained in the custody of the Trustee. A Common Reserve Fund and a Series Reserve Fund and the moneys and the Eligible Investments therein shall be used solely for the payment of the principal of and premium, if any, and interest on the applicable Bonds to which such reserve fund or funds relate. In addition, a Series Reserve Fund may include a “springing” reserve, which is created and/or funded based upon a contingency or a future event.

The Issuer shall deposit and at all times maintain within any Common Reserve Fund and Series Reserve Fund, as applicable, an amount equal to the applicable Bond Reserve Requirement. In the event that amounts on deposit in the Bond Account are insufficient to make payments of principal of, premium, if any, and interest, when due, on one or more of the applicable series of Bonds, the Trustee shall withdraw funds from the applicable Common Reserve Fund or Series Reserve Fund, as applicable, in an amount to cover any such deficiency not in excess of the applicable Bond Reserve Requirement. If on any date, the amount on deposit in any Common Reserve Fund or Series Reserve Fund is less than 100 percent of the applicable Bond Reserve Requirement as a result of a Common Reserve Fund or Series Reserve Fund having been drawn upon, the Issuer hereby covenants to and it shall replenish the amount on deposit in any such Common Reserve Fund or Series Reserve Fund in an amount equal to 100 percent of the applicable Bond Reserve Requirement in not more than 12 substantially equal monthly installments beginning with the first day of the first month after the month in which such deficiency occurred.

The value of the obligations in which money in any Common Reserve Fund or Series Reserve Fund has been invested shall be computed at market value or the face value thereof, plus accrued interest, whichever is lower. Moneys and investments in any Common Reserve Fund or Series Reserve Fund shall be maintained in an amount not less than 90 percent of the applicable Bond Reserve Requirement. If on any Valuation Date, the amount on deposit in any Common Reserve Fund or Series Reserve Fund is less than 90 percent of the applicable Bond Reserve Requirement as a result of a decline in the market value of investments on deposit in any such Common Reserve Fund or Series Reserve Fund, the Trustee shall notify the Issuer of such deficiency. The Issuer hereby covenants to and it shall deposit in any such Common Reserve Fund or Series Reserve Fund the amount necessary to restore the amount on deposit in the applicable Common Reserve Fund or Series Reserve Fund to 100 percent of the applicable Bond Reserve Requirement within not more than 180 days following the date on which the Issuer

receives notice of such deficiency. The Trustee shall, upon request, send the Issuer a statement providing for the applicable valuation and account balance or balances for the Common Reserve Fund and the Series Reserve Fund as of the requested Valuation Date.

If on any Valuation Date, the money held in any Common Reserve Fund or Series Reserve Fund exceeds the applicable Bond Reserve Requirement, including any excess created, in whole or in part by the interest earnings on such account, an amount equal to such excess shall be transferred by the Trustee to the Bond Account or Bond Accounts relating to the applicable series of Bonds (or to the extent that moneys are transferred from a Common Reserve Fund, then equally and ratably to the Bond Accounts to which one or more series of Bonds to which such Common Reserve Fund relates), as directed in writing by the Issuer. Any such excess transferred to the applicable Bond Account or Bond Accounts shall be credited against future transfers to such account or accounts, unless transferred to cure deficiencies therein, and shall be credited by the Trustee against future Bond Service Charges to be made by the Issuer and as a payment with respect to debt service on the applicable series of Bonds.

Moneys, investments, and/or securities in a Common Reserve Fund or Series Reserve Fund may be transferred to any applicable Bond Account or Bond Accounts in connection with the final outstanding series of such Bonds to which such Common Reserve Fund or Series Reserve Fund relates as directed in writing by the Issuer, and used to pay principal and interest due in the final year of maturity of such Bonds.

SECTION 5.04. Moneys, Investments, Securities to be Held in Trust for all Holders of the Bonds; Moneys, Investments, and Funds Held in Trust, but not for all Holders of Bonds.

All moneys, investments, and securities required or permitted to be deposited with or paid to the Trustee under any provision of this Trust Agreement, including without limitation amounts in the Revenue Fund, and any investments thereof, shall be held by the Trustee in trust for the benefit of the all Holders on a parity basis, as Pledged Revenues; provided, however, moneys, investments, and securities held by the Trustee in the following accounts or funds shall be held for the benefit of certain Holders, but not for the benefit of all Holders on a parity basis, as Pledged Revenues: (a) Rebate Fund, (b) a Common Reserve Fund or a Series Reserve Fund, (c) the Rate Stabilization Fund (if any), (d) a Construction Fund not part of the Revenue Fund, (e) any costs of issuance fund or account, or (f) any amounts, funds, or accounts specifically excluded from the definition of Pledged Revenues; however, all moneys described in the preceding sentence held by the Trustee shall be subject to the lien of this Trust Agreement while so held provided such an account or fund is held by the Trustee.

SECTION 5.05. Investment of Moneys in Revenue Fund; Valuation.

(a) Moneys in any account within the Revenue Fund shall be invested and reinvested by the Trustee in Eligible Investments at the written direction of an Authorized Officer of the Issuer. Any investments of moneys held to the credit of any of the accounts within the Revenue Fund shall mature or be prepayable at the option of the Trustee (at the written direction of the Issuer) not later than the respective dates when the

money held to the credit of those funds and accounts will be required for the purposes intended.

(b) Subject to any written directions from an Authorized Officer of the Issuer with respect thereto, from time to time, the Trustee may sell those investments and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable as aforesaid. Any of those investments may be purchased from or sold to the Trustee or any bank, trust company, savings and loan association or mutual fund affiliated with the Trustee. The Trustee shall sell or redeem investments credited to the Bond Account to produce sufficient moneys applicable hereunder to and at the times required for the purposes of applying Bond Service Charges, and/or redemption amounts when due as aforesaid, and shall do so without necessity for any order on behalf of the Issuer and without restriction by reason of any order. An investment made from moneys credited to an account in the Bond Account shall constitute part of such account, and such account shall be credited with all proceeds of sale and income from investment of moneys credited thereto.

(c) Investment income from investment of amounts in the Bond Accounts shall be retained in such account and credited against the amount of the Bond Service Charges to be paid by the Issuer prior to each respective Interest Payment Date and Principal Payment Date.

(d) The Trustee shall not be liable for any loss resulting from the making or disposition of any investment pursuant to the provisions of this Section, and any such losses shall be charged to the account and fund with respect to which such investment is made. The Trustee shall be entitled to rely on the investment directions of the Issuer as to the suitability and legality of the Eligible Investments.

(e) The value of the obligations in which money in a fund or account has been invested shall be computed at market value or the face value thereof, plus accrued interest, whichever is lower.

(f) The Trustee agrees to cause a valuation to be made each Valuation Date for any and all investments entered into by the Trustee or investment securities held in connection with, on deposit with, or credited to the funds (or any accounts within said funds) identified in this Article.

(g) Although the Issuer recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the Issuer hereby agrees that confirmations of Eligible Investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered (unless otherwise requested in writing by the Issuer). No statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

SECTION 5.06. Disposition of Earnings.

Earnings on any moneys or investments in the Revenue Fund, a Common Reserve Fund, or a Series Reserve Fund shall be credited and appropriated under this Trust Agreement.

Earnings on any moneys or investments in any Common Reserve Fund, Series Reserve Fund, and the Surplus Account under this Trust Agreement shall be credited to said Common Reserve Fund, Series Reserve Fund or Surplus Account, respectively. Earnings on any moneys or investments in the Interest Subaccount and the Principal Subaccount under this Trust Agreement shall be credited to said Interest Subaccount and Principal Subaccount, respectively.

SECTION 5.07. Reserve Fund Guaranty.

(a) A Reserve Fund Guaranty issued to the Trustee by a financial institution may be deposited in any Common Reserve Fund or Series Reserve Fund to satisfy all or a portion of the applicable Bond Reserve Requirement if the issuer of the obligation is initially rated at least “A” (without regard to qualifiers) by Moody’s Investors Service and “A” (without regard to qualifiers) by Standard & Poor’s Corporation (or a comparable rating by another Rating Agency); provided, however, if the issuer of the Reserve Fund Guaranty is subsequently rated below “A” (without regard to qualifiers) by Moody’s Investors Service or by Standard & Poor’s Corporation (or a comparable Rating Agency), then the Issuer shall satisfy the applicable Bond Reserve Requirement either by replacing such Reserve Fund Guaranty with a Reserve Fund Guaranty that satisfies the minimum rating requirements set forth above or by providing a like amount of cash and/or Eligible Investments as a deposit into the applicable Common Reserve Fund or Series Reserve Fund. The Trustee shall have no duty to monitor the rating of any Reserve Fund Guaranty.

(b) As a condition precedent to the delivery of a Reserve Fund Guaranty, any provider of a bond insurance policy, if requested, shall receive (i) an opinion of counsel acceptable in form and substance to such provider of a bond insurance policy as to the due authorization, execution, delivery, and enforceability of the Reserve Fund Guaranty in accordance with its terms, subject to applicable laws affecting creditors’ rights generally, and, in the event that the issuer of the Reserve Fund Guaranty is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to such provider of a bond insurance policy, and (ii) an opinion of counsel acceptable in form and substance to such provider of a bond insurance policy to the effect that payments under the Reserve Fund Guaranty would not constitute a voidable preference under Section 547 of the United States Bankruptcy Code or applicable state laws in the event of the filing of a petition for relief under the United States Bankruptcy Code or similar state laws by or against the Issuer (or any other account party under the Reserve Fund Guaranty).

(c) The Reserve Fund Guaranty Agreement pertaining to each Reserve Fund Guaranty shall provide that the obligation to reimburse the Reserve Fund Guarantor for any fees or expenses or claims or draws upon the Reserve Fund Guaranty shall be subordinate to the payments required to be made to the Bond Account and, subject to the following sentence, on a parity with the cash replenishment of the applicable Common Reserve Fund or Series Reserve Fund. The Reserve Fund Guaranty shall provide that the stated amount thereof will be reinstated to the extent of any reimbursement of draws or claims paid. If the reinstatement of the stated amount of the Reserve Fund Guaranty is suspended or terminated for any reason, the right of the Reserve Fund Guarantor to reimbursement will be further subordinated to cash replenishment of the applicable

Common Reserve Fund or Series Reserve Fund to an amount equal to the difference between the original amount available under the Reserve Fund Guaranty and the amount then available for further draws or claims. In the event that (i) the Reserve Fund Guarantor becomes insolvent or (ii) the Reserve Fund Guarantor defaults in its payment obligations under the Reserve Fund Guaranty, the obligation of the Issuer to reimburse the Reserve Fund Guarantor shall be subordinate to the cash replenishment of the applicable Common Reserve Fund or Series Reserve Fund.

In the event that (i) the reinstatement feature described in the immediately preceding paragraph is suspended or terminated, (ii) the Reserve Fund Guarantor defaults in its payment obligations under the Reserve Fund Guaranty or (iii) the Reserve Fund Guarantor becomes insolvent, the Issuer shall either (A) deposit into the applicable Common Reserve Fund or Series Reserve Fund moneys sufficient to satisfy the applicable Bond Reserve Requirement, not taking into account the stated amount of the non-qualifying Reserve Fund Guaranty, which moneys shall be deposited in equal monthly installments over the ensuing two years, or (B) within six months of the event described in subparagraph (i), (ii), or (iii) above provide a replacement Reserve Fund Guaranty satisfying the requirements of this Section. It is the Issuer's sole duty to monitor compliance with this Section 5.07 and ensure a replacement Reserve Fund Guaranty meeting the requirements hereof is in place if so required.

(d) When a Reserve Fund Guaranty is deposited into the applicable Common Reserve Fund or Series Reserve Fund and, as a result, the amount in any such Common Reserve Fund or Series Reserve Fund, including the Reserve Fund Guaranty Coverage, exceeds the applicable Bond Reserve Requirement, the Trustee may, at any time, at the written direction of the Issuer, whether on a Valuation Date, transfer from the applicable Common Reserve Fund or Series Reserve Fund to the Bond Account, any Construction Account (provided such transfer is accompanied by an opinion of Bond Counsel), or the Surplus Account (provided that any transfers to the Surplus Account must be spent on capital expenditures and be accompanied with an opinion of Bond Counsel), any amount by which the then balance in the Common Reserve Fund or Series Reserve Fund exceeds the applicable Bond Reserve Requirement, all subject to any limitations set forth in this Trust Agreement, including limitations on the disposition of earnings.

(e) Where a Common Reserve Fund or Series Reserve Fund contains a Reserve Fund Guaranty and cash, the Trustee shall advance all available cash before making any demand on the provider of the Reserve Fund Guaranty and if the applicable Common Reserve Fund or Series Reserve Fund contains more than one Reserve Fund Guaranty, the Trustee shall make pro rata demands on each provider of a Reserve Fund Guaranty.

SECTION 5.08. Arbitrage Compliance; Rebate Fund.

(a) *General.* The Issuer acknowledges that the continued exclusion from gross income of interest on any tax-exempt Bonds for federal income tax purposes depends, in part, upon compliance with the arbitrage limitations imposed by Sections 103(b)(2) and 148 of the Code. The Issuer hereby agrees to take all actions necessary to

comply with these requirements. The Issuer hereby agrees and covenants that it shall not permit at any time or times any of the proceeds of any tax-exempt Bonds or other funds of the Issuer to be intentionally used, directly or indirectly, to acquire any assets or obligations, the acquisition of which would cause any of the tax-exempt Bonds to be “arbitrage bonds” for purposes of Sections 103(b)(2) and 148 of the Code. The Issuer further agrees and covenants that it shall do and perform all acts and things necessary in order to assure that the requirements of Sections 103(b)(2) and 148 of the Code are met.

(b) ***Maintenance of Rebate Fund.*** The Issuer covenants to take all actions necessary to comply with the rebate requirements applicable to investments of proceeds of tax-exempt Bonds contained in Section 148 of the Code and the Treasury Regulations thereunder. The Issuer further agrees and covenants that it will cooperate with the Trustee in keeping accurate accounts of the investment earnings on all investments of gross proceeds, within the meaning of the Code and the Treasury Regulations, and will cause a timely rebate to the United States Treasury of all Excess Earnings. To the extent necessary, as provided below, the Issuer hereby instructs the Trustee to create a Rebate Fund, known as the “Lexington-Fayette County Urban County Government – Sewer Rebate Fund” (the “Rebate Fund”), which Rebate Fund may contain subaccounts, as provided for in the Bond Legislation and/or a Supplemental Trust Agreement for any particular series of tax-exempt Bonds.

(c) ***Rebate Compliance with respect to the Tax-Exempt Series of Bonds.*** In the event that the gross proceeds of a tax-exempt series of Bonds (not including, for this purpose, gross proceeds periodically deposited and withdrawn for current debt service into and from the Bond Account) are not completely expended by the date six (6) months from the date of issuance of a tax-exempt series of Bonds, then the Issuer shall undertake and perform, or cause to be undertaken and performed, the following requirements as directed by bond counsel:

(i) On each Computation Date while a tax-exempt series of Bonds are outstanding, the Issuer shall compute or cause to be computed by independent Certified Public Accountants or Bond Counsel at its expense the amount of Excess Earnings. The foregoing notwithstanding, the Issuer may compute or cause to be computed the amount of Excess Earnings at earlier intervals if the Issuer has obtained an opinion of counsel acceptable to the Issuer and the Trustee stating that it may do so under the Code. The Trustee shall be entitled to rely on the calculations made pursuant to this Section and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in reliance upon those calculations

(ii) The Trustee shall withdraw from available funds or accounts at the written direction of the Issuer (unless the Issuer shall pay) the amount of Excess Earnings and deposit the same into the Rebate Fund, and the Trustee upon written direction of the Issuer, shall then remit to the United States Treasury, not later than sixty (60) days after each Computation Date (or at such earlier intervals as directed by the Issuer pursuant to an opinion of counsel acceptable to the Issuer and the Trustee) not less than ninety percent (90%) of the amount then

constituting Excess Earnings. Within sixty (60) days after the full and final payment of a tax-exempt series of Bonds, the Issuer shall compute and shall instruct the Trustee in writing to remit to the United States Treasury the entire aggregate amount of such Excess Earnings not theretofore paid to the United States Treasury, if so advised by Bond Counsel, that the Issuer is required to make such payment. Said payments shall be made to the Internal Revenue Service Center, Ogden, Utah (or such other appropriate place of filing), and filed together with a copy of the Form 8038T to be filed with respect to the applicable tax-exempt series of Bonds, and the Trustee shall retain records of all such calculations and rebate payments required by this Section for a period ending six (6) years after final payment of each applicable tax-exempt series of Bonds, all pursuant to Section 148(f) of the Code and the Regulations promulgated thereunder.

SECTION 5.09. Rate Stabilization Fund.

The Issuer may establish a Rate Stabilization Fund to be held in the custody of the Issuer or the Trustee. Moneys in the Rate Stabilization Fund may, to the extent necessary from time to time, as determined by the Issuer by written direction to the Trustee if such Fund is held by the Trustee, be transferred to the Bond Account to permit the timely payment of the obligations payable from such Bond Account, in the event that Pledged Revenues other than the Rate Stabilization Fund are not sufficient to permit the required payment to the Bond Account. Moneys in the Rate Stabilization Fund may also be transferred as determined by the Issuer by written direction to the Trustee if such Fund is held by the Trustee, to a depreciation account held in the custody of the Issuer or the Trustee and used for purposes of transferring amounts which are proper and adequate to pay for depreciation expenses and/or related capital Improvements of the Sewer System, as determined in accordance with Bond Legislation, a Certificate of Award, a Supplemental Trust Agreement, and/or other legislation of the Legislative Authority. Moneys in the Rate Stabilization Fund may, to the extent necessary from time to time, with an opinion of the Legal Officer, or Bond Counsel, or other legal counsel acceptable to the Legal Officer, be transferred to an appropriate account or fund and used for other legally permissible purposes of the Sewer System, as provided for in subsequent Bond Legislation or a Supplemental Trust Agreement, or other legislation of the Legislative Authority. Moneys in the Rate Stabilization Fund shall be invested and reinvested by the Issuer or the Trustee, as appropriate in Eligible Investments at the written direction of an Authorized Officer of the Issuer, and such fund shall be valued in a manner that is identical to the valuation of the Revenue Fund.

**ARTICLE VI
APPLICATION OF GROSS REVENUES**

SECTION 6.01. Application of Gross Revenues.

So long as any Bonds secured by the Trust Agreement remain outstanding and notwithstanding any other ordinance, resolution, order, or agreement to the contrary, the Issuer shall transfer to the Trustee Gross Revenues no later than the fifteenth (15th) day (or if such a day is not a Business Day, then the next succeeding Business Day thereafter) of each month, beginning November 15, 2014, for the purpose of making the following payments in the following order; provided, however, the Issuer shall not be required to transfer the following amounts from Gross Revenues to the Trustee, solely as a matter of convenience, and not as a matter affecting the pledge or priority of payments to be made from Gross Revenues under this Trust Agreement, including this Section: (a) Operating and Maintenance Expenses to the extent that an Authorized Officer of the Issuer determines on or before the fifteenth (15th) day (or if such a day is not a Business Day, then the next succeeding Business Day thereafter) of each month that there will be a deposit of Gross Revenues made to the Surplus Account as provided in paragraph NINTH below after application of Gross Revenues in paragraphs FIRST through EIGHTH below, which withholding shall not change the priority of the payments under this Trust Agreement, including this Section, as the withholding of such Operating and Maintenance Expense is solely a matter of convenience, and to the extent there are insufficient Gross Revenues to meet the payment obligations in paragraphs FIRST through NINTH below, any such amounts that are withheld solely as a matter of convenience shall be made immediately available, and sent, by the Issuer to the Trustee for payment of the required deposits and/or the payment of amounts due and payable in such order of priority set forth in this Section 6.01 upon written demand by the Trustee (which written demand by the Trustee may be for extended periods of time, such as “until further notified in writing”) and (b) as provided for in paragraph EIGHTH below:

FIRST: Except as may be otherwise provided in a Supplemental Trust Agreement, the Trustee shall deposit monthly into the Interest Subaccount, no later than first day (or if such a day is not a Business Day, then next succeeding Business Day thereafter) of each month, commencing December 1, 2014, an amount which, together with any other funds available in the Interest Subaccount to pay interest, is equal to one-sixth (1/6) of the interest payable on the Bonds on the next succeeding Interest Payment Date (for payment of interest due on the Series 2014 Bonds on March 1, 2015, the Trustee shall make a deposit into the Interest Subaccount on the first Business Day of December, 2014 and monthly thereafter to and including February 1, 2015 in an amount equal to one-third (1/3rd) of interest payable on March 1, 2015); provided that said ratios shall be adjusted as necessary for the first Interest Payment Date immediately following issuance of any series of Bonds.

SECOND: Except as may be otherwise provided in a Supplemental Trust Agreement, the Trustee shall deposit monthly into the Principal Subaccount, no later than first day (or if such a day is not a Business Day, then the next succeeding Business Day thereafter) of each month, commencing December 1, 2014, an amount which, together with any other funds available in the Principal Subaccount to pay principal or mandatory

sinking fund redemption due, is equal to one-twelfth (1/12th) of the principal or mandatory sinking fund redemption due on the Bonds on the next succeeding Principal Payment Date (for payment of principal or mandatory sinking fund redemption due on the Series 2014 Bonds on September 1, 2015, the Trustee shall make a deposit into the Principal Subaccount on the first Business Day of December, 2014 and monthly thereafter to and including August 1, 2015 in an amount equal to one-ninth (1/9th) of principal or mandatory sinking fund redemption due on September 1, 2015); provided that said ratios shall be adjusted as necessary for the first Principal Payment Date or mandatory sinking fund redemption immediately following issuance of any series of Bonds.

THIRD: Payments no later than the fifteenth (15th) day (or if such a day is not a Business Day, then the next succeeding Business Day thereafter) of each month in an amount equal to the lesser of (a) one-twelfth (1/12) of the applicable unfunded Bond Reserve Requirement or (b) one-twelfth (1/12) of the difference between the applicable unfunded Bond Reserve Requirement and the balance in the applicable Common Reserve Fund or Series Reserve Fund, if at any time said balance is less than the applicable Bond Reserve Requirement and shall continue until said Bond Reserve Requirement is attained. The Common Reserve Fund or Series Reserve Fund shall be held by the Trustee and shall be used only for the payment of principal and interest on the applicable series of Bonds. Moneys in any Common Reserve Fund or Series Reserve Fund shall be invested, at the written direction of an Authorized Officer of the Issuer, to the extent possible, in Eligible Investments. After the balance in any Common Reserve Fund and/or Series Reserve Fund equals the applicable Bond Reserve Requirement, any surplus in said fund, including interest earnings thereon, shall be transferred in accordance with the provisions set forth in Article V hereof. Nothing in this provision shall prohibit the Issuer from providing for the initial funding of a Bond Reserve Requirement relating to a Common Reserve Fund or a Series Reserve Fund over a period of time not to exceed three years, as provided for in connection with Additional Bonds pursuant to Section 2.08 hereof.

FOURTH: Upon written notice by the Trustee to the Issuer, Gross Revenues shall be applied by the Trustee in an amount, in addition to any of the foregoing allocations, as may be necessary and available, after meeting the requirements of the preceding Paragraphs First, Second, and Third to make up any previous deficiency in any such monthly allocation.

FIFTH: On the 15th day of September of each year commencing September 15, 2015, the Trustee shall deposit or transfer to the Issuer, if such Fund is held by the Issuer, an amount equal to all available Gross Revenues to the Rate Stabilization Fund until the balance in the Rate Stabilization Fund is equal to the Rate Stabilization Fund Required Balance (if any such balance is required to be maintained), which amount shall be paid for so long, and resumed as often, and to the extent only, to maintain said Rate Stabilization Fund Required Balance, if any; or alternatively, the Trustee shall deposit or transfer to the Issuer, if such Fund is held by the Issuer, monthly payments to the Rate Stabilization Fund no later than the fifteenth (15th) day (or if such a day is not a Business Day, then the next succeeding Business Day thereafter) of each month, an equal (or substantially equal) amount necessary to maintain the Rate

Stabilization Fund Required Balance, which equal (or substantially equal) monthly amount shall be paid over a period of time not exceed 18 months.

SIXTH: Upon written notice by the Trustee to the Issuer, Gross Revenues shall be applied by the Trustee to pay when due, the administrative costs of carrying or redeeming the Bonds, including, without limitation, the fees and expenses of the Trustee (such as Ordinary Expenses, Ordinary Services, Extraordinary Expenses, and Extraordinary Services), letter of credit fees, remarketing fees, credit enhancement fees, and similar fees and charges, as set forth in such notice.

SEVENTH: As and when required, the Issuer shall provide the Trustee with, and the Trustee shall transmit at the written direction of the Issuer, from Gross Revenues, such sums as are required to pay any rebate liability due and payable for deposit into the Rebate Fund.

EIGHTH: The Issuer shall provide the Trustee with written direction as to the amounts to be set aside and deposited into a General Obligation Bonds or Notes and other Obligations Fund (the "General Obligation Bonds or Notes and other Obligations Fund") in order to make the requisite principal, interest, and redemption payments, when due, on General Obligation Bonds or Notes and other Obligations incurred for Sewer System purposes, in separate accounts that correlate to such General Obligation Bonds or Notes and other Obligations, which amounts shall be set aside and deposited on a periodic basis, determined in the sole discretion of the Issuer, in anticipation of the requisite principal, interest, and redemption payments, the frequency of such payment set asides to be no later than when such payments are due and payable. Upon written authorization by the Issuer to the Trustee, to the extent that the Trustee is serving in the capacity of trustee and/or paying agent and registrar with respect to General Obligation Bonds or Notes and/or other Obligations incurred for Sewer System purposes, the Trustee is hereby authorized and directed to transmit for payment from the General Obligation Bonds or Notes and other Obligations Fund the principal, interest, and redemption sums as are required to be paid, when due, on any General Obligations Bonds or Notes or other Obligations of the Issuer incurred for Sewer System purposes. To the extent that the Trustee is (a) not the trustee or paying agent and registrar on General Obligation Bonds and Notes and/or other Obligations incurred for Sewer System purposes and (b) not otherwise directed in writing by the Issuer to pay the appropriate trustee or paying agent or registrar of General Obligation Notes or Bonds or other Obligations incurred for Sewer System purposes, the Issuer may withhold from Gross Revenues principal, interest, and redemption amounts due and payable on such General Obligation Notes or Bonds and/or other Obligations incurred for Sewer System purposes and make such payments directly to the appropriate trustee or paying agent and registrar; provided, however, the withholding of such principal, interest, and redemption amounts for payment of General Obligation Bonds and Notes and/or other Obligations shall not change the priority of the payment of such General Obligation Bonds and Notes and/or other Obligations under this paragraph, as the withholding of such principal, interest, and redemption amounts is solely a matter of convenience, and to the extent there are insufficient Gross Revenues to meet the payment obligations in any prior paragraphs, any such amounts that are withheld shall be made immediately available for the required deposits and/or the payment

amounts due and payable in such prior paragraphs under this Section 6.01. The Issuer may provide the Trustee with written instructions, whether continuing or periodic, to pay, when due, principal, interest, and redemption amounts on General Obligation Bonds and Notes or other Obligations incurred for Sewer System purposes directly to the appropriate trustee or paying agent and registrar. The Trustee shall be fully protected in relying upon the Issuer's written directions delivered pursuant to this section and shall not be required to make any investigations in connection therewith.

NINTH: After making the requisite deposits required in paragraphs FIRST through EIGHTH (including specific instructions to make such deposits in accordance with the instructions provided in any Supplemental Trust Agreement), the remaining Gross Revenues shall be deposited into the Surplus Account. Amounts in the Surplus Account may be transferred in accordance with the provisions set forth in Article V hereof.

**ARTICLE VII
THE TRUSTEE AND REGISTRARS**

SECTION 7.01. Trustee's Acceptance and Responsibilities.

The Trustee hereby accepts the trusts imposed upon it by this Trust Agreement, and prior to the occurrence of an Event of Default of which the Trustee has notice, agrees to perform the trusts and its obligations under this Trust Agreement as an ordinarily prudent corporate trustee under a trust agreement, but only upon and subject to the following express terms and conditions:

(a) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay reasonable compensation to all such attorneys, agents, receivers, and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney (who may be the attorney or attorneys for the Issuer), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action taken or not taken in good faith in reliance upon such opinion or advice.

(b) Except for its certificate of authentication on the Bonds, the Trustee shall not be responsible for any recital herein or in the Bonds, or for the validity, priority, recording or rerecording, filing or refiling of this Trust Agreement or any financing statements, amendments thereto or continuation statements, or for insuring the Sewer System or collecting any insurance moneys, or for the validity of the execution by the Issuer of this Trust Agreement or of any supplements thereto or instruments of further assurance, or for the sufficiency of the security hereof. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer under the Trust Agreement except as hereinafter set forth; but the Trustee may require of the Issuer full information and advice as to the performance of the covenants, conditions and agreements aforesaid. Except as otherwise provided in Section 8.02 hereof, the Trustee shall have no obligation to perform any of the duties of the Issuer under the Trust Agreement.

(c) The Trustee shall not be accountable for the application by the Issuer of the proceeds of any Bonds authenticated or delivered hereunder.

(d) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, except for any information provided by the Trustee, and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(e) The Trustee shall be protected, in the absence of bad faith on its part, in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to this

Trust Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Holder of any Bonds, shall be conclusive and binding upon all future Holders of the same Bond and of Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, document, report, paper or proceeding, the Trustee, in the absence of bad faith on its part, shall be entitled to rely upon a certificate signed on behalf of the Issuer by an Authorized Officer thereof as sufficient evidence of the facts therein contained, and, prior to the occurrence of a default of which the Trustee has been notified as provided in paragraph (f) of this Section, or of which by said paragraph it is deemed to have notice, shall also be entitled to rely upon a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion obtain such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an officer, or an assistant thereto, having charge of the appropriate records to the effect that legislation or any ordinance in the form therein set forth has been adopted by the Legislative Authority, as conclusive evidence that such legislation or ordinance has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its gross negligence or willful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder, except events of default described in paragraphs (a) and (b) of this Section 8.01 hereof, unless the Trustee shall be specifically notified by writing delivered to it of such default by the Issuer or by the Holders of at least 25% in aggregate principal amount of Bonds then outstanding, and in the absence of such notice so delivered the Trustee may conclusively assume there is no default except as aforesaid.

(i) The Trustee shall not be personally liable for any debts contracted, or for injury or damage to persons or to personal property, or for salaries or nonfulfillment of contracts, relating to the Sewer System.

(j) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants, and representatives shall have the right fully to inspect the Sewer System and any and all books, papers and records of the Issuer pertaining to the Sewer System and the Bonds, and to take such memoranda from and in regard thereto and make copies thereof as may be desired.

(k) The Trustee shall not be required to give any bond or surety in respect to the execution of the said trusts and powers or otherwise in respect to the premises.

(l) Notwithstanding anything contained elsewhere in this Trust Agreement, the Trustee shall have the right, but shall not be required, to demand, in respect to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or

any action whatsoever within the purview of this Trust Agreement, any showings, certificates, opinions, appraisals or other information, or corporate or legislative action or evidence thereof, in addition to that by the terms hereof required as a condition of such action by the Trustee, deemed desirable for the purpose of establishing the right of the Issuer to the authentication of any Bonds, the withdrawal of any cash, the release of any property, or the taking of any other action by the Trustee.

(m) Before taking action under Article VIII or Section 7.04 hereof, the Trustee may require that a satisfactory indemnity bond be furnished by the Holders of the Bonds for the reimbursement of all fees and expenses to which it may be put and to protect it against all liability; except liability which is adjudicated to have resulted from its negligence or willful misconduct by reason of any action so taken.

(n) Unless otherwise provided herein, all moneys received by the Trustee under this Trust Agreement shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by this Trust Agreement or by law. The Trustee shall be responsible for the investment directions received under this Trust Agreement in accordance with the terms of the Bond Legislation.

(o) The Trustee shall not have any obligation to review any financial statement, other report, information, certification or statement ("Documents") provided to the Trustee by the Issuer hereunder, nor shall the Trustee be deemed to have notice of any item contained therein or Event of Default which may be disclosed therein in any manner. The Trustee's sole responsibility with respect to such reports shall be to act as the depository for such reports for the Bondholders and to make such reports available for review by the Bondholders in accordance with this Trust Agreement. The Trustee shall have no duty to request copies of any such Documents which are required to be furnished to it hereunder.

None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

SECTION 7.02. Fees, Charges and Expenses of Trustee.

Subject to the provisions of Section 4.05 hereof, the Trustee shall be entitled to payment and/or reimbursement from the Issuer for reasonable fees for its Ordinary Services rendered hereunder and all advances, counsel fees and other Ordinary Expenses reasonably and necessarily made or incurred by the Trustee in connection with such Ordinary Services and in the event that it should become necessary that the Trustee perform Extraordinary Services, it shall be entitled to reasonable extra compensation therefor, and to reimbursement for reasonable and necessary Extraordinary Expenses in connection therewith from the Issuer; provided, that if such Extraordinary Services or Extraordinary Expenses are occasioned by the neglect or willful

misconduct of the Trustee, it shall not be entitled to compensation or reimbursement therefor and provided that such Extraordinary Expenses are only payable from Pledged Revenues.

Without creating a default or an Event of Default hereunder, however, the Issuer may contest in good faith the necessity for any Extraordinary Service and Extraordinary Expense and the reasonableness of any fee, charge or expense.

SECTION 7.03. Notice to Holders if Default Occurs.

If an Event of Default occurs of which the Trustee has, pursuant to this Trust Agreement, notice, then the Trustee shall give written notice thereof to the last known Holders of all Bonds then outstanding as shown by the registration books maintained pursuant to Section 2.04 hereof within thirty days after the Trustee's notice of its occurrence.

SECTION 7.04. Intervention by Trustee.

In any judicial proceeding to which the Issuer is a party and which, in the opinion of the Trustee and its attorney, has a substantial bearing on the interest of Holders of the Bonds, the Trustee (upon receiving an indemnity from the Holders of the Bonds satisfactory to the Trustee for the reimbursement of all fees and expenses to which it may be put and to protect it against all liability) may intervene on behalf of the Holders and shall do so if requested in writing by the Holders of at least 25%, in the aggregate principal amount of Bonds then outstanding. The rights and obligations of the Trustee under this Section are subject to the approval of such intervention by a court of competent jurisdiction.

SECTION 7.05. Successor Trustee.

Any corporation or association into which the Trustee may be converted or merged, or with which it or any successor to it may be consolidated, or to which it may sell or transfer its corporate trust assets and business as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Trustee hereunder and vested with all of the title to the trust estate hereunder and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding; provided, however, that any such successor Trustee shall be a trust company, a bank or a banking association authorized to exercise corporate trust powers within the Commonwealth of Kentucky, having a reported capital and surplus of not less than \$75,000,000 and eligible as transfer agent under Section 17(A)(c) of the Securities Exchange Act of 1934.

SECTION 7.06. Appointment of Co-Trustee.

It is the purpose of this Trust Agreement that there shall be no violation of any law of any jurisdiction (including without limitation, the laws of the Commonwealth of Kentucky) denying or restricting the right of banks or trust companies to transact business as trustees in that jurisdiction. It is recognized that, (a) if there is litigation under this Trust Agreement or other instruments or documents relating to the Bonds, and in particular, in case of the enforcement hereof or thereof upon a default or an Event of Default, or (b) if the Trustee should deem that, by

reason of any present or future law of any jurisdiction, it may not (i) exercise any of the powers, rights or remedies granted herein to the Trustee, (ii) hold title to the properties, in trust, as granted herein, or (iii) take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual or additional institution as a co-Trustee. The following provisions of this Section are adapted to these ends.

In the event that the Trustee appoints an individual or additional institution as a co-Trustee, each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Trust Agreement to be exercised by, vested in or conveyed to the Trustee shall be exercisable by, vest in and be conveyed to that co-Trustee, but only to the extent necessary for it to be so vested and conveyed and to enable that co-Trustee to exercise it. Every covenant, agreement and obligation necessary to the exercise thereof by that co-Trustee shall run to and be enforceable by it.

Should any instrument or document in writing from the Issuer reasonably be required by the co-Trustee so appointed by the Trustee for vesting and conveying more fully and certainly in and to that co-Trustee those trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens, that instrument or document shall be executed, acknowledged and delivered, but not prepared, by the Issuer. In case any co-Trustee or a successor to it shall die, become incapable of acting, resign or be removed, all of the trusts, properties, remedies, powers, rights duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles interests and liens of the co-Trustee shall be exercised by, vest in and be conveyed to the Trustee, to the extent permitted by law, until the appointment of a successor to the co-Trustee.

SECTION 7.07. Resignation by the Trustee.

The Trustee may at any time resign from the trust hereby created by giving at least sixty (60) days' written notice thereof, by first class mail, postage prepaid, to the Issuer and by giving such notice in the same manner as provided for in Section 3.04 hereof or in the Bond Legislation for the Bonds for giving of notice of call for redemption, and such resignation shall take effect at the appointment of a successor Trustee by the Holder or by the Issuer and acceptance by the Successor Trustee of such trusts

SECTION 7.08. Removal of the Trustee.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, and to the Issuer, and signed by or on behalf of the Holders of not less than one-half in aggregate principal amount of Bonds then outstanding. The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with any provision of this Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Issuer or the Holders of not less than 20% in aggregate principal amount of Bonds then outstanding hereunder.

Every successor Trustee appointed pursuant to this Article shall be a trust company or bank in good standing located in or incorporated under the laws of the Commonwealth of Kentucky, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000.

SECTION 7.09. Appointment of Successor Trustee.

In case the Trustee hereunder shall resign or be removed, or be dissolved, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by the court, a successor shall be appointed by the Issuer provided that if a successor Trustee is not so appointed within ten days after notice of resignation is mailed or instrument of removal is delivered as provided in Sections 7.07 and 7.08, respectively, or within ten days after the Trustee is dissolved, taken under control or otherwise incapable of action as above provided, then the Holders of a majority in aggregate principal amount of Bonds then outstanding, by an instrument or concurrent instruments in writing signed by or on behalf of such Holders, may designate a successor Trustee. Every such successor Trustee appointed pursuant to the provisions of this Section shall be a trust company, a bank or a banking association in good standing, duly authorized to exercise corporate trust powers within the Commonwealth of Kentucky, having a reported capital and surplus of not less than \$75,000,000 and eligible as a transfer agent under Section 17(A)(c) of the Securities Exchange Act of 1934 and willing to accept the trusteeship under the terms and conditions of this Trust Agreement. If an instrument of acceptance by a successor Trustee shall not have been delivered to the Trustee within sixty (60) days after the giving of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee. If no successor Trustee shall have been so appointed and accepted appointment within sixty (60) days of such resignation, removal, incapability or the occurrence of a vacancy in the office of Trustee, in the manner herein provided, the Trustee or any Bondowner may petition any court of competent jurisdiction for the appointment of a successor Trustee], until a successor shall have been appointed as above provided.

SECTION 7.10. Concerning Any Successor Trustee.

Every successor Trustee appointed hereunder shall execute, acknowledge, and deliver to its predecessor and also to the Issuer, an instrument in writing accepting such appointment hereunder, and thereupon such successor without any further act shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of its successor or the Issuer, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers, and trusts of such predecessor hereunder, and shall duly assign, transfer and deliver all property, securities and moneys held by it as Trustee to its successor. Should any instrument in writing from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor the rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Issuer.

SECTION 7.11. Successor Trustee as Custodian of Funds, Registrar.

In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be custodian of any funds it may hold pursuant to the Trust Agreement, and cease to be Registrar, Transfer or Paying Agent for any of the Bonds, and the successor Trustee shall become such custodian and Registrar, Transfer and Paying Agent.

SECTION 7.12. Adoption of Authentication.

In case any of the Bonds contemplated to be issued hereunder shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of the original Trustee or of any successor of it as Trustee hereunder and deliver the said Bonds so authenticated as hereinbefore provided; and in case any of such Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds either in the name of any predecessor or in its own name. In all such cases, the certificate of authentication shall have the same force and effect as provided in the Bonds or in this Trust Agreement with respect to the certificate of authentication of the Trustee.

SECTION 7.13. Trustee Protected in Relying Upon Instruments.

Legislation, ordinances, opinions, certificates, and other instruments provided for in this Trust Agreement may be accepted by the Trustee as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its actions taken hereunder.

SECTION 7.14. Designation and Succession of Registrars and Paying Agents.

Any bank or trust company designated as a Registrar or co-Registrar or Paying Agent in the Bond Legislation pertaining to a particular series of Bonds shall be the Registrar or co-Registrar or Paying Agent for the applicable series of Bonds.

Any bank or trust company with or into which any Registrar or co-Registrar or Paying Agent other than the Trustee may be merged or consolidated, or to which the corporate trust assets and business of such Registrar or co-Registrar or Paying Agent may be sold, shall be deemed the successor of such Registrar or co-Registrar or Paying Agent for the purposes of this Trust Agreement. If the position of such Registrar or co-Registrar or Paying Agent shall become vacant for any reason, the Issuer shall, within 30 days thereafter, appoint a bank or trust company to fill such vacancy; provided, however, that if the Issuer shall fail to appoint such Registrar or co-Registrar or Paying Agent within said period, the Trustee shall make such appointment.

The Registrars or co-Registrars or Paying Agents shall enjoy the same protective provisions in the performance of their duties hereunder as are specified in Section 7.01 hereof with respect to the Trustee, insofar as such provisions may be applicable.

SECTION 7.15. Dealing in Bonds.

The Trustee and any Registrar or co-Registrar or Paying Agent and any of their directors, officers, employees or agents, may in good faith become the owners of Bonds secured hereby

with the same rights which it or they would have hereunder if not the Trustee or the Registrar or co-Registrar or Paying Agent.

SECTION 7.16. Notice to Rating Agencies.

The Trustee agrees to notify any Rating Agency in writing, signed by an authorized officer of the Trustee, with respect to: (a) any change of Trustee under the Trust Agreement; (b) any amendment of or supplement to the Trust Agreement; and (c) redemption, in full, of the Bonds or any series of Bonds provided that the Trustee shall incur no liability for failure to give any such notice.

ARTICLE VIII
DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS

SECTION 8.01. Defaults; Events of Default.

If any of the following events occur, subject to the provisions of Section 8.10 hereof, it is hereby defined as and declared to be and to constitute an “Event of Default” hereunder:

(a) Failure in the payment of any interest on any Bond when and as the same shall have become due and payable;

(b) Failure in the payment of the principal of or any premium on any Bond when and as the same shall have become due and payable, whether at stated maturity or by acceleration or redemption;

(c) Failure by the Issuer to perform or observe any other covenant, agreement or condition on the part of the Issuer contained in this Trust Agreement or in the Bonds, which failure or default shall have continued for a period of 90 days after written notice, by registered or certified mail, to the Issuer specifying the failure or default and requiring the same to be remedied, which notice may be given by the Trustee in its discretion and which notice shall be given by the Trustee at the written request of the Holders of not less than 25% in aggregate principal amount of Bonds then outstanding provided, however, that if the Issuer shall proceed to take such curative action which, if begun and prosecuted with due diligence, cannot be completed within that period of 90 days, then such period shall be increased to such extent as shall be necessary to enable the Issuer to diligently complete such curative action; and provided further, that if the performance, observation or compliance with any of the terms, covenants, conditions or provisions referred to in this paragraph shall be prevented by the application of federal or laws of the Commonwealth of Kentucky, wage and price controls, economic stabilization, costs containment requirements, or restrictions on rates, charges and/or Pledged Revenues of the Sewer System which may be imposed by governmental authorities, and the Issuer shall have complied in full with its obligation contained in Section 11.01(c) hereof, its inability to perform, observe or comply with any such term, covenant, condition or provision shall not itself constitute an Event of Default under this Trust Agreement;

(d) The abandonment of the Sewer System or any substantial portion thereof or the discontinuance of the operations therein, and the continuance thereof for ten days after receipt by the Issuer of a written notice from the Trustee specifying such default and requesting that it be corrected;

(e) The Issuer shall: (i) become insolvent or the subject of insolvency proceedings; (ii) be unable, or admit in writing its inability, to pay its debts as they mature; (iii) make a general assignment for the benefit of creditors or to an agent authorized to liquidate any substantial amount of its property; (iv) file a petition or other pleading seeking reorganization, composition, readjustment, or liquidation of assets, or requesting similar relief; (v) apply to a court for the appointment of a receiver for any of its assets; (vi) have a receiver or liquidator appointed for any of its assets (with or without

the consent of the Issuer) and such receiver shall not be discharged within 90 consecutive days after his appointment; (vii) become the subject of an “order for relief” within the meaning of the United States Bankruptcy Code; or (viii) file an answer to a creditor’s petition admitting the material allegations thereof for liquidation, reorganization, readjustment or composition or to effect a plan or other arrangement with creditors or fail to have such petition dismissed within 60 consecutive days after the same is filed against the Issuer; or

(f) To the extent that an Interest Rate Hedge Agreement is executed in connection with Bonds, failure to make a payment due and payable under an Interest Rate Hedge Agreement or to perform or observe any covenant, agreement, or condition on the part of the Issuer under an Interest Rate Hedge Agreement.

The term “default” hereunder means any event specified in clauses (a) to (f), inclusive, of this Section exclusive of any notice or period of grace required to constitute such default an “Event of Default” as therein provided.

The Trustee shall give prompt telephonic notice of an Event of Default and shall confirm in writing within five Business Days after notice of the occurrence of an Event of Default (except in the case of an Event of Default as provided in paragraphs (a) and (b) above in which event two Business Days shall be substituted for five Business Days) by registered or certified mail to the Issuer. If an Event of Default occurs of which the Trustee has notice pursuant to this Trust Agreement, the Trustee shall give written notice thereof, within 30 days after the Trustee’s notice of its occurrence, to the Holders of all Bonds then outstanding as shown by the registration books at the close of business fifteen days prior to the mailing of that notice; provided, that except in the case of an Event of Default as defined in paragraphs (a) and (b) of Section 8.01 hereof, the Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee or a trust committee of directors or responsible officers of the Trustee in good faith determine that the withholding of notice to the Holders is in the interests of the Holders.

SECTION 8.02. Acceleration.

Upon the occurrence of an Event of Default, the Trustee shall, at the direction of 25% of the Holders, by written notice to the Issuer, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Bonds to the contrary notwithstanding.

Subject to the preceding paragraph and the provisions of Article XI hereof, if an Event of Default shall occur, at any time during the continuance of such Event of Default, the Trustee may, and upon the written request of the Holders of at least 25% in principal amount of the Bonds then outstanding shall, by notice in writing to the Issuer, declare the principal of all the Bonds then outstanding (if not then due and payable) to be due and payable immediately and may proceed to take any actions which may be available to it under the Trust Agreement, and, upon such declaration, the principal of all Bonds then outstanding shall become and be

immediately due and payable, and all the Bonds then outstanding shall be secured ratably by this Trust Agreement irrespective of their specified maturity dates.

Provided, however, that nothing contained in the preceding paragraph or elsewhere in this Trust Agreement shall in any way interfere with, but shall be in addition to the rights of the Holders of the Bonds then outstanding upon any default in the payment of the principal, interest, or premium, if any, on the Bonds, to have a receiver appointed by a court of competent jurisdiction to operate the Sewer System and apply the income and revenues to the payment of the Bonds and the interest thereon, all as provided in the Bond Legislation.

If, at any time after such principal and any premium and interest shall have been so declared due and payable and prior to (a) the entry of a judgment in a court of law or equity for enforcement hereunder or (b) the appointment, and the confirmation thereof, of a receiver after an opportunity for hearing by the Issuer, all sums payable hereunder on the Bonds which have not reached their stated maturity dates and which are due and payable solely by reason of said declaration shall have been duly paid or provided for by deposit with the Trustee and all existing defaults shall have been made good, including without limitation reasonable fees, charges and expenses of the Trustee and its counsel and of the Holders of the Bonds, including reasonable fees of counsel paid or incurred, then and in every case such payment or provisions for payment shall ipso facto constitute a waiver of such default and its consequences and an automatic rescission and annulment of such declaration under the above paragraph, but no such waiver or rescission shall extend to or affect any subsequent Event of Default or impair any rights consequent thereon.

SECTION 8.03. Other Remedies, Rights of Holders.

Upon the happening and continuance of an Event of Default, the Trustee may, with or without taking action under Section 8.02 hereof, pursue any available remedy, including without limitation actions at law or in equity, to enforce the payment of principal, interest or premium, if any, on the Bonds or to remedy any Event of Default.

Upon the happening and continuance of an Event of Default, and if requested so to do by the Holders of at least 25% in aggregate principal amount of Bonds then outstanding and indemnified to its satisfaction, as provided in Section 7.01 hereof, the Trustee shall exercise such of the rights and powers conferred by this Section and by Section 8.02 as the Trustee, being advised by counsel, shall deem most effective to enforce and protect the interests of the Holders.

No remedy conferred upon or reserved to the Trustee (or to the Holders) hereby is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Holders hereunder or now or hereafter existing.

No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right and power may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Holders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

SECTION 8.04. Right of Holders to Direct Proceedings.

Anything in this Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein, the Holders shall be entitled to control and direct the enforcement of all rights and remedies under this Trust Agreement, including, without limitation: (a) the right to accelerate the principal of the Bonds as described in this Trust Agreement, and (b) the right to annul any declaration of acceleration, and the Holders shall also be entitled to approve all waivers of Events of Default.

Subject to the preceding paragraph and the provisions of Article XI hereof, the Holders of at least 50% in aggregate principal amount of Bonds then outstanding shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Trust Agreement, or for the appointment of a receiver or any other proceedings hereunder; provided, that such direction shall not be otherwise than in accordance with the provision and of this Trust Agreement, provided that the Trustee shall be indemnified to its satisfaction and provided that the Trustee shall have the right to decline to follow any direction which in its opinion would unjustly prejudice the Holders not parties to such declaration.

SECTION 8.05. Appointment of Receivers.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Holders under this Trust Agreement, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers, pending such proceedings, with such power as the court making such appointment shall confer.

Upon the occurrence of an Event of Default, to the extent such rights may then lawfully be waived, neither the Issuer, nor anyone claiming through or under the Issuer, shall set up, claim, or seek to take advantage of any stay, extension, moratorium or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Trust Agreement, but the Issuer, for itself and all who may claim through or under it, hereby waives, to the extent it may lawfully do so, the benefit of all such laws and all right of redemption to which it may be entitled.

SECTION 8.06. Application of Moneys.

All moneys received by the Trustee or a receiver pursuant to any right given or action taken under the provisions of this Article shall be deposited in the Bond Account, and all moneys in the Bond Account and any amounts in a Construction Account shall be applied as provided in subsection (a), (b), and (c) below; subject to (i) any provision made pursuant to Sections 3.04 and 4.02 hereof, after payment of the fees, charges, costs, expenses, liabilities and advances incurred by the Trustee or receiver and (ii) the payment of amounts required for the reasonable

and necessary current expenses and Operating and Maintenance Expenses, including reasonable and necessary reserves and working capital, and for the reasonable repair and replacement of projects relating to the Sewer System only to the extent necessary to prevent loss of Pledged Revenues as certified to the Trustee by a Consultant or an Independent Engineer; provided, however, nothing in this section shall change the priority of the pledge of Pledged Revenues set forth in Article VI hereof:

(a) Unless the principal of all the Bonds shall have become or have been declared due and payable, all such moneys shall be applied:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of maturity of the installments of such interest beginning with the earliest such maturity and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege except as to any difference in the respective rates of interest specified in the Bonds; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds previously called for redemption for the payment of which moneys are held pursuant to the provisions of this Trust Agreement) whether at maturity or by call for redemption, in the order of their due dates and beginning with the earliest such due date, with interest on such Bonds from the respective dates upon which they become due and if the amount available shall not be sufficient to pay in full all Bonds due on any particular date, together with such interest, then to the payment thereof ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable pursuant to this Article, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable pursuant to this Article, and if such declaration shall thereafter have been rescinded and annulled under the provisions of Sections 8.02 and 8.10 hereof, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date, and for which moneys are available, shall cease to accrue. The Trustee shall give notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such date, and shall not be required to make payment to the Holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

The provisions of this Section are in all respects subject to the provisions of Section 4.04 hereof.

Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all fees, expenses, and charges of the Trustee and all other expenses payable under the Trust Agreement have been paid, any balance remaining in the Revenue Fund shall be transferred to the Issuer for any lawful Sewer System purpose.

SECTION 8.07. Remedies Vested in Trustee.

All rights of action (including the right to file proof of claims) under this Trust Agreement or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any Holders of the Bonds, and any recovery of judgment shall be for the benefit of the Holders of the outstanding Bonds subject however, to the provisions of this Trust Agreement.

SECTION 8.08. Rights and Remedies of Holders.

No Holder of any Bond shall have any right to institute any suit, action or proceeding for the enforcement of this Trust Agreement or for the execution of any power or trust thereof or for the appointment of a receiver or any other remedy hereunder, unless an Event of Default hereunder has occurred and is continuing, of which the Trustee has been notified as provided in Section 7.01(h), or of which by said paragraph it is deemed to have notice, and the Holders of at least 25% in aggregate principal amount of Bonds then outstanding shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the powers or trusts hereinbefore granted or to institute such action, suit or proceeding in its own name, and have offered to the Trustee indemnity as provided in Section 7.01, and the Trustee shall thereafter fail or refuse to exercise the powers or trusts hereinbefore granted or to institute such action, suit or proceeding in its own name; and such notification, request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Trust Agreement, and to any action or cause of action for the enforcement of this Trust Agreement, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Holders of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the

lien of this Trust Agreement by its, his, or their action or to enforce any right hereunder except in the manner herein provided and that proceedings shall be instituted, had and maintained in the manner herein provided and for the benefit of the Holders and owners of all Bonds then outstanding. Subject to the foregoing, each Holder shall have a right of action to enforce the payment of the principal of and interest on any Bond held or owned by him at and after the maturity thereof at the place, from the sources and in the manner in said Bond expressed.

SECTION 8.09. Termination of Proceedings.

In case the Trustee shall have proceeded to enforce any right under this Trust Agreement by the appointment of a receiver, and such proceeding shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Issuer, the Trustee, and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue unimpaired as before.

SECTION 8.10. Waivers of Events of Default.

The Trustee shall waive any Event of Default hereunder and its consequences and rescind any declaration of accelerated maturity of principal upon the written request of the Holders of (a) at least 50% in aggregate principal amount of all the Bonds then outstanding in respect of which an Event of Default in the payment of principal, interest, or premium, if any, exists, or (b) at least 25 % in aggregate principal amount of all Bonds then outstanding in case of any other Event of Default; provided, however, that there shall not be waived any Event of Default described in paragraphs (a) or (b) of Section 8.01 hereof or any such declaration in connection therewith rescinded, unless at the time of such waiver or rescission, payment of the amounts provided in Section 8.02 hereof for waiver and automatic rescission in connection with acceleration of maturity have been made or provided for. In case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee and the Holders shall be restored to their former positions and rights hereunder respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any right consequent thereon.

**ARTICLE IX
SUPPLEMENTAL TRUST AGREEMENTS**

SECTION 9.01. Supplemental Trust Agreements Not Requiring Consent of Holders.

The Issuer and the Trustee may without the consent of, or notice to, any of the Holders, enter into trust agreements supplemental to this Trust Agreement and financing statements or other instruments evidencing the existence of a lien and/or security interests as shall not, in the opinion of the Issuer and the Trustee, be inconsistent with the terms and provisions hereof for any one or more of the following purposes;

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Agreement;
- (b) rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Holders or the Trustee;
- (c) to subject additional revenues to the liens and pledge of the Trust Agreement;
- (d) to add to the covenants and agreements of the Issuer contained in the Trust Agreement other covenants and agreements thereafter to be observed for the protection of the Holders, or to surrender or limit any right, power or authority reserved to or conferred upon the Issuer in the Trust Agreement, including the limitation of rights of redemption so that in certain instances Bonds of different series will be redeemed in some prescribed relationship to one another;
- (e) to evidence any succession to the Issuer and the assumption by such successor of the covenants and agreements of the Issuer contained in the Trust Agreement and the Bonds;
- (f) to modify, amend or supplement the Trust Agreement in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended, or to comply with any similar requirements of any other law;
- (g) in connection with the issuance of Additional Bonds in accordance with Section 2.08 hereof,
- (h) to evidence or provide for the delivery of a letter of credit or other Credit Facility securing any series of Bonds, so long as such letter of credit or other Credit Facility does not result in the downgrading of any credit rating assigned to any outstanding Bonds by the Rating Agency or any other rating agencies which have rated any such outstanding Bonds upon application of the Issuer;
- (i) to permit the exchange of Bonds, at the option of the Holder or Holders thereof; for coupon Bonds payable to bearer, in an aggregate principal amount not exceeding the unmatured and unredeemed principal amount of the predecessor Bonds,

bearing interest at the same rate or rates and maturing on the same date or dates, with coupons attached representing all unpaid interest due or to become due thereon if, in the opinion of Bond Counsel selected by the Trustee; that exchange would not result in the interest on any of the Bonds outstanding becoming subject to federal income taxation;

(j) to permit the use of a book entry system through DTC or use of an alternate Depository to identify the owner of an interest in an obligation issued by the Issuer under this Trust Agreement, whether that obligation was formerly, or could be, evidenced by a tangible security;

(k) to permit the Trustee to comply with any obligations imposed upon it by law;

(l) to modify any of the provisions of this Trust Agreement or any previously adopted Supplemental Trust Agreement in any other respect, provided that such modifications shall not be effective until after all Bonds of any series of Bonds outstanding as of the date of adoption of such Supplemental Trust Agreement (or ordinance or resolution) shall cease to be outstanding, and all Bonds issued under such Supplemental Trust Agreement (or ordinance or resolution) shall contain a specific reference to the modifications contained in such subsequent Supplemental Trust Agreement (or ordinance or resolution);

(m) to achieve compliance of this Trust Agreement with any applicable federal securities or tax law; and

(n) to modify any of the provisions of this Trust Agreement in any other respect whatsoever, provided that such modification does not materially adversely affect the rights of the Holders of the Bonds.

The provisions of Subsection 7.01(k) and (l) shall not be deemed to constitute a waiver by the Trustee or any Holder of any right which it may have in the absence of those provisions to contest the application of any change in law to this Trust Agreement or the Bonds.

SECTION 9.02. Supplemental Trust Agreements Requiring Consent of Holders.

Exclusive of Supplemental Trust Agreements referred to in Section 9.01 hereof and subject to the terms and provisions and limitations contained in this Section, and not otherwise, the Holders of not less than a majority in aggregate principal amount of the Bonds then outstanding, exclusive of Bonds held or owned by the Issuer, shall have the right, from time to time, anything contained in any other Section or provision of this Trust Agreement to the contrary notwithstanding, to consent to and approve the execution by the Issuer and the Trustee of such other agreement or agreements supplemental to the Trust Agreement as shall be deemed necessary and desirable by the Issuer for the purpose of modifying, altering, amending, adding to, or rescinding, any of the terms or provisions contained in the Trust Agreement; provided, however, that nothing in this Section or elsewhere shall permit, or be construed as permitting, a Supplemental Trust Agreement providing for (a) an extension of the maturity of the principal or of the interest on any Bond, or a reduction in the principal amount of any Bond or the rate of

interest or redemption premium thereon, or a reduction in the amount or extension of the time of any payment required by any mandatory sinking fund requirements provided for in the Bond Legislation, without the consent of the Holder of each Bond so affected, or (b) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental agreement, without the consent of the Holders of all of then outstanding Bonds, or (c) the imposition upon the Pledged Revenues or the Revenue Fund of a lien ranking prior to the lien of this Trust Agreement, without the consent of the Holders of all of the outstanding Bonds.

If at any time the Issuer shall request the Trustee to enter into any such Supplemental Trust Agreement for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Trust Agreement to be mailed by first-class mail, postage prepaid, to the representative of each series of Bonds and to all registered Holders of Bonds then outstanding at their addresses as they appear on the registration books herein provided for at the close of business on the fifteenth day preceding that mailing. The Trustee shall not, however, be subject to any liability to any Holder by reason of its failure to mail, or the failure of such Holder to receive, the notice required by this Section, and any such failure shall not affect the validity of such Supplemental Trust Agreement when consented to and approved as provided in this Section. Such notice shall be prepared by the Issuer and shall briefly set forth the nature of the proposed Supplemental Trust Agreement and shall state that copies thereof are on file at the office of the Trustee for inspection by all Holders. Such notice or notices may be waived by an instrument or concurrent instruments executed by the Holders of all Bonds at the time outstanding.

If within such period, not exceeding three years, as shall be prescribed by the Issuer, following the first publication of such notice, the Trustee shall receive an instrument or instruments, reflecting the consent of the requisite number of Holders of Bonds as required herein and by Section 13.01, which shall refer to the proposed Supplemental Trust Agreement described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice as on file with the Trustee, thereupon, but not otherwise, the Trustee shall execute such Supplemental Trust Agreement in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

Any such consent shall be binding upon the Holder of the Bond giving such consent and, anything in Section 13.01 hereof to the contrary notwithstanding, upon any subsequent Holder of such Bond and of any Bond issued in exchange therefor (whether or not such subsequent Holder has notice thereof), unless such consent is revoked by the Holder of such Bond giving such consent or by a subsequent Holder thereof by filing with the Trustee, prior to the execution by the Trustee of such Supplemental Trust Agreement, such revocation in the manner permitted by Section 13.01 hereof. At any time after the Holders of the required percentage of Bonds shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the Issuer a written statement that the Holders of such required percentage of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed.

SECTION 9.03. Authorization to Trustee; Effect of Supplement.

The Trustee is authorized to join with the Issuer in the execution of any Supplemental Trust Agreement provided for in this Article and to make the further agreements and stipulations which may be contained therein. Any Supplemental Trust Agreement executed in accordance with the provisions of this Article shall thereafter form a part of this Trust Agreement; all the terms and conditions contained in any such Supplemental Trust Agreement as to any provision authorized to be contained therein shall be deemed to be part of the terms and conditions of the Trust Agreement for any and all purposes; this Trust Agreement shall be and is deemed to be modified and amended in accordance therewith; and the respective rights, duties and obligations under this Trust Agreement of the Issuer; the Trustee and all Holders of Bonds then outstanding shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modifications and amendments. Express reference to such executed Supplemental Trust Agreement may be made in the text of any Bonds issued thereafter, if deemed necessary or desirable by the Trustee or the Issuer. A copy of any Supplemental Trust Agreement provided for in this Article, except such as may be entered into pursuant to clause (g) of Section 9.01 hereof, shall be mailed by the Trustee to the Original Purchasers of each and every series of Bonds affected thereby.

SECTION 9.04. Opinion of Counsel.

The Trustee shall be entitled to receive, and shall be fully protected in relying upon, the opinion of any counsel approved by it, who may be counsel for the Issuer, as conclusive evidence that any such proposed Supplemental Trust Agreement complies with the provisions of this Trust Agreement, and that it is proper for the Trustee, under the provisions of this Article, to join in the execution of such supplemental trust agreement.

SECTION 9.05. Modification by Unanimous Consent.

Notwithstanding anything contained elsewhere in this Trust Agreement, the rights and obligations of the Issuer and of the Holders of the Bonds, and the terms and provisions of the Bonds and this Trust Agreement or any Supplemental Trust Agreement, may be modified or altered in any respect with the consent of the Issuer and of the Holders of all of the Bonds then outstanding.

SECTION 9.06. Trustee's Consent Required.

Notwithstanding anything contained elsewhere in this Article of this Trust Agreement, no supplemental trust agreement may take effect which changes or alters the rights, duties or obligations of the Trustee without its prior written consent.

**ARTICLE X
DEFEASANCE**

SECTION 10.01. Release of Trust Agreement.

If the Issuer shall pay or cause to be paid and discharged all the outstanding Bonds or there shall otherwise be paid to the Holders of the outstanding Bonds all Bond Service Charges (including any applicable redemption premium) due or to become due thereon, and provision shall also be made for paying all other sums payable hereunder by the Issuer, then and in that event this Trust Agreement (except for Sections 4.01, 4.02 and 10.02 hereof) shall cease, determine and become null and void, and the covenants, agreements, and other obligations of the Issuer hereunder shall be discharged and satisfied, and thereupon the Trustee shall release this Trust Agreement, including the cancellation and discharge of the pledge of and lien upon the Pledged Revenues and the Revenue Fund hereof, and execute and deliver to the Issuer such instruments in writing as shall be requisite to satisfy the pledge of and lien upon the Pledged Revenues and the Revenue Fund hereof and to enter on the records such satisfaction and discharge and such other instruments to evidence such release and discharge as may be reasonably required by the Issuer; and the Trustee shall assign and deliver to the Issuer any property at the time subject to the pledge of and lien upon the Pledged Revenues and the Revenue Fund of this Trust Agreement which may then be in their possession except amounts to be held by the Trustee under Section 4.02 hereof or otherwise for the payment of Bond Service Charges due on the Bonds.

SECTION 10.02. Payment and Discharge of Bonds.

All the outstanding Bonds of one or more series or of one or more maturities within any series shall be deemed to have been paid and discharged within the meaning of this Trust Agreement, including, without limitation, Section 10.01 hereof, if:

(a) the Trustee shall hold, in trust for and irrevocably committed hereto, sufficient moneys, or

(b) the Trustee or an escrow agent appointed in connection with the refunding of Bonds shall have received, in trust for and irrevocably committed thereto, Defeasance Obligations which are certified by an independent public accounting firm of national reputation (and in accordance with applicable provisions of the laws of the Commonwealth of Kentucky) to be of such maturities or redemption or payment dates and to bear such interest, as will be sufficient together with any moneys to which reference is made in subparagraph (a) above, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided herein), be sufficient together with moneys (if any) referred to in (a), above,

for the payment, at their maturities or redemption dates, of all Bond Service Charges on the Bonds to the date of maturity or redemption, as the case may be, or if default in such payment shall have occurred on such date then to the date of the tender of such payment; provided, that if any of such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption

shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice.

Any moneys held by the Trustee in accordance with the provisions of this Section may be invested by the Trustee at the written direction of an Authorized Officer of the Issuer, but only in Defeasance Obligations, the maturities or redemption dates of which, at the option of the Holder, shall coincide as nearly as is practicable with, but not later than, the time or times at which said moneys will be required for the aforesaid purposes. Any income or interest earned by, or increment to, the investments held under this Section shall, to the extent determined from time to time by the Trustee to be in excess of the amount required to be held by it for the purposes of this Section, be transferred at the time of such determinations to the Revenue Fund. In the event of non-presentment as referred to in Section 4.02 hereof, the moneys held pursuant to this Section to which Section 4.02 would apply but for the release of this Trust Agreement shall be held and paid as provided for in said Section 4.02. Bonds so paid and discharged shall thereafter be secured solely by the moneys and investments so deposited and held for their payment, and shall no longer be secured by the pledge of and lien upon the Pledged Revenues as herein provided.

If any Bonds shall be deemed paid and discharged pursuant to this Section, then within 15 days after such Bonds are so deemed paid and discharged, the Trustee shall cause a written notice to be given to each Holder as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice shall state the numbers of the Bonds deemed paid and discharged, set forth a description of the obligations held pursuant to subsection (a) and specify the date or dates on which any of the Bonds are to be called for redemption pursuant to notice of redemption given or irrevocable provisions made for such notice pursuant to subsection (a) above.

**ARTICLE XI
COVENANTS AND AGREEMENTS OF THE ISSUER**

SECTION 11.01. Covenants of the Issuer.

In addition to the other covenants of the Issuer contained in the Bond Legislation and the Trust Agreement, the Issuer further covenants with the Holders and the Trustee as follows:

(a) ***Payment of Principal and Interest.*** The Issuer will, solely from the sources herein provided, pay the principal of and premium, if any, and interest on every Bond on the dates and at the places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof.

(b) ***Rate Covenant.*** The Issuer will at all times prescribe and charge such rates for the services of the Sewer System, and will so restrict Operating and Maintenance Expenses, as shall result in Net Revenues at least adequate to provide for (i) the payments required by the Bond Legislation to be made into the Revenue Fund, (ii) sufficient funds to pay the Principal and Interest Requirements on any General Obligation Bonds and Notes and all other Obligations of the Issuer incurred for Sewer System purposes, (iii) sufficient earnings coverage to permit the issue of the Additional Bonds required for the construction of necessary or advisable extensions or improvements of the Sewer System and (iv) to provide for the normal growth and sound operation of the Sewer System.

In no event shall the sum of Net Revenues with respect to each Fiscal Year be less than 120% of the aggregate amount of Principal and Interest Requirements on the Bonds payable during such Fiscal Year and the Issuer will be responsible for delivering to the Trustee evidence of compliance therewith in accordance with subsection (i) of this Section 11.01 as provided for below; provided, however, that the required deposits are being made to the applicable funds as set forth herein on an ongoing basis; provided, however, that if Additional Bonds are issued to pay the cost of Improvements, the portion of the Principal and Interest Requirements thereon that shall be included in the calculation in each Fiscal Year during the estimated construction period of the Improvements shall equal the portion of the interest on said Additional Bonds payable during that Fiscal Year that has not been funded.

In the event of a failure to meet the rate covenant in the preceding paragraph, the Issuer shall notify the Trustee and shall immediately employ a Consultant to prepare and submit a written report and recommendations with respect to the rates and charges of the Sewer System necessary to meet the above-stated rate requirements and with respect to improvements or changes in the operations of the Sewer System, stating the extent to which prior recommendations of consultants or engineers may not have been complied with by the Issuer. If a report requested of such Consultant is not provided within a reasonable time (determined by reference to then-prevailing industry standards for the preparation of similar reports), but in no case longer than 60 days, the Trustee may, at its option, require the Issuer to employ a different Consultant to provide such report. A copy of such report and recommendations shall be filed with the Issuer, the Trustee and any Holders of record requesting the same. The Issuer shall, within 60 days of receipt of such

report, revise its rates and charges in conformity with such recommendations and otherwise follow such recommendations. If such recommendations are followed, then a failure to meet the rate covenant set forth in the preceding paragraph shall not constitute an event of default under the Trust Agreement so long as Net Revenues are adequate to provide for sufficient funds to pay the Principal and Interest Requirements on any Bonds, and General Obligation Bonds and Notes and all other Obligations of the Issuer incurred for Sewer System purposes. The sole authority to adjust rates shall at all times remain with the Legislative Authority, subject to the requirements of the covenants set forth in this Bond Legislation and the Trust Agreement.

(c) ***Performance of Covenants, Authority and Actions.*** The Issuer will faithfully observe and perform at all times all agreements, covenants, undertakings, stipulations and provisions contained in the Bond Legislation, the Trust Agreement and the Bonds, and in all proceedings of the Legislative Authority pertaining to the Bonds or the Sewer System. The Issuer represents and warrants that it is duly authorized by the Constitution and the laws of the Commonwealth of Kentucky, particularly the Act, to issue the Bonds authorized hereby and to execute the Trust Agreement, and to pledge the Pledged Revenues and the Revenue Fund in the manner and to the extent herein and in the Trust Agreement set forth; that all actions on its part for the issuance of Bonds and execution and delivery of the Trust Agreement, including those preliminary proceedings required by the Act, have been duly and effectively taken and, if Additional Bonds are issued pursuant hereto, will be duly taken as provided herein and in the Trust Agreement, and that the Bonds in the hands of the Holders and owners thereof are and will be legal, valid, and binding special obligations of the Issuer enforceable according to the terms thereof. All of the obligations and duties of the Issuer and its officers in its behalf, under the Bonds, the Bond Legislation and the Trust Agreement are hereby established as duties specifically enjoined by law and resulting from an office, trust, or station of the Issuer and its officers within the meaning of the Act.

(d) ***Title to Sewer System.*** The Issuer represents and warrants that it is, or will be upon delivery of Bonds, the owner of title to the Sewer System and upon delivery of Bonds will have good right, full power, and lawful authority to pledge the Pledged Revenues and Revenue Fund as herein and in the Trust Agreement.

(e) ***Other Pledges.*** The Issuer has not heretofore made or suffered to exist any pledges of or liens on the Pledged Revenues. The Issuer has not made and will not make any pledge or assignment of or create any lien or encumbrance upon the Pledged Revenues or the Revenue Fund having a priority higher than or equal to that of the Bonds except as provided in Section 2.02 hereof with regard to the issuance of Additional Bonds.

(f) ***Payment of Taxes, Charges, Etc.*** The Issuer will cause to be paid from the Revenue Fund all lawful taxes, assessments and charges at any time lawfully levied or assessed upon or against the Sewer System, or any part thereof, provided, however, that nothing contained in this Section shall require the payment of any such taxes, assessments or charges if the same are not required to be paid under the provisions of the Trust Agreement.

(g) ***Maintenance and Repair.*** The Issuer will cause the Sewer System to be kept in good repair and good operating condition, and the Issuer may, at its own expense, from time to time undertake additions, remodeling, modifications and improvements to the Sewer System under the terms and conditions set forth in this Article of the Trust Agreement and shall maintain fire and other extended coverage insurance in amounts not less than the full insurable value of the Sewer System as provided in the Trust Agreement.

(h) ***Public Records.*** The Issuer will cause the Trust Agreement and any amendments or supplements thereto and all necessary financing statements, amendments thereto, continuation statements and instruments of similar character relating to the pledges made by it to secure the Bonds, to be recorded and filed in such manner and in such places as may be required by law in order to fully preserve and protect the security of the Holders of any Bonds and the rights of the Trustee under the Trust Agreement.

(i) ***Annual Reports; Inspection of Books and Records.*** The Sewer System and all books and documents in the Issuer's possession or control relating to the Sewer System, the Revenue Fund, and the Pledged Revenues, shall at all times be open to inspection by such accountants or other agents as the Trustee, the Original Purchasers, or the Holder or Holders of 25% or more in principal amount of Bonds then outstanding may from time to time designate. The Issuer will, within nine months after the end of each Fiscal Year (or if unavailable by such date, then as soon as possible upon release), furnish to the Trustee, the Original Purchasers and to any Holder requesting the same and reimbursing the Issuer for the cost thereof an annual report of the operation and income of the Sewer System for such year. Such annual reports must be audited by an independent Certified Public Accountant selected by the Issuer.

(j) ***Compliance with Laws.*** The Issuer shall comply with all laws, rules and regulations of governmental agencies, including the Treasury Department of the United States of America, applicable to the Sewer System and the Bonds. In particular, but without limiting the generality of the foregoing, the Issuer shall comply with the requirements of Section 103 of the Code.

SECTION 11.02. Performance of Covenants Authorization.

The Issuer covenants that it will faithfully perform at all times its covenants, undertakings and agreements contained in this Trust Agreement, or in any Bond executed, authenticated and delivered hereunder or in any proceedings of the Issuer pertaining thereto. The Issuer represents and covenants that it is duly authorized under the laws of the Commonwealth of Kentucky to enter into this Trust Agreement and to pledge and grant a lien on the Revenue Fund and grant a pledge in the Pledged Revenues in the manner and to the extent herein set forth and the Issuer is duly authorized to issue the Bonds authorized hereunder; that all action on the Issuer's part for the issuance of the Bonds initially issued hereunder and for the execution and delivery of this Trust Agreement by the Issuer has been duly and effectively taken; and that such Bonds in the hands of the Holders are and will be valid and enforceable special obligations of the Issuer according to their terms.

Each duty of the Issuer and of its officers and employees undertaken pursuant to the Bond Legislation, the Bonds and this Trust Agreement is a duty specifically enjoined by law upon the Issuer and of each such officer and employee having authority thereunder or by provision of law to perform such duty, resulting from an office, trust or station, within the meaning of the Act, providing for enforcement by writ of mandamus.

SECTION 11.03. Insurance.

Until the Bonds shall be fully paid, the Issuer shall insure and at all times keep insured, at its own expense, or cause to be insured, but solely from Gross Revenues derived from the Sewer System, the property and equipment from time to time comprising the Sewer System, which are of an insurable nature. Such insurance policies shall be payable to the Issuer and the Trustee, as their interests shall appear, and such insurance policies shall be deposited or on file with the Trustee, and such insurance shall be of a kind and in an amount which normally would be carried by private companies operating similar properties and businesses. As an alternative to separate policies, the Sewer System may be insured under a blanket insurance policy or policies with other properties and operations of the Issuer. The Issuer shall have no duty to maintain said insurance if, in the judgment of an Authorized Officer, which judgment must be supported by written correspondence, recommendations, and/or a study of an Independent Engineer or insurance Consultant (who may be an insurance agent with whom the Issuer transacts business), such insurance is cost prohibitive or unavailable at a reasonable cost.

All insurance policies shall be open to the inspection of the Holders and their representatives at any reasonable time. Any appraisal or adjustment of any loss or damage and any settlement or payment of indemnity therefor which may, with the approval of an Independent Engineer or insurance Consultant be agreed upon between the Issuer and the insurer, shall be evidenced to the Trustee by a certificate signed by an Authorized Officer, which certificate may be relied upon by the Trustee as conclusive. The Trustee shall in no way be liable or responsible for the collection of insurance moneys in case of any loss or damage.

The Issuer shall provide the Trustee annually, commencing in July 1 2015, with a certificate as to compliance with the provisions of this Section. The Trustee shall be entitled to conclusively rely upon said Issuer certificate as the Issuer's compliance with the insurance requirements. The Trustee makes no representations as to, and shall have no responsibility for, the sufficiency or adequacy of insurance.

Notwithstanding the foregoing provisions of this Section, if at any time (a) it shall be unlawful to carry any insurance referenced above, (b) the Issuer shall be unable to obtain such insurance or as to the risks covered thereby or the deductible provisions thereof, or (c) the Issuer desires to maintain self-insurance, it will not constitute an Event of Default under the provisions of this Trust Agreement if the Issuer shall carry or cause to be carried Qualified Self Insurance, provided that the requirements hereinafter set forth are satisfied.

As part of its participation in any plan of Qualified Self Insurance, the Issuer shall assess (or have an assessment performed), either through an independent insurance consultant or internally through an employee or agent of the Issuer professionally qualified to make insurance determinations, or alternatively through a certification provided by the Legal Officer, that the

amount and scope of coverage of such Qualified Self Insurance will be of a kind of self-insurance and in an amount that will meet or exceed coverage standards established by the Commonwealth of Kentucky for Qualified Self Insurance plans. Each plan of Qualified Self Insurance shall be in written form and the Trustee shall be provided with a copy thereof.

The Issuer covenants that, upon the termination of such plan of Qualified Self Insurance, reserves will be established or insurance acquired in an amount or amounts adequate to meet Commonwealth of Kentucky standards for adequate reserves or other legally permissible insurance coverage, 25% or more of the Holders or the Trustee, at the written request of 25% or more of the Holders, may request, at the expense of the Issuer, evidence that any such reserves or other legally permissible insurance coverage satisfies Commonwealth of Kentucky standards for adequate insurance coverage as such coverage pertains to the Sewer System, and may request that such evidence of adequate insurance be provided by an independent insurance consultant or an employee or agent of the Issuer professionally qualified to make insurance determinations. If such independent insurance consultant or employee or agent of the Issuer professionally qualified to make insurance determinations, makes a determination that such reserves or other legally permissible insurance is inadequate in light of the Commonwealth of Kentucky insurance standards, such person shall make recommendations as to the amount of reserves or alternate types of legally permissible insurance that should be established and maintained or obtained, and the Issuer shall comply with such recommendations, unless it can establish to the satisfaction of the respective Holders or the Trustee making the request for evidence of adequate insurance that such recommendations are unreasonable in light of the nature of the risks incurred. After the steps set forth have been taken, to the extent that 25% or more of the Holders or the Trustee, at the written request of 25% or more of the Holders, continue to require evidence of adequate reserves or other legally permissible insurance as determined by the Commonwealth of Kentucky standards for adequate insurance, a certification from the Legal Officer as to the adequacy of reserves or other legally permissible insurance shall satisfy the Issuer's obligations for insurance under this Section. The Trustee makes no representations as to, and shall have no responsibility for, the sufficiency or adequacy of insurance.

SECTION 11.04. Application of Proceeds of Insurance.

All insurance moneys received by the Issuer or the Trustee pursuant to an insurance policy or policies, or distributions from a plan of Qualified Self Insurance, or distributions from legally permissible insurance reserves, on account of damages to or partial or total destruction of the Sewer System shall be provided to the Trustee and held by the Trustee as security for the Bonds and shall be disbursed, from time to time by the Trustee, upon the order of the Issuer to reimburse the Issuer for expenditures made, or to pay indebtedness incurred, in respect of the cost of repairing, replacing, or rebuilding the damaged or destroyed property, upon receipt by the Trustee of:

- (a) A written instrument signed in the name of, and on behalf of the Issuer by an Authorized Officer or Director of Water Quality, requesting the disbursement of a specified amount of such moneys, describing in reasonable detail the work done and materials purchased by way of repairing, replacing, or rebuilding the damaged or destroyed property, and stating that such amount is required to reimburse the Issuer for expenditures made on account of the cost thereof, or that immediately upon its receipt by

the Issuer, such amount will be applied by it to the payment of indebtedness incurred in respect of the cost thereof, and, further, that no reimbursement or advance has been made previously by the Trustee, for the expenditures made or to be made, on account of which such request is made. In lieu of the above mentioned certificates as to work done and moneys theretofore expended in the event the repairing, replacing, or rebuilding of such damaged or destroyed property is to be done under contract pursuant to the receipt of bids, as provided by law, and the Issuer does not have sufficient funds available for the payment of such contract costs, then in such event the instrument to be furnished in compliance with this paragraph (a) shall request the immediate certification as to availability of such specified amount of such moneys and the description as to the work and materials shall refer to the work and materials to be done by the contractor and state that bids have been called for in accordance with law and received covering such work and materials, and that contracts will be entered into by the Issuer for such work and materials as soon as funds can be certified as available therefor, and that such sums when received will be applied by it to the payment of such contract cost, in which event the Trustee shall, if it shall have been furnished with the remaining certificate and opinion called for by this Section, issue to an Authorized Officer its certificates as to the availability of such specified amount of moneys, and thereafter pay the same to the Issuer upon the order of an Authorized Officer, as amounts become due under the said contract or contracts, as certified by said Authorized Officer;

(b) A certificate signed by the Director of Water Quality, an engineer, or other professional qualified to make determinations as to the adequacy and appropriateness of the repair, replacement, or rebuilding the damaged or destroyed property to the Sewer System not unsatisfactory to the Trustee approving the work and materials described in the instrument required by the foregoing paragraph (a) stating that the amount specified in such instrument is not in excess of the reasonable cost of such work and materials, and specifying the additional amount, if any, required to complete the repairing, replacing or rebuilding of the damaged or destroyed property, and further, that, in his opinion, the Sewer System will not be worth substantially less upon completion thereof than before such damage or destruction; and

(c) A certificate, signed in the name and on behalf of the Issuer certifying that the Issuer has appropriated, and has available for the purposes of the above mentioned repairing, replacing, or rebuilding, and free from appropriation for any other purposes, sufficient moneys, so that, when added to the available insurance moneys then in the hands of the Trustee, there will be sufficient funds to complete the proposed repairing or rebuilding (this certificate may be omitted if the certificate described in the foregoing paragraph (b) shows that no funds will be required in addition to the available insurance moneys in the hands of the Trustee).

If the Issuer shall not have begun within 60 days after such damage or destruction to so repair, replace or rebuild, and shall not proceed, continuously and with all reasonable dispatch, to complete such work, the Trustee may, and upon the written request of the Holders of at least 25% of the principal amount of the Bonds at the time outstanding and upon being indemnified to its satisfaction shall, repair, replace, or rebuild the damaged or destroyed property, or cause the same to be done. In such event the Trustee shall apply to the cost thereof the insurance moneys

held by it pursuant to the provisions of this Section; provided, however, that before applying any such moneys, the Trustee shall obtain the certificate of the Director of Water Quality, or an engineer or contractor satisfactory to it, approving the work and materials, the cost of which is to be paid with such moneys, stating that the amount proposed so to be paid is not in excess of the reasonable cost of such work and materials and specifying the additional amount, if any, required to complete the repair, replacement or rebuilding of the damaged or destroyed property.

If upon completion of such work any moneys received by the Trustee pursuant to the provisions of this Section shall remain in its hand undisbursed, the Trustee shall apply such moneys, first, to the reimbursement of itself for any fees and expenses incurred or advanced hereunder; second, to the reimbursement of any moneys advanced by any Holder or Holders of outstanding Bonds, and third, to the payment of any surplus to the Bond Account created by the Bond Legislation.

Notwithstanding any provision hereinbefore in this Section contained, the Trustee shall not release or apply any insurance moneys received on account of damage to or partial or total destruction of the Sewer System or on account of the repairing, replacing or rebuilding the damaged or destroyed property if such release or application would reduce the balance of all insurance moneys received by the Trustee pursuant to the provisions of this Section, then remaining on deposit with it, below the amount specified in a certificate of an engineer or contractor satisfactory to the Trustee, to be the amount required (after application to the cost of such repair, replacement or rebuilding of the amount to be so released or applied) to pay the cost of such portion of such repair, replacement or rebuilding as shall then remain to be completed, except as provided in paragraph (c) hereof.

If the Issuer shall fail to repair, replace, or rebuild the damaged or destroyed property as in this Section provided, and if the Trustee shall not proceed with such repair, replacement or rebuilding, moneys received by the Trustee shall be paid by the Trustee into the Bond Account.

SECTION 11.05. Books of Record and Account Financial Records.

The Issuer will keep or cause to be kept proper books of record and account (separate entirely from all other records and accounts of the Issuer) in which full and complete entries shall be made of all dealings and transactions of or in relation to the properties, business or affairs of the Sewer System in accordance with generally accepted accounting practices. The Issuer will at any time and all times, upon written request of the Original Purchasers and/or Trustee and at the expense of the Issuer:

(a) Permit the Trustee, by its representatives, or the purchasers or Holders of at least 10% in aggregate principal amount of the Bonds, to examine and inspect the books of account, records, reports, and other papers of the Issuer and Sewer System in any way relating to the properties, business or affairs of the Sewer System, and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such examination and inspection.

(b) Furnish to the Trustee and/or the representative, on forms satisfactory to them, monthly reports, audits, statements and any and all such other information as the Trustee and representative may reasonably request.

The Trustee shall be under no duty to institute any examination or inspection or to require the Issuer to furnish any statement or information, unless requested to do so by the Holders of at least 25% in principal amount of the Bonds at the time outstanding and unless indemnified as hereinafter provided.

In addition, the Issuer will, as long as any of the Bonds are outstanding, at its own expense, but only from the revenues of the Sewer System, furnish to the Trustee and the representative on or before nine months following the end of each Fiscal Year (or if unavailable by such date, then as soon as possible upon release), a financial statement audited by an independent Certified Public Accountant showing in reasonable detail the income and expenditures of the Sewer System for such Fiscal Year and other matters usual and customary in such financial statements; and will further furnish to the Trustee within nine months after the end of the Issuer's Fiscal Year (or if unavailable by such date, then as soon as possible upon release) the Issuer's Comprehensive Annual Financial Report to the Commonwealth of Kentucky or any successor report.

SECTION 11.06. Payment of Principal and Interest.

The Issuer will, but without pledging its full faith, credit, or taxing power, and only to the extent that the Pledged Revenues of the Sewer System suffice, pay the principal of and interest on every Bond on the dates and at the places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof. Except as otherwise provided in this Trust Agreement, the principal, interest and premiums, if any, are payable solely from such Pledged Revenues derived from the ownership or operation of the Sewer System, which Pledged Revenues are hereby pledged to the payment thereof in the manner and to the extent hereinabove particularly specified, and nothing in the Bonds or this Trust Agreement shall be construed as pledging any other assets of the Issuer for their payments.

Interest shall be payable pursuant to the terms of the Bond Legislation and Section 2.04 hereof. The principal of the Bonds shall be payable only upon presentation and surrender of the several Bonds as they respectively become and are due and payable.

Anything in this Trust Agreement, the Bond Legislation, or the Bonds to the contrary notwithstanding, the general credit of the Issuer shall not be pledged to the performance of any duty under the aforesaid Trust Agreement, Bond Legislation or Bonds, but any payment or duty under the Trust Agreement, Bond Legislation or Bonds shall be performed only so far as possible from the Pledged Revenues of the Sewer System; provided, however, that nothing herein shall be deemed to prohibit the Issuer from using of its own volition, any of its general resources for the performance of any of its duties under this Trust Agreement, the Bond Legislation or the Bonds.

SECTION 11.07. Covenants as to Rates.

The rates presently charged and to be charged for services rendered by the Sewer System have heretofore been established but it is hereby understood and agreed with the Holders that

said rates are not the maximum rates, and when necessary for the purpose, the Issuer, through the Legislative Authority, covenants and agrees to raise the same forthwith in order to meet all the requirements of this Trust Agreement, the Bond Legislation, and the respective funds established and provided in the Bond Legislation.

SECTION 11.08. No Liens or Charges on Utility or Pledged Revenues.

The Issuer covenants that it will duly observe and comply with all valid requirements of any governmental authority relative to the Sewer System or any part thereof, that it will not create or suffer to be created any lien or charge upon the Sewer System or any part thereof or upon the Pledged Revenues therefrom, except the lien and charge of the Bonds secured hereby upon such Pledged Revenues, and that, from such Pledged Revenues or other available funds, it will pay or cause to be discharged, or will make adequate provisions to satisfy and discharge, within 60 days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Sewer System or any part thereof or the Pledged Revenues therefrom; provided, however, that nothing in this Section contained shall require the Issuer to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings. Nothing contained in this Trust Agreement shall prevent the Issuer from issuing, bonds, notes, or other obligations under another or separate ordinance, resolution, or agreement, so long as the charge or lien created by such documentation is not prior to or equal to the charge or lien created by this Trust Agreement.

SECTION 11.09. Rights of Trustee or Holders Not to be Impaired.

The Issuer covenants and agrees that, until the Bonds and interest thereon shall have been paid or provision for such payment shall have been made, as further provided in Sections 4.01 and 10.02 of this Trust Agreement, none of the Pledged Revenues of the Sewer System will be used for any purpose other than as provided in this Trust Agreement and no contract or contracts will be entered into or any action taken by which the rights of the Trustee or of the Holders will be impaired or diminished.

SECTION 11.10. Annexation.

The Issuer covenants not to approve or order any annexation of any portion of the Issuer served by the Sewer System without making provision for maintaining control of said Sewer System and/or adequate rates, charges, and revenues required by the Bond legislation and this Trust Agreement as long as any Bonds authorized hereunder or on a parity therewith, may be outstanding.

SECTION 11.11. Further Assurances.

The Issuer covenants that it will, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Trust Agreement.

SECTION 11.12. Disposition by Issuer.

The Issuer covenants that, until the Bonds and the interest thereon shall have been paid, or provision for such payment shall have been made, as further provided in Sections 4.01 and 10.02 of this Trust Agreement, and except as in this Trust Agreement or otherwise permitted, it will not sell, lease, or otherwise dispose of or encumber the Sewer System or any part thereof. The Issuer, while not in default hereunder or under the Bonds, shall, however, have full power from time to time in its discretion without reference to the Trustee (a) to dispose of all furniture, furnishings, equipment, machinery or other chattels which are no longer of use to the Sewer System or which are being replaced by similar items which are of at least equal value, as certified by the Director of Water Quality, and (b) to use or consume in the ordinary course of the business of the Sewer System such part of its supplies, raw materials, inventory and other personal property as is intended for such use and consumption.

SECTION 11.13. Rules and Regulations.

The Issuer covenants that reasonable rules and regulations governing the use of the Sewer System and the operation thereof will be established and enforced, that all compensation, salaries, fees, and wages paid by the Issuer in connection with the maintenance, repair, and operation of the Sewer System will be reasonable, that no greater number of persons will be employed than is necessary, that the Sewer System will be maintained and operated by the Issuer in an efficient and economical manner and in good repair and sound operating conditions, that all necessary repairs, renewals, and replacements will be made, and that the Issuer will comply with all valid acts, rules, regulations, orders, and directions of any legislative, executive, administrative or judicial body applicable to the Sewer System.

SECTION 11.14. Vacant Real Property.

The Issuer may, from time to time, sell, but only for cash, any vacant real property or release, relinquish or extinguish any interest in real property as the Issuer by ordinance shall declare is not needed or serves no useful purpose in connection with the maintenance and operation of the Sewer System, and the proceeds thereof, if any, shall be paid into the Surplus Account.

**ARTICLE XII
MEETINGS OF HOLDERS**

SECTION 12.01. Purposes of Meetings.

A meeting of the Holders may be called at any time and from time to time pursuant to the provisions of this Article, to take any action (a) authorized to be taken by or on behalf of the Holders of any specified aggregate principal amount of the Bonds, or of that series, (b) under any provision of this Trust Agreement or authorized or permitted by law.

SECTION 12.02. Call of Meetings.

The Trustee may call at any time a meeting of Holders pursuant to Section 12.01 hereof to be held at any reasonable time and place the Trustee shall determine. Notice of such meeting, setting forth the time, place and generally the subject thereof, shall be mailed by first class mail, postage prepaid, not fewer than 15 nor more than 90 days prior to the date of the meeting to the Holders at their addresses as they appear on the Register on the fifteenth day preceding such mailing, which fifteenth day, preceding the mailing shall be the record date for the meeting.

At any time, the Issuer or the Holders of at least 25% in aggregate principal amount of the Bonds then outstanding shall have requested the Trustee to call a meeting of Holders, by written request setting forth the purpose of the meeting, and the Trustee shall not have mailed the notice of the meeting within 20 days after receipt of the request, then the Issuer or the Holders of Bonds in the amount above specified may determine the time and the place of the meeting and may call the meeting to take any action authorized in Section 12.01 hereof, by mailing notice thereof as provided above.

Any meetings of Holders shall be valid without notice, if the Holders of all Bonds then outstanding are present in person or by proxy, or if notice is waived before or after the meeting by the Holders of all Bonds outstanding who were not so present at the meeting, and if the Issuer and the Trustee are either present by duly authorized representatives or have waived notice, before or after the meeting.

SECTION 12.03. Voting.

To be entitled to vote at any meeting of Holders, a Person shall (a) be a Holder of one or more outstanding Bonds as of the record date for the meeting as determined above, or (b) be a person appointed by an instrument or document in writing as proxy by a Person who is a Holder as of the record date for the meeting, of one or more outstanding Bonds. Each Holder or proxy shall be entitled to one vote for each Authorized Denomination held or represented by it.

The vote upon any ordinance or resolution submitted to any meeting of Holders shall be by written ballots on which shall be subscribed the signatures of the Holders of Bonds or of their representatives by proxy and the identifying number or numbers of the Bonds held or represented by them.

SECTION 12.04. Meeting.

Notwithstanding any other provisions of this Trust Agreement, the Trustee may make any reasonable regulations which it may deem to be advisable for meetings of Holders, with regard to:

- (a) proof of the holding of Bonds and of the appointment of proxies,
- (b) the appointment and duties of inspectors of votes,
- (c) recordation of the proceedings of those meetings,
- (d) the execution, submission and examination of proxies and other evidences of the right to vote, and
- (e) any other matters concerning the conduct adjournment or reconvening of meetings which it may think fit.

The Trustee shall appoint a temporary chair of the meeting by an instrument or document in writing, unless the meeting shall have been called by the Issuer or by the Holders. As provided in Section 12.02 hereof, in which case the Issuer or the Holders calling the meeting, as the case may be, shall appoint a temporary chair in like manner. A permanent chair and a permanent secretary of the meeting shall be elected by vote of the Holders of a majority in principal amount of the Bonds represented at the meeting and entitled to vote.

The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at the meeting and their counsel, any representatives of the Trustee or Registrar and their counsel and any representatives of the Issuer and its counsel.

SECTION 12.05. Miscellaneous.

Nothing contained in this Article shall be deemed to construe to authorize or permit any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Holders under any of the provisions of this Trust Agreement or of the Bonds by reason of any call of a meeting of Holders or any rights conferred expressly or impliedly hereunder to make a call.

**ARTICLE XIII
MISCELLANEOUS**

SECTION 13.01. Instruments of Holders.

Any consent, request, direction, approval, objection or other instrument required by the Trust Agreement to be signed and executed by the Holders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Holders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection, or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner shall be sufficient for any of the purposes of this Trust Agreement, and shall be conclusive in favor of the Trustee with regard to any action taken under such request or other instrument, namely:

(a) The fact and date of the execution by the person of any such writing may be proved by the certificate of any officer in any jurisdiction, who by law has power to take acknowledgments within such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership of Bonds shall be proved by the registration books maintained by the Trustee.

Nothing contained herein shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matter herein stated which it deems to be sufficient. Any request or consent of the Holder of any Bond shall bind every future Holder of the same Bond, in respect to anything done or suffered to be done by the Issuer, the Trustee in pursuance of such request or consent.

SECTION 13.02. Limitation of Rights.

Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Issuer, the Trustee, the Paying Agent, the Registrar, and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises, and agreements in this Trust Agreement contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Paying Agent, the Registrar, and the registered owners of the Bonds.

SECTION 13.03. Severability.

In case any clause, provision or section of this Trust Agreement, or in case any covenant, stipulation, obligation, agreement, act, or action, or part thereof, made, assumed, entered into, or taken under this Trust Agreement, or any application thereof, is for any reason held to be illegal, invalid, or inoperable, such illegality or invalidity or inoperability shall not affect the remainder thereof or any other clause, provision or section of this Trust Agreement or any other covenant, stipulation, obligation, agreement, act, or action, or part thereof, made, assumed, entered into, or taken under this Trust Agreement, which shall at the time be construed and enforced as if such

illegal or invalid or inoperable portion were not contained herein, nor shall such illegality or invalidity or inoperability or any application thereof affect any legal and valid and operable application from time to time, and each such section, provision, covenant, stipulation, obligation, agreement, act, or action, or part thereof, shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent from time to time permitted by law.

SECTION 13.04. Notices.

Except as provided in Section 8.01 hereof, it shall be sufficient service or giving of any notice, request, complaint, demand or other paper if the same shall be duly mailed by certified mail, return receipt requested, addressed as follows: if to the Issuer; Lexington-Fayette Urban County Government, c/o Commissioner of Finance, 200 East Main Street Lexington, Kentucky 40507, Attn: Commissioner of Finance; if to the Trustee; The Bank of New York Mellon Trust Company, N.A., 614 West Main Street, Suite 2600, Louisville, Kentucky 40202 Attn: Corporate Trust Department. The Issuer and the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent, but no such notice shall thereby be required to be sent to more than two addresses.

SECTION 13.05. Electronic Communication.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means; provided, however, that the Issuer shall provide to the Trustee an incumbency certificate listing its Authorized Officers and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Issuer whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Issuer understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Issuer shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Issuer and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Issuer. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Issuer; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree

of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

SECTION 13.06. Suspension of Mail.

If because of the suspension of delivery of first class mail or, for any other reason, the Trustee shall be unable to mail by the required class of mail any notice required to be mailed by the provisions of this Trust Agreement, the Trustee shall give such notice in such other manner as in the judgment of the Trustee shall most effectively approximate mailing thereof, and the giving of that notice in that manner for all purposes of this Trust Agreement shall be deemed to be in compliance with the requirement for the mailing thereof. Except as otherwise provided herein, the mailing of any notice shall be deemed complete upon deposit of that notice in the mail and the giving of any notice by any other means of delivery shall be deemed complete. upon receipt of the notice by the delivery service.

SECTION 13.07. Payments Due on Sundays and Holidays.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Sunday or a day on which the Trustee is required, or authorized or not prohibited, by law (including executive orders) to close and is closed, then payment of such interest or principal and any redemption premium need not be made on such date but may be made on the next succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date.

SECTION 13.08. Priority Over Other Liens.

This Trust Agreement is given in order to secure funds to pay for the purposes herein stated, and it is intended that this Trust Agreement shall be superior to any liens which may be placed upon the Pledged Revenues and the Revenue Fund.

SECTION 13.09. Extent of Covenants; No Personal Liability.

All covenants, stipulations, obligations, and agreements of the Issuer contained in the Trust Agreement shall be effective to the extent authorized and permitted by applicable law. No such covenant, stipulation, obligation or agreement shall be deemed to be a covenant, stipulation, obligation, or agreement of any present or future member, officer, agent or employee of the Issuer in his individual capacity, and neither the members of the Legislative Authority nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 13.10. Power to Issue Bonds and Make Pledges.

The Issuer is duly authorized pursuant to law to create and issue the Bonds and enter into this Trust Agreement and to pledge the revenues herein pledged and all its right, title and interest in and under the Trust Agreement in the manner and to the extent provided in this Trust Agreement. The Bonds are and will be the valid and legally enforceable special obligations of the Issuer and the provisions of this Trust Agreement are and will be the valid and legally

enforceable obligations of the Issuer, all in accordance with their terms and the terms of this Trust Agreement. Nothing herein shall be construed as giving any Holder or the Trustee the right to have any taxes or excises levied by the Issuer, the Commonwealth of Kentucky or any political subdivision thereof for the payment of Bond Service Charges. The Issuer shall at all times, to the extent permitted by law, defend, preserve, and protect the pledge of the Pledged Revenues herein pledged, the Revenue Fund and all its right, title and interest in and under the Trust Agreement and all the rights of the Holders under this Trust Agreement against all claims and demands of all persons whomsoever.

SECTION 13.11. Binding Effect.

This instrument shall inure to the benefit of and shall be binding upon the Issuer and the Trustee and their respective successors and assigns, subject, however, to the limitations contained in the Trust Agreement.

SECTION 13.12. Counterparts.

This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 13.13. Captions.

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

SECTION 13.14. Governing Law.

This Trust Agreement, and the Bonds shall be deemed to be contracts made under the laws of the Commonwealth of Kentucky and for all purposes shall be governed by and construed in accordance with the laws of the Commonwealth of Kentucky.

SECTION 13.15. Separate Capacities.

Anything in this Trust Agreement to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, Registrar or a co-Registrar or a Paying Agent, Authenticating or Transfer Agent and in any other combination of such capacities, to the extent permitted by law.

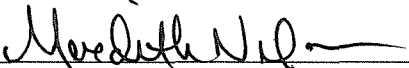
[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Lexington-Fayette Urban County Government, Commonwealth of Kentucky, has caused this Trust Agreement to be executed in the name of the Issuer by its Mayor and attested by the Urban County Council Clerk and The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, as Trustee, in token of its acceptance of the trusts created hereunder has caused this Trust Agreement to be executed in its corporate name by its authorized representative, as its trust officer, all as of the day and year first above written.

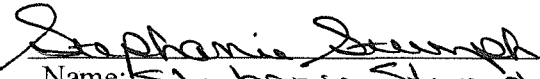
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

By:  _____
Jim Gray
Mayor

ATTEST:

By:  _____
Meredith Nelson
Urban County Council Clerk

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:  _____
Name: Stephanie Stump
Title: Vice President

COMMONWEALTH OF KENTUCKY)
 SS:)
COUNTY OF FAYETTE)

On this 20th day of October, 2014, before me a notary public in and for the Issuer and Commonwealth aforesaid, personally appeared Jim Gray, to me known to be the Mayor of the Lexington-Fayette Urban County Government, and to me known to be the person who executed the foregoing instrument, and acknowledged the execution thereof to be his/her free act and deed and the free act and deed of the Lexington-Fayette Urban County Government, for the uses and purposes therein mentioned, and acknowledged to me that he did so sign said instrument in the name and upon behalf of said Issuer as such officer; that the same is his free act and deed as such officer, and the free and official act and deed of said Issuer; and that he was duly authorized thereunto.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year in this certificate first above written.

Meredith Elaine Nida
Notary Public, Commonwealth of Kentucky #H 76523

My commission expires: Nov. 10, 2016

(SEAL)

COMMONWEALTH OF KENTUCKY)
SS:)
COUNTY OF FAYETTE)

On this 20th day of October, 2014, before me a notary public in and for the Issuer and commonwealth aforesaid, personally appeared Stephanie Stumph to me known to be Vice President of The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, and to me known to be the person who executed the foregoing instrument, and acknowledged the execution thereof to be his/her free act and deed and the free act and deed of said corporation, for the uses and purposes therein mentioned, and acknowledged to me that he/she did so sign said instrument in the name and upon behalf of said corporation as such officer, that the same is his/her free act and deed as such officer, and the free and official act and deed of said corporation; and that he/she was duly authorized thereunto by its board of directors or trustees.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year in this certificate first above written.

Meredith Elaine Nela #476523
Notary Public, Commonwealth of Kentucky

My commission expires: Nov. 10, 2016

(SEAL)

**EXHIBIT A
REQUISITION FORM
DISBURSEMENT REQUEST – CONSTRUCTION ACCOUNT**

To:	The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, Trustee under an Trust Agreement from the Lexington-Fayette Urban County Government, dated as of September 1, 2014, securing the [\$Amount and Name of Bond Issue] and any Additional Bonds issued on a parity therewith under the terms of said Trust Agreement.
Date:	
Pay to:	
From:	The Construction Account held under the terms of said Trust Agreement by you, as Trustee.
Amount:	
Purpose:	

The undersigned has requested Item Number __ in the amount of **[\$Amount]** to be paid to **[Name of Person, Firm or Corporation to whom payment/reimbursement is due]** for the purpose(s) of [_____], and does hereby certify to the following as set forth below. All terms used herein, but not defined herein, shall have the same meanings set forth in the Trust Agreement, dated as of September 1, 2014 by and between the Lexington-Fayette Urban County Government (the “Issuer”) and The Bank of New York Mellon Trust Company, N.A., Kentucky Trustee.

- a. The undersigned certifies that the obligations in the stated amounts have been incurred by the Issuer and each such obligation is a proper charge against the appropriate Construction Account and has not been previously paid therefrom.
- b. The undersigned certifies that there has not been filed with or served upon the Issuer notice of any lien, right to lien, attachment upon, or claim affecting the right to receive payment of any of the moneys payable to any of the persons, firms, or corporations named in such requisition, which has not been released or will not be released simultaneously with the payment of such obligation.
- c. The undersigned certifies that such requisition contains no item representing payment on account of any retained percentage which the Issuer is, at the date of such certificate, entitled to retain.

[The undersigned hereby certifies that the above payment is for replacements of or improvements to a “project” originally financed with bond proceeds of an issue that was refunded, directly or subsequently, by the **[Name of Bonds]**. Payment shall be made within five business days of receipt of this requisition by you as Trustee.]

**[Authorized Officer]
[Director of Water Quality]**

**EXHIBIT B
REQUISITION FORM
TRANSFER OF MONEYS FROM SURPLUS ACCOUNT**

To:	The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, Trustee under an Trust Agreement from the Lexington-Fayette Urban County Government, dated as of September 1, 2014 securing Sewer System Revenue Bonds and any Additional Bonds issued on a parity therewith under the terms of said Trust Agreement.
Date:	
Pay to:	
From:	
Amount:	
Purpose:	

The undersigned hereby certifies that the above payment request from the Surplus Account is for **[PURPOSE]**. Payment shall be made within five business days of receipt of this requisition by you as Trustee.

Director of Water Quality (or designee)

EXHIBIT C
PROVISIONS CONCERNING SUBORDINATE OBLIGATIONS

Subordinate Obligations shall mean Obligations which, with respect of any issue thereof, is evidenced by instruments, or issued under a trust agreement or other document, containing provisions of the subordination of such Obligations (to which appropriate reference shall be made in the instruments evidencing such Obligations) substantially as follows (the term "Subordinate Obligation" or "Subordinate Obligations" being, for convenience, used in the provisions set forth below to designate the instruments issued to evidence subordinated debt and the term "this Trust Agreement" to designate the instrument, trust agreement or other document containing such provisions):

"All Subordinate Obligations issued under this Trust Agreement shall be issued subject to the following provisions and each person taking or holding any such Subordinate Obligation whether upon original issue or upon transfer or assignment thereof accepts and agrees to be bound by such provisions.

"All Subordinate Obligations issued hereunder shall, to the extent and in the manner hereinafter set forth, be subordinated and subject in right to the prior payment in full of Superior Indebtedness as defined in this Section. For all purposes of this Section the term "Superior Indebtedness" shall mean all Bonds (other than Bonds containing these subordination provisions) now or hereafter issued and outstanding under that certain Trust Agreement, dated as of September 1, 2014 (the "Trust Agreement"), by and between the Lexington-Fayette Urban County Government and The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, as trustee (the "Trustee"), as supplemented and modified to the date hereof, or as the same may hereafter from time to time be further supplemented and modified and any other obligations secured by or evidencing, directly or indirectly, obligations evidenced by such Bonds.

"No payment on account of principal, premium, if any, sinking funds or interest on the Subordinate Obligations shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the Subordinate Obligations, unless full payment of amounts then due and payable for principal, premium, if any, sinking funds and interest on Superior Indebtedness has been made or duly provided for in accordance with the terms of such Superior Indebtedness, nor shall payments on account of principal, premium, if any, sinking funds or interest on the Subordinate Obligations be made if the Net Revenues during that twelve (12) consecutive calendar months in which Net Revenues was the greatest in the eighteen (18) immediately preceding calendar months immediately preceding the calendar month in which such Subordinate Obligations are issued, is at least equal to 105% of the maximum annual Principal and Interest Requirements; provided, however, that if Governmental Regulations, as defined in the Trust Agreement, then in existence do not permit or by their application make impracticable the attainment of such level, payments on account of principal, premium, if any, sinking funds or interest on the Subordinate Obligations may be made so long as such ratio is at least 100%. No payment on account of principal, premium, if any, sinking funds or interest on the Subordinate Obligations shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of the Subordinate Obligations, if, at the time of such payment or application or immediately after giving effect thereto, (a) there shall exist a default in

the payment of principal, premium, if any, sinking funds or interest with respect to any Superior Indebtedness, or (b) there shall have occurred an event of default (other than a default in the payment of principal, premium, if any, sinking funds or interest) with respect to any Superior Indebtedness, as defined therein or in the instrument under which the same is outstanding, permitting the holders thereof to accelerate the maturity thereof and written notice of such occurrence shall have been given to the issuer of the Subordinate Obligations pursuant to the instrument under which such Superior Indebtedness is outstanding and such event of default shall not have been cured or waived or shall not have ceased to exist.

“Upon (a) any acceleration of maturity of the principal amount due on the Subordinate Obligations or (b) any payment or distribution of any kind or character, whether in cash, property or securities, upon any dissolution or winding up or total or partial liquidation, reorganization or arrangement of the issuer of the Subordinate Obligations, whether voluntary or involuntary or in bankruptcy, insolvency, receivership, or other proceedings, all principal, premium, if any, and interest due or to become due upon all Superior Indebtedness shall first be paid in full, or payment thereof provided for in accordance with the terms of such Superior Indebtedness, before any payment is made on account of the principal, premium, if any, or interest on the indebtedness evidenced by the Subordinate Obligations, and upon any such dissolution or winding up or liquidation, reorganization or arrangement, any payment or distribution of any kind or character, whether in cash, property or securities, to which the holders of the Subordinate Obligations or the Trustee under this Trust Agreement would be entitled, except for the provisions hereof, shall be paid by the issuer of the Subordinate Obligations, or by an receiver, trustee in bankruptcy, liquidating trustee, agent or other person making such payment or distribution, to the Trustee to the extent necessary to pay all Superior Indebtedness in full after giving effect to any concurrent payment or distribution to the Trustee for the holders of Superior Indebtedness, before any payment or distribution is made to the holders of the indebtedness evidenced by the Subordinate Obligations or to the Trustee under this Trust Agreement.

“In the event that, in violation of any of the foregoing provisions, any payment or distribution of any kind or character, whether in cash, property, or securities, shall be received by the Trustee under this Trust Agreement or by the holders of the Subordinate Obligations before all Superior Indebtedness is paid in full, or provision for such payment in accordance with the terms of such Superior Indebtedness, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to the Trustee for application to the payment of all Superior Indebtedness remaining unpaid to the extent necessary to pay all such Superior Indebtedness in full in accordance with its terms, after giving effect to any concurrent payment or distribution to the Trustee for the holders of such Superior Indebtedness.

“No present or future holder of Superior Indebtedness shall be prejudiced in his right to enforce subordination of the indebtedness evidenced by the Subordinate Obligations by any act or failure to act on the part of the issuer of the Subordinate Obligations or anyone in custody of its assets or Property.

“The foregoing subordination provisions shall be for the benefit of the holders of Superior Indebtedness and may be enforced by the Trustee against the holders of Subordinate Obligations or any trustee therefor”; provided, however, that the trust agreements or other instruments creating or evidencing subordinated debt or pursuant to which any subordinated debt

is issued shall provide: (a) that the foregoing provisions are solely for the purpose of defining the relative rights of the holders of "Superior Indebtedness" (as defined therein) on the one hand and the holders of the subordinated debt on the other hand, and that nothing therein shall impair, as between the issuer of the Subordinate Obligations and the holders of the subordinated debt, the obligation of the issuer of the Subordinate Obligations to pay to the holders thereof the principal thereof, premium, if any, and interest thereon in accordance with its terms, nor shall anything therein prevent the holders of the subordinated debt or any Trustee on their behalf from exercising all remedies otherwise permitted by applicable law or thereunder upon default thereunder, subject to the rights set forth above of the holders of "Superior Indebtedness" to receive cash, property, or securities otherwise payable or deliverable to the holders of the subordinated debt, (b) that upon any payment or distribution of assets of the issuer of the Subordinate Obligations of the character referred to in the fourth paragraph of the foregoing provisions, the Trustee under any trust agreement relating to subordinated debt shall be entitled to rely upon any order or decree of a court of competent jurisdiction in which such dissolution, winding up, liquidation, reorganization or arrangement proceedings are pending, and upon a certificate of the receiver, trustee in bankruptcy, liquidating trustee, agent or other person making any such payment or distribution, delivered to said Trustee for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of "Superior Indebtedness" and other indebtedness of the issuer of the Subordinate Obligations, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to the foregoing provisions, and (c) that the Trustee under any trust agreement relating to subordinated debt and any paying agent therefor shall not be charged with knowledge of the existence of any facts which would prohibit the making of any payment of moneys to or by such Trustee or such paying agent, unless and until such Trustee or such paying agent, as the case may be, shall have received notice thereof from the issuer of the Subordinate Obligations or from one or more holders of "Superior Indebtedness," or from the Trustee.