

NEW ISSUE

RATINGS: See "RATINGS" herein

In the opinion of Wyatt, Tarrant & Combs, LLP, Bond Counsel, (i) under the Internal Revenue Code (the "Code") as presently enacted and construed and subject to the conditions and limitations set forth herein under the caption "TAX TREATMENT," interest on the Series 2022 Notes is excludable from gross income for Federal income tax purposes, although such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and (ii) the Series 2022 Notes are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities. See "TAX TREATMENT" herein.

\$226,340,000

**LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT
SEWER AND DRAINAGE SYSTEM
SUBORDINATED BOND ANTICIPATION NOTES, SERIES 2022**



Dated: Date of Delivery
Interest Rate: 4.00%

Due: October 6, 2023
Priced to Yield: 2.55%
CUSIP: 546589 W81

Interest on the Series 2022 Notes is payable from their dated date at maturity on October 6, 2023.

The above-captioned notes (the "Series 2022 Notes") are being issued pursuant to the provisions of Chapters 58, 65 and 76 of the Kentucky Revised Statutes, as amended (collectively, the "Act") and a Subordinated Debt Resolution adopted by the District on April 26, 2010, as supplemented by a Subordinate Debt Note Sale Resolution adopted by the District on August 22, 2022 (collectively, the "Note Resolution"). The Series 2022 Notes are secured by a lien on and security interest in the revenues of the District derived from the operation of the District's sewer and drainage system (the "System"), subject and subordinate, however, to the lien thereon securing certain bonds and other indebtedness issued, or to be issued, under the provisions of the District's Revenue Bond Resolution adopted on December 7, 1992, as amended to date and as hereafter amended from time to time (the "Bond Resolution"). See "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2022 NOTES" herein.

The Series 2022 Notes are fully registered notes in denominations of \$5,000 or any integral multiple thereof, without coupons. The Series 2022 Notes are issuable under a book entry system, registered in the name of The Depository Trust Company ("DTC") or its nominee. There will be no distribution of the Series 2022 Notes to the ultimate purchasers. See "THE SERIES 2022 NOTES" - Book Entry System" and APPENDIX E herein. Principal and interest on the Series 2022 Notes is payable at the designated office of The Bank of New York Mellon Trust Company, N.A, as Bond Registrar and Paying Agent (the "Paying Agent and Registrar").

The Series 2022 Notes are *not* subject to redemption prior to maturity.

The Series 2022 Notes are special and limited revenue obligations of the District and do not constitute a debt, liability or general obligation of the District, the Commonwealth of Kentucky or any political subdivision or taxing authority thereof, including the Louisville/Jefferson County Metro Government or the County of Jefferson, Kentucky, within the meaning of the Constitution and laws of the Commonwealth of Kentucky. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 NOTES" herein.

The Series 2022 Notes are offered when, as and if issued by the District and received by the Underwriters, subject to prior sale and to withdrawal or modification of the offer without notice and subject to the approval of legality by Wyatt, Tarrant & Combs, LLP, Louisville, Kentucky, Bond Counsel to the District. Certain legal matters will be passed upon for the District by its Interim General Counsel, Jacquelyn Quarles, Esq. The Series 2022 Notes are expected to be available for delivery on or about October 5, 2022.

Dated: September 14, 2022

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT

*Board Members**

Marita Willis, Chair
Keith Jackson, Vice Chair
Carmen Moreno-Rivera
John Selent
Rebecca Cox
Ricky Mason
Gerald Joiner

Executive Director and Secretary-Treasurer

James A. "Tony" Parrott

Chief Financial Officer

Brad Good

Chief of Operations

Brian Bingham

Chief Engineer

David Johnson

Interim General Counsel

Jacquelyn Quarles, Esq.

CERTIFIED PUBLIC ACCOUNTANTS

Crowe LLP
Louisville, Kentucky

BOND COUNSEL

Wyatt, Tarrant & Combs LLP
Louisville, Kentucky

FINANCIAL ADVISOR

Robert W. Baird & Co. Incorporated
Louisville, Kentucky

PAYING AGENT AND REGISTRAR

The Bank of New York Mellon Trust Company, N.A.
Pittsburgh, Pennsylvania

* There is currently one vacancy on the Board.

REGARDING THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page, has been prepared by the Louisville and Jefferson County Metropolitan Sewer District (the "District") in connection with the sale by the District of \$226,340,000 aggregate principal amount of its Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2022. Information concerning the authorization, purpose, terms, conditions of sale and sources of payment of, and security for, the Series 2022 Notes is included herein. Insofar as such information embodies statements of opinion, or estimates, even if not so labeled, it should be regarded as suggesting independent investigation or consultation of other sources prior to making investment decisions. Certain information may not be the most current that is available; however, attempts were made to date and document the sources of the information included herein.

No dealer, broker, salesman or other person has been authorized by the District to give any information or to make any representation, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been given by the District. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2022 Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof.

Neither this Official Statement nor any verbal or written representations by or on behalf of the District before sale of the Series 2022 Notes should be regarded as part of the contract with the holders thereof from time to time.

All financial and other information presented herein has been provided by the District from its records, except for information expressly attributed to other sources. It is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as might be shown by such financial and other information, will necessarily continue or be repeated in the future.

Insofar as the statements contained in this Official Statement involve matters of opinion or estimates, even if not expressly stated as such, such statements are made as such and not as representations of fact or certainty, no representation is made that any of such statements have been or will be realized, and such statements should be regarded as suggesting independent investigation or consultation of other sources prior to the making of investment decisions. Certain information may not be current; however, attempts were made to date and document the sources of the information included herein. Neither this Official Statement nor any oral or written representations by or on behalf of the District preliminary to sale of the Series 2022 Notes should be regarded as part of the District's contract with the successful bidder or the holders from time to time of the Series 2022 Notes.

References herein to provisions of Kentucky law, whether codified in the Kentucky Revised Statutes ("KRS") or uncodified, or of the Kentucky Constitution, are references to such provisions as they presently exist. Any of those provisions may from time to time be amended, repealed or supplemented.

As used in this Official Statement, "debt service" means principal of and interest on the obligations referred to, and "Commonwealth" or "Kentucky" means the Commonwealth of Kentucky.

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\$226,340,000

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT SEWER AND DRAINAGE SYSTEM SUBORDINATED BOND ANTICIPATION NOTES, SERIES 2022

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information with respect to the issuance of the Series 2022 Notes.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2022 Notes to potential investors is made only by means of the entire Official Statement.

Any capitalized terms not otherwise defined in this Official Statement shall have the meaning ascribed to them in "Appendix A – Definitions of Certain Terms and Summary of Provisions of the Bond Resolution and Note Resolution."

The District

The Series 2022 Notes are being issued by the Louisville and Jefferson County Metropolitan Sewer District (the "District"), a public body corporate and politic and a political subdivision of the Commonwealth of Kentucky.

The District was created pursuant to the Act in 1946 to provide adequate sewer and drainage facilities and service in and around the City of Louisville, Kentucky (the "City") and within Jefferson County, Kentucky (the "County"). In 1987, the District became the sole local authority for providing flood control and storm water drainage services in a drainage service area which included the City of Louisville, many small incorporated areas of the County, and portions of the unincorporated areas of the County (collectively hereinafter referred to as the "Drainage Service Area"). Substantially all the governmental and corporate functions of the City and the County merged effective January 6, 2003 into a single consolidated local government known as Louisville/Jefferson County Metro Government. The consolidated local government replaced and superseded the governments of the City and the County. The City no longer exists as a separate legal entity.

Purpose of the Series 2022 Notes

The proceeds of the Series 2022 Notes will be used to: (i) pay the costs of issuing the Series 2022 Notes and (ii) refund and retire at their maturity on October 14, 2022 the District's outstanding Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2021 (the "Series 2021 Notes"). To the extent the proceeds of the Series 2022 Notes, net of the costs of their issuance, exceed the amount required to refund the Series 2021 Notes, the excess will be used to pay costs of improvements to the District's sewer and drainage system (the "System"), including (a) wastewater and drainage system expansion and improvements; (b) improvements to wastewater treatment facilities; (c) rehabilitation of combined sewer overflow systems; (d) improvements to flood control and drainage facilities; (e) construction of collector sewers; (f) construction and improvements of detention and retention basins; (g) construction of interceptor sewers; (h) combined sewer overflow and sanitary overflow abatement projects; (i) construction and improvements to force mains; (j) repairs and improvements to pumping stations; (k) construction of regional storage facilities; and (l) miscellaneous improvements and acquisition of equipment and mapping hardware and software (collectively, the "Series 2022 Project").

The Series 2022 Project is part of the District's overall capital improvement program, which is more fully described below in this Official Statement and in the Consulting Engineer's Report attached hereto as Appendix F.

Security and Source of Payment for the Series 2022 Notes

Pursuant to the provisions of Chapters 58, 65 and 76 of the Kentucky Revised Statutes, as amended (the "Act") and a Subordinated Debt Resolution adopted by the District on April 26, 2010, as supplemented by a Subordinate Debt Note Sale Resolution adopted by the District on August 22, 2022 (collectively, the "Note Resolution"), the District has pledged to the payment of the principal of, premium, if any, and interest on the Series 2022 Notes as and when same shall become due and payable: (i) the proceeds of the Series 2022 Notes pending their application pursuant to the Note Resolution, (ii) the proceeds of the sale of bonds the District expects to issue to retire the Series 2022 Notes at maturity, (iii) all Revenues, (iv) all amounts on deposit in the Funds or Accounts established under the Bond Resolution (as hereinafter defined) or the Note Resolution, except amounts required to be rebated to the United State Treasury, (iv) such other amounts as may be pledged from time to time by the District as security for the Series 2022 Notes, and (vi) all proceeds of the foregoing.

THE SERIES 2022 NOTES ARE SECURED ON A BASIS INFERIOR AND SUBORDINATE TO BONDS AND OTHER OBLIGATIONS HERETOFORE ISSUED, OR TO BE ISSUED, AND SECURED BY A FIRST LIEN PLEDGE ON THE PLEDGED PROPERTY PURSUANT TO THE BOND RESOLUTION ADOPTED BY THE DISTRICT ON DECEMBER 7, 1992, AS AMENDED MARCH 4, 1993, JUNE 30, 1993, DECEMBER 14, 1994, JANUARY 25, 1996, AND FEBRUARY 24, 2003, AND AS FURTHER SUPPLEMENTED OR AMENDED FROM TIME TO TIME (COLLECTIVELY, THE "BOND RESOLUTION").

THE SERIES 2022 NOTES DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF, INCLUDING THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AND THE COUNTY OF JEFFERSON, KENTUCKY, WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY. THE SERIES 2022 NOTES ARE PAYABLE SOLELY FROM THE REVENUES OF THE SYSTEM AND THE ASSETS AND REVENUES PLEDGED THEREFOR UNDER THE RESOLUTION, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE DISTRICT, THE COMMONWEALTH OF KENTUCKY OR ANY POLITICAL SUBDIVISION OR TAXING AUTHORITY THEREOF, INCLUDING THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT AND THE COUNTY OF JEFFERSON, KENTUCKY, IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2022 NOTES. THE DISTRICT HAS NO TAXING POWER. (SEE "SECURITY AND SOURCE OF PAYMENT FOR THE SERIES 2022 NOTES," HEREIN).

Description of the Series 2022 Notes

No Early Redemption. The Series 2022 Notes are *not* subject to redemption prior to their maturity (see "THE SERIES 2022 NOTES – Redemption," herein).

Denominations. The Series 2022 Notes will be issued in principal amounts of \$5,000 and integral multiples thereof.

Book Entry. The Series 2022 Notes are issuable only as fully registered Series 2022 Notes, without coupons. The Series 2022 Notes, when issued, will be registered in the name of Cede & Co., as nominee of

The Depository Trust Company, New York, New York, which will act as securities depository for the Series 2022 Notes. Purchasers will not receive certificates representing their ownership interest in the Series 2022 Notes purchased. So long as DTC or its nominee is the registered owner of the Series 2022 Notes, payments of the principal of and interest due on the Series 2022 Notes will be made directly to DTC. Principal of and interest on the Series 2022 Notes will be paid directly to DTC by The Bank of New York Mellon Trust Company, N.A, as Paying Agent and Registrar (the "Paying Agent" and "Registrar"). See "BOOK-ENTRY SYSTEM" and APPENDIX E - "Book-Entry Only System" herein.

Interest. The Series 2022 Notes will bear interest at the rate set forth on the cover hereof, payable at maturity on October 6, 2023. Interest will be computed on the basis of a 360-day year of twelve thirty-day months, accrued from the date of delivery.

Tax Treatment

In the opinion of Bond Counsel, under the Internal Revenue Code (the "Code") as presently enacted and construed, interest on the Series 2022 Notes is excludable from gross income for Federal income tax purposes, although such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. In rendering this opinion, Bond Counsel has assumed continuing compliance with certain covenants designed to meet the requirements of Section 103 of the Code. Bond Counsel expresses no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Series 2022 Notes. The Series 2022 Notes are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities.

The District has not designated the Series 2022 Notes as "qualified tax exempt obligations" under Section 265 of the Code.

See Appendix D for the form of the opinion Bond Counsel proposes to deliver in connection with the Series 2022 Notes.

Parties to the Issuance of the Series 2022 Notes

The Paying Agent and Registrar for the Series 2022 Notes is The Bank of New York Mellon Trust Company, N.A. Legal matters incidence to the issuance of the Series 2022 Notes and with regard to the tax-exempt status of the interest thereon are subject to the approving legal opinion of Wyatt, Tarrant & Combs LLP, Louisville, Kentucky, Bond Counsel. Certain legal matters will be passed upon for the District by its Interim General Counsel, Jacquelyn Quarles, Esq. The financial advisor to the District with regard to the issuance of the Series 2022 Notes is Robert W. Baird & Co. Incorporated, Louisville, Kentucky.

Authority for Issuance

Authority for the issuance of the Series 2022 Notes is provided by Chapters 58, 65 and 76 of the Kentucky Revised Statutes (the "Act") and the Note Resolution.

Offering and Delivery of the Series 2022 Notes

The Series 2022 Notes are offered when, as and if issued by the District. The Series 2022 Notes will be delivered on or about October 5, 2022 in New York, New York through The Depository Trust Company (DTC).

Disclosure Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and the continuing disclosure documents of the District are intended to be made available through one or more repositories. Copies of the basic documentation relating to the Series 2022 Notes, including the Note Resolution and the form of the Series 2022 Notes, are available from the District.

Additional Information

Additional information concerning this Official Statement, as well as copies of the basic documentation relating to the Series 2022 Notes, is available from Robert W. Baird & Co. Incorporated, Financial Advisor to the District, 500 West Jefferson Street, Suite 2600, Louisville, Kentucky 40202, Telephone (502) 588-8476.

Brief descriptions of the Series 2022 Notes, the sources of payment and security for the Series 2022 Notes, the District, the System, the Note Resolution and the Bond Resolution are included in this Official Statement. Certain information with respect to the District and the Series 2022 Notes is included in the Appendices hereto. Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Note Resolution. All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, copies of which are available at the office of the District.

This Official Statement is also available on the District's investor relations website at www.louisvillemsdbonds.com. The District intends to post from time to time on its investor relations website preliminary and final official statements and other information that may be of interest to prospective purchasers and purchasers of the District's bonds and notes, including information required or permitted to be posted on the Municipal Securities Rulemaking Board's (MSRB) Electronic Municipal Market Access (EMMA) website at <https://emma.msrb.org>. The District does not, however, undertake to post on its investor relations website necessarily all the information it posts on EMMA or to regularly update any information on its investor relations website or to delete from its investor relations website any information that may no longer be current.

THE SERIES 2022 NOTES

General

The Series 2022 Notes are to be issued only as fully registered notes in denominations of \$5,000 or any integral multiple thereof without coupons. The Series 2022 Notes will be dated their date of delivery, will bear interest from that date as described herein, payable at maturity on October 6, 2023.

The Series 2022 Notes shall be payable at the designated office of the Paying Agent and Registrar with respect to principal or premium, if any, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public or private debts. All interest will be payable at maturity by check of the Paying Agent mailed to such registered owner who shall appear as of the close of business on the fifteenth day (or if such day shall not be a business day, the preceding business day) of the calendar month next preceding such maturity date on the registration books of the District maintained by the Registrar, or if the registered owner shall be the registered owner of Series 2022 Notes in the aggregate principal amount of \$1,000,000 or more, by wire transfer, if the registered owner has requested payment in such manner at such wire address as shall have been furnished by the registered owner on or

prior to the fifteenth day next preceding the maturity date of the Series 2022 Notes (or if such date shall not be a business day, the next succeeding business day).

Each registered Series 2022 Note shall be transferable only upon the books of the Registrar, at the request of the registered owner thereof or by his authorized attorney upon surrender thereof together with an assignment satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Series 2022 Note, the District shall issue in the name of the transferee a new registered Series 2022 Note or Series 2022 Notes of any authorized denominations and of the same aggregate principal amount as the surrendered Series 2022 Note. If any Series 2022 Note is mutilated, lost, stolen or destroyed, the District will execute and deliver a new Series 2022 Note in accordance with the Note Resolution.

No Early Redemption

The Series 2022 Notes are *not* subject to redemption prior to their stated maturity.

Book Entry System

The Series 2022 Notes initially will be issued solely in book entry form to be held in the book-entry only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2022 Notes and Beneficial Owners will not be or be considered to be, and will not have any rights as, owners or holders of the Series 2022 Notes under the Note Resolution. For additional information about DTC and the book-entry-only system see "APPENDIX E – Book-Entry Only System."

THE INFORMATION IN THIS SECTION AND IN APPENDIX E CONCERNING DTC AND DTC'S BOOK-ENTRY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE DISTRICT BELIEVES TO BE RELIABLE, BUT THE DISTRICT TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

Exchange and Transfer

The registration of any Series 2022 Note may be transferred only upon the books of the District kept by the Registrar, by the owner thereof, in person or by his or her attorney duly authorized in writing, upon surrender of such Series 2022 Note at the designated office of the Registrar accompanied by a written instrument of transfer satisfactory to the Registrar and duly executed by the owner or by his or her duly authorized attorney. Any Series 2022 Note may be exchanged at the designated office of the Registrar for new Series 2022 Notes of any authorized denominations and of the same aggregate principal amount of Series 2022 Notes as the surrendered Series 2022 Note. The Registrar will not charge for any new note issued upon any transfer or exchange, but may require the owner requesting such exchange to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the District nor the Registrar is required to exchange or transfer any Series 2022 Note during the period commencing on the fifteenth day of the month preceding an interest payment date and ending on such interest payment date.

PLAN OF FINANCE

The proceeds of the Series 2022 Notes will be used to: (i) pay the costs of issuing the Series 2022 Notes; (ii) refund and retire on October 14, 2022 the Series 2021 Notes; and (iii) pay the costs of capital improvements to the System. Any premium received from the sale of the Series 2022 Notes may be used for (i) permitted construction expenditures or (ii) to pay the costs of issuing the Series 2022 Notes.

Sources and Uses of Funds

Sources

Principal Amount of Series 2022 Notes	\$226,340,000.00
Original Issue Premium	3,207,237.80
Amount on Deposit in Debt Service Account	6,827,923.33
TOTAL	\$236,375,161.13

Uses

Retirement of Series 2021 Notes	\$233,167,923.33
Construction Fund	2,979,618.80
Costs of Issuance	148,400.00
Underwriter's Discount	79,219.00
TOTAL	\$236,375,161.13

DEBT SERVICE REQUIREMENTS

Fiscal Year Ending June 30	Existing Senior Lien Principal ⁽¹⁾	Existing Senior Lien Interest ⁽¹⁾	New Total Senior Lien Bond Debt Service	Direct Payments ⁽²⁾	Net Senior Lien Bond Debt Service	Subordinated Debt Service ^{(3) (4) (5)}	Total Net Debt Service
2023	\$52,880,000.00	\$91,740,320.28	\$144,620,320.28	(\$10,359,939.45)	\$134,260,380.83	\$19,388,952.90	\$153,649,333.73
2024	52,375,000.00	89,506,368.28	141,881,368.28	(10,359,939.45)	131,521,428.83	26,957,326.26	158,478,755.09
2025	55,670,000.00	87,391,397.28	143,061,397.28	(10,359,939.45)	132,701,457.83	22,442,959.68	155,144,417.51
2026	56,180,000.00	85,106,306.78	141,286,306.78	(10,359,939.45)	130,926,367.33	28,848,901.42	159,775,268.75
2027	74,465,000.00	82,900,842.78	157,365,842.78	(10,359,939.45)	147,005,903.33	15,614,496.00	162,620,399.33
2028	73,225,000.00	79,275,482.28	152,500,482.28	(9,637,955.08)	142,862,527.21	22,339,461.18	165,201,988.38
2029	75,595,000.00	77,050,664.02	152,645,664.02	(9,637,955.08)	143,007,708.95	22,189,153.32	165,196,862.26
2030	56,547,900.00	76,376,338.67	132,924,238.67	(9,637,955.08)	123,286,283.60	41,902,048.44	165,188,332.03
2031	36,119,000.00	75,680,037.97	111,799,037.97	(10,220,525.00)	101,578,512.97	63,070,027.62	164,648,540.59
2032	37,071,000.00	74,306,906.67	111,377,906.67	(10,220,525.00)	101,157,381.67	63,186,832.36	164,344,214.03
2033	37,958,000.00	72,908,785.97	110,866,785.97	(10,220,525.00)	100,646,260.97	63,534,046.52	164,180,307.49
2034	99,376,000.00	71,615,818.87	170,991,818.87	(10,220,525.00)	160,771,293.87	3,041,822.91	163,813,116.78
2035	102,163,000.00	68,830,937.16	170,993,937.16	(10,220,525.00)	160,773,412.16	2,961,887.72	163,735,299.88
2036	105,971,000.00	65,023,806.80	170,994,806.80	(10,220,525.00)	160,774,281.80	2,304,292.51	163,078,574.31
2037	109,683,000.00	61,310,066.61	170,993,066.61	(10,220,525.00)	160,772,541.61	2,108,675.09	162,881,216.70
2038	113,780,000.00	57,210,529.50	170,990,529.50	(10,220,525.00)	160,770,004.50	1,910,991.87	162,680,996.37
2039	117,991,000.00	53,003,073.26	170,994,073.26	(10,220,525.00)	160,773,548.26	1,906,769.03	162,680,317.29
2040	122,296,000.00	46,870,849.54	169,166,849.54	(8,393,859.25)	160,772,990.29	1,905,113.40	162,678,103.69
2041	126,773,000.00	40,450,154.84	167,223,154.84	(6,453,125.00)	160,770,029.84	1,634,511.40	162,404,541.24
2042	131,591,000.00	33,563,485.26	165,154,485.26	(4,383,859.38)	160,770,625.89	861,699.98	161,632,325.87
2043	136,595,000.00	26,409,137.04	163,004,137.04	(2,233,875.00)	160,770,262.04	-	160,770,262.04
2044	113,295,000.00	18,977,416.55	132,272,416.55	-	132,272,416.55	-	132,272,416.55
2045	116,905,000.00	15,365,153.04	132,270,153.04	-	132,270,153.04	-	132,270,153.04
2046	120,595,000.00	11,678,635.29	132,273,635.29	-	132,273,635.29	-	132,273,635.29
2047	87,055,000.00	7,719,182.28	94,774,182.28	-	94,774,182.28	-	94,774,182.28
2048	54,795,000.00	4,976,792.29	59,771,792.29	-	59,771,792.29	-	59,771,792.29
2049	17,136,000.00	3,225,882.29	20,361,882.29	-	20,361,882.29	-	20,361,882.29
2050	17,426,000.00	2,802,946.59	20,228,946.59	-	20,228,946.59	-	20,228,946.59
2051	11,169,000.00	2,373,130.38	13,542,130.38	-	13,542,130.38	-	13,542,130.38
2052	9,315,000.00	2,091,925.09	11,406,925.09	-	11,406,925.09	-	11,406,925.09
2053	6,465,000.00	1,861,259.58	8,326,259.58	-	8,326,259.58	-	8,326,259.58
2054	6,618,000.00	1,708,039.09	8,326,039.09	-	8,326,039.09	-	8,326,039.09
2055	6,775,000.00	1,551,192.49	8,326,192.49	-	8,326,192.49	-	8,326,192.49
2056	6,935,000.00	1,390,624.99	8,325,624.99	-	8,325,624.99	-	8,325,624.99
2057	7,099,000.00	1,226,265.49	8,325,265.49	-	8,325,265.49	-	8,325,265.49
2058	7,268,000.00	1,058,019.19	8,326,019.19	-	8,326,019.19	-	8,326,019.19
2059	7,440,000.00	885,767.59	8,325,767.59	-	8,325,767.59	-	8,325,767.59
2060	7,616,000.00	709,439.59	8,325,439.59	-	8,325,439.59	-	8,325,439.59
	\$2,378,211,900.00	\$1,496,132,981.67	\$3,874,344,881.67	(\$194,163,006.10)	\$3,680,181,875.57	\$408,109,969.60	\$4,088,291,845.17

Notes:

- (1) Existing Senior Lien Principal and Interest includes WIFIA Loan. MSD anticipates the first draw on the WIFIA Loan to occur in early 2023 with the final draw occurring in November 2026. At the final draw, the outstanding balance will total \$96,926,900. The WIFIA Loan is not included in the Debt Service Reserve Calculation until the first draw occurs. Refer to "Recent and Pending Transactions of the District" for additional information on the WIFIA Loan.
- (2) Due to sequestration, the initial 35% federal direct payments on the Louisville and Jefferson County Metropolitan Sewer District Sewer and Drainage System Revenue Bonds, Series 2009C Build America Bonds and Series 2010A Build America Bonds were reduced by 5.7% (to 29.3%) for fiscal years 2022 through 2030. For fiscal years 2031 through 2043, the federal direct payments with respect to these Building America Bonds are assumed to continue in effect at the original 35% rate; however, no assurance can be given if or when federal direct payments will be reduced or eliminate entirely after the date of this Official Statement.
- (3) Includes estimated net swap payments based on the 1-month LIBOR 5-year average as of September 6, 2022 (1.20%).
- (4) Subordinated debt service for FY 2023 takes into account the interest payable at maturity for the Series 2021 and Series 2022 Bond Anticipation Notes. Subordinated debt service also includes estimated debt service on outstanding General Obligation, KACO and KIA obligations.
- (5) Does not include the principal of the Series 2021 or Series 2022 Bond Anticipation Notes payable at maturity.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2022 NOTES

The Series 2022 Notes are special and limited obligations of the District payable solely from and secured as to the payment of the principal and interest thereon, in accordance with their terms and the provisions of the Note Resolution, solely by the Pledged Property which is defined by the Note Resolution to be the proceeds of the sale of the Series 2022 Notes, the proceeds of the sale of bonds the District expects to issue to retire the Series 2022 Notes at maturity, all Revenues, all amounts on deposit in the Funds or

Accounts established under the Bond Resolution or Note Resolution, except amounts required to be rebated to the United State Treasury, such other amounts as may be pledged from time to time by the District as security for the payment of bonds, notes or other evidences of indebtedness authenticated and delivered pursuant to the Bond Resolution or Note Resolution, and all proceeds of the foregoing.

The Series 2022 Notes are secured by and payable solely from pledged revenues derived from the collection of rates, rents and charges for the services rendered by the System as set forth in the Note Resolution. The Series 2022 Notes do not constitute an indebtedness of the Louisville/Jefferson County Metro Government or the County of Jefferson, Kentucky.

THE SERIES 2022 NOTES ARE SECURED ON A BASIS INFERIOR AND SUBORDINATE TO BONDS AND OTHER OBLIGATIONS HERETOFORE ISSUED, OR TO BE ISSUED, AND SECURED BY A FIRST LIEN PLEDGE ON THE PLEDGED PROPERTY PURSUANT TO THE BOND RESOLUTION ADOPTED BY THE DISTRICT ON DECEMBER 7, 1992, AS AMENDED MARCH 4, 1993, JUNE 30, 1993, DECEMBER 14, 1994, JANUARY 25, 1996, AND FEBRUARY 24, 2003, AND AS FURTHER SUPPLEMENTED OR AMENDED FROM TIME TO TIME (COLLECTIVELY, THE "BOND RESOLUTION").

The District has heretofore issued its Sewer and Drainage System Revenue Bonds outstanding in the amounts shown below (the "Outstanding Bonds"), each series of which ranks on a basis superior to the Series 2022 Notes as to the pledge of Pledged Property.

Senior Lien

<u>Series</u>	<u>Dated Date</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding⁽¹⁾</u>
Series 2009C	24-Nov-09	\$180,000,000	\$180,000,000
Series 2010A	30-Nov-10	330,000,000	330,000,000
Series 2013A	23-May-13	115,790,000	115,790,000
Series 2013B	23-May-13	119,515,000	109,280,000
Series 2013C	27-Nov-13	100,000,000	125,000
Series 2014A	25-Nov-14	80,000,000	79,650,000
Series 2015A	21-Oct-15	175,000,000	171,395,000
Series 2015B	21-Oct-15	81,750,000	65,975,000
Series 2016A	30-Aug-16	150,000,000	147,500,000
Series 2016B	30-Aug-16	28,315,000	19,910,000
Series 2016C	30-Aug-16	67,685,000	12,995,000
Series 2017A	22-Aug-17	175,000,000	149,390,000
Series 2017B	29-Aug-17	35,725,000	31,210,000
Series 2018A	31-May-18	60,380,000	60,380,000
Series 2019	19-Aug-19	30,910,000	8,845,000
Series 2020A	30-Jul-20	225,000,000	224,000,000
Series 2020B (WIFIA Loan) ⁽²⁾	15-Mar-21	96,926,900	96,926,900
Series 2020C	15-Oct-20	112,065,000	109,605,000
Series 2021A	17-Aug-21	246,555,000	240,485,000
Series 2022A	1-Feb-22	225,000,000	224,750,000
		\$2,635,616,900	\$2,378,211,900

Notes:

(1) As of September 1, 2022

(2) MSD anticipates the first draw on the WIFIA Loan to occur in early 2023 with the final draw occurring in November 2026. At the final draw, the outstanding balance will total \$96,926,900. The WIFIA Loan is not included in the Debt Service Reserve Calculation until the first draw occurs. Refer to "Recent and Pending Transactions of the District" for additional information on the WIFIA Loan.

As provided in the Bond Resolution, Additional Bonds may be issued on a parity with the Outstanding Bonds to finance the Cost of Acquisition and Construction of Additional Facilities upon the satisfaction of certain conditions. The Bond Resolution further provides that Refunding Bonds may be issued from time to time to refund outstanding obligations. The Series 2022 Notes will be inferior and subordinate as to the pledge of the Pledged Property with respect to any such Additional Bonds or Refunding Bonds issued on a parity with the Outstanding Bonds. The District anticipates issuing Additional Bonds in the future to finance the District's Capital Improvement Program described in "Appendix F – Consulting Engineer's Report" and to retire the Series 2022 Notes (or any renewal Notes issued under the Note Resolution to refinance the Series 2022 Notes) at maturity. For additional information relating to the conditions for the issuance of Additional Bonds see "Appendix A – Definitions of Certain Terms and

Summary of Provisions of the Bond Resolution and Note Resolution- Summary of Certain Provisions of the Bond Resolution – Additional Bonds".

SWAPS, SUBORDINATED DEBT, AND OTHER FINANCIAL INSTRUMENTS

General

The District has entered into interest rate swap agreements with two counterparties as part of the management of its outstanding debt. Generally, each interest rate swap agreement calls for periodic net payments from or to the District depending upon whether a specified market interest rate index is above or below a specified fixed rate or another specified market interest rate index during that period. Each such swap agreement allows the District, at its option, to terminate the agreement at any time. Upon any such termination, a termination payment is to be made, calculated based on the mark-to-market value of the swap agreement plus dealer's spread. The swap agreements provide that under certain circumstances the counterparty to the swap agreement (but not the District) may be required to post collateral, depending upon the credit rating of that counterparty, with the amount of collateral required based on the mark-to-market value of the swap. The interest rate swap agreements entered into by the District provide that the counterparties to the agreements must post collateral if their respective ratings fall below A+/A 1. The agreements also provide the counterparties the right to terminate the agreements if the District's unenhanced bond rating is downgraded below BBB/Baa. The District's obligations under all of its outstanding swap agreements are unsecured and subordinate to all Bonds issued and outstanding under the Bond Resolution. Certain provisions of the District's outstanding swap agreements are summarized below.

The Bond Resolution permits the District to issue Senior Subordinated Debt secured by Revenues of the System, subject to the prior and senior lien on such Revenues of all Bonds issued and outstanding under the Bond Resolution. The decision of the District from time to time whether to issue Senior Subordinated Debt or Bonds depends, among other things, upon its assessment of market conditions at the time of issuance.

To provide interim financing for its capital projects, the District has issued and continues to issue as Senior Subordinated Debt under the Note Resolution the District's Sewer and Drainage System Subordinated Bond Anticipation Notes, including the outstanding Series 2021 Notes and the Series 2022 Notes offered hereby. Each series of such Notes has been or will be retired with the proceeds of renewal Notes issued under the Note Resolution, including the retirement of the Series 2021 Notes with proceeds of the Series 2022 Notes as described herein, or with the proceeds of Refunding Bonds issued under the Bond Resolution.

The District has from time to time entered into agreements with various counterparties to provide for the investment of amounts in various funds established under the Bond Resolution or the Note Resolution. Generally such agreements provide for the investment of funds at a contractually fixed rate of return to the District during their respective terms and provisions for termination, at the option of the District, based on payment of a termination fee determined based on the mark-to-market value of the contract plus dealer's spread.

The District reserves the right to enter into, amend, and terminate any existing or future interest rate swap transactions or other agreements or derivative transactions, from time to time, as part of its overall debt, investment or general management strategy. See also "APPENDIX A — Definitions of Certain Terms and Summary of Provisions of the Bond Resolution and Note Resolution".

Floating-to-Fixed Swap

In 2001, the District entered into two forward-starting interest rate swaps (the "1999 Swaps") pursuant to which beginning in November 2009 the District would pay a fixed rate of 4.4215% and receive 67% of the 30-day LIBOR index on a notional amount corresponding to the approximate amount needed to refund the District's Series 1999 Bonds. The District's original strategy in entering into the 1999 Swaps was to "lock in" a fixed rate for the variable rate debt that could be issued in 2009 to refund the Series 1999 Bonds. In August 2009, the District decided instead to refund the Series 1999 Bonds with proceeds of its fixed rate Series 2009B Bonds and its fixed rate Series 2009A Notes. The Series 2009A Notes were refunded by the fixed rate Series 2010A Notes, which were currently refunded by the Series 2011A Notes, which were then in turn refunded by the Series 2011B Notes. The Series 2011B Notes were subsequently currently refunded by the Series 2012A Notes, which in turn were currently refunded by subsequent sequential series of refunding notes, the latest in such series of refunding notes being the currently outstanding Series 2021 Notes. The Series 2021 Notes will be currently refunded with the proceeds of Series 2022 Notes.

In August 2009, the District reversed that portion of the 1999 Swaps which corresponded in amount and amortization schedule to the portion of the Series 2009B Bonds used to refund the Series 1999 Bonds. The reversed portions of the 1999 Swaps were subsequently terminated in April 2013. The only portion of the 1999 Swaps that remain in effect is the non-reversed portion of the 1999 Swaps, which has a termination date of May 15, 2033 and amortizes in amounts that correspond with the expected maturity structure of a future hypothetical bond issue the District may issue under the Bond Resolution to permanently refinance the Series 2022 Notes. The District's expectation is that variable payments received under the non-reversed portion of the 1999 Swaps will hedge future interest rate movements for any fixed-rate Bonds hereafter issued under the Bond Resolution (or any other fixed rate renewal notes hereafter issued under the Subordinated Debt Resolution) to refinance the Series 2022 Notes. See "Note 8 – Bond Anticipation Notes" and "Note 9 – Derivative Instruments" in the audited financial statements of the District included in "Appendix B -- Annual Comprehensive Financial Report for the Fiscal Years Ended June 30, 2021 and 2020". As of August 31, 2022, the estimated aggregate mark-to-market value of the non-reversed portion of the 1999 Swaps was approximately *negative* \$26,469,700.98.

The District has not yet begun to renegotiate with the counterparties to its outstanding interest rate swaps the replacement of 30-day LIBOR as the reference rate for the payments it receives under those swaps when LIBOR will be discontinued on June 30, 2023. The District is unable at the present time to predict the outcome of those renegotiations.

Commercial Paper Program

On May 29, 2018 the District adopted a resolution (the "Program Note Resolution") authorizing the issuance of its Sewer and Drainage System Subordinated Program Notes ("Program Notes"), consisting of Commercial Paper Notes and Direct Purchase Notes, for the purpose of (i) financing the cost of improvements or additions to the System and (ii) refinancing other Program Notes. Program Notes are issued as Senior Subordinated Debt of the District, secured, on a parity with the Series 2022 Notes offered by this Official Statement and any other outstanding or hereafter issued Senior Subordinated Debt of the District, by a subordinate and junior lien on the Revenues of the System, subject to the prior and senior lien on such Revenues of all Bonds issued and outstanding under the Bond Resolution. Program Notes (both Commercial Paper Notes and Direct Purchase Notes) may be issued in an aggregate principal amount not to exceed \$500,000,000 at any one time outstanding.

On November 16, 2020 the District amended the Program Note Resolution to extend the latest maturity date of Commercial Paper Notes and Direct Purchase Notes issued under the Program Note Resolution to June 30, 2023.

Commercial Paper Notes may be issued and sold, at public or private sale, as taxable or tax-exempt notes, maturing in 270 days or less (but not later than June 30, 2023) as determined by the District, and bearing interest at a rate or rates determined by the District (not in excess of 12% per annum for taxable notes or 10% per annum for tax-exempt notes). Commercial Paper Notes are payable only from (i) proceeds of the sale of other Commercial Paper Notes issued under the Program Note Resolution and used to refund outstanding Commercial Paper Notes, (ii) the proceeds of Direct Purchase Notes or other loans from the Banks (as defined below) used to refund outstanding Commercial Paper Notes, and (iii) the proceeds of Bonds issued to pay outstanding Commercial Paper Notes.

Liquidity support for each subseries of Commercial Paper Notes issued under the Program Note Resolution is provided by Bank of America, N.A. or JPMorgan Chase Bank, National Association (each a “Bank” and collectively the “Banks”). As an alternative to the sale of Commercial Paper Notes to investors, the Program Note Resolution authorizes the District in its discretion to issue and sell to the Banks, as Senior Subordinated Debt of the District under the Program Note Resolution, Direct Purchase Notes, evidencing loans from the Banks to the District. Direct Purchase Notes shall mature (but not later than June 30, 2023) and bear interest as provided in the respective note purchase agreement between the District and each Bank and may be issued only as tax-exempt notes.

The District expects to issue Bonds from time to time under the Bond Resolution to retire any Program Notes (Commercial Paper Notes or Direct Purchase Notes) outstanding at maturity and not to be refunded with other Program Notes. On February 1, 2022, the District issued its Sewer and Drainage System Revenue Bonds, Series 2022A in the aggregate principal amount of \$225,000,000 for the purpose of paying and retiring outstanding Commercial Paper Notes maturing within 90 days after the issuance of the Series 2022A Bonds.

As of August 31, 2022, there was issued and outstanding under the Program Note Resolution \$80,000,000 aggregate principal amount of Commercial Paper Notes with a term to maturity of not more than sixty-five days and an interest rate of not more than 1.87% per annum.

THE DISTRICT

General

The District was created and established pursuant to the Act, as a public body corporate, in 1946, in the interest of the public health and for the purpose of providing adequate sewer and drainage facilities. The District had complete jurisdiction, control, possession, and supervision of the then existing sewer and drainage system in the City and the power and authority to operate, maintain, reconstruct, and improve such system and construct additions, betterments, and extensions thereto within the limits of the District area as defined in the Act. The District assumed jurisdiction over and administration of the then existing sewer and drainage system in the City on November 16, 1946, pursuant to Ordinance No. 90, Series 1946, passed by the Board of Aldermen of the City and approved by the Mayor thereof in accordance with the requirements of the Act.

Administration and Management of the District

The business, activities, and affairs of the District are managed, controlled, and conducted by a board (the “Board”), composed of eight members, not more than five of whom shall be affiliated with the

same political party. The members are appointed by the Mayor subject to the approval of the Council of the Louisville/Jefferson County Metro Government (“Metro Council”). All appointments to the Board are made for three-year terms. The present members of the Board and the expiration dates of their respective terms are as follows.

<u>Board Members*</u>	<u>Term Expires</u>
Marita Willis (Chair)	June 30, 2025
Keith Jackson (Vice-Chair)	August 31, 2023
Carmen Moreno-Rivera	June 30, 2024
John Selent	July 31, 2024
Rebecca Cox	August 31, 2023
Ricky Mason	July 31, 2025
Gerald Joiner	February 28, 2024

* There is currently one vacancy on the Board.

The Board has delegated and placed the conduct of the day-to-day business affairs of the District under the direction of an Executive Director supported by administrative, engineering, legal and business staffs. Short biographies of key members of the District’s senior management team are set forth below:

James A. Parrott, Executive Director and Secretary-Treasurer

James A. “Tony” Parrott has served as the Executive Director of the District since July 2015, having been appointed to this role after 30 years in the public utility business, including 10 years in the top leadership role of the Metropolitan Sewer District of Greater Cincinnati. He holds a Communications Degree from Georgetown College and sits on the Board of Directors for the National Association of Clean Water Agencies. On February 26, 2019, the District’s employment agreement with Mr. Parrott to serve as Executive Director was extended through September 13, 2023.

David Johnson, Chief Engineer

David Johnson has been employed by the District for 22 years, all within the Engineering Division. He most recently served as the Development and Storm Water Services Director before being promoted to Chief Engineer in 2020. Mr. Johnson is a Licensed Professional Engineer in the Commonwealth of Kentucky and holds a Bachelor of Science and a Master of Engineering Degree from the J.B. Speed School of Engineering at the University of Louisville. On March 23, 2020, Mr. Johnson entered into an employment agreement with the District to serve as Chief Engineer through March 23, 2021, subject to automatic renewal for up to four additional one-year renewal periods.

Brian Bingham, Chief of Operations

Brian Bingham joined the District in 2004 as the Regulatory Services Director to oversee the development and implementation of the Wet Weather Consent Decree. He assumed oversight of the District’s Operations Group, including Wastewater, Drainage, and Flood Protection, in 2013. His previous experience includes 20 years of engineering and program management in the private consulting engineering business. Mr. Bingham has a Bachelor of Science degree in Civil Engineering from the J. B. Speed School of Engineering at the University of Louisville.

Brad Good, Chief Financial Officer

Brad Good has been employed by the District as Controller since 2016 and was promoted to Chief Financial Officer in 2020. His previous experience includes 15 years in various accounting and finance positions in the hotel industry. Mr. Good is a certified public accountant and has a Bachelor of Science degree in Animal Science from Kansas State University and a post-baccalaureate degree in accounting from Indiana University Southeast.

Angela Akridge, Chief Strategy Officer

Angela Akridge began working for the District as an engineering cooperative education intern and upon completion of her civil engineering bachelor's and master's degrees from the University of Louisville Speed Scientific School, she joined the District as a full-time employee. Since that time she has served the community through multiple leadership, management and technical positions throughout her 27+ years at the District. She was appointed MSD's Chief Engineer in 2015 and most recently appointed to the newly created position of Chief Strategy Officer for Business Transformation and Regulatory Compliance in 2019.

Lynne Fleming, Human Resources Director

Lynne Fleming has been the District's Director of Human Resources since January 2012. She has over 18 years' experience in HR having previously served the City of Louisville and Louisville Metro Government as Assistant Director of Human Resources. Ms. Fleming is a licensed attorney. During her 8 years with the City of Louisville Law Department, Ms. Fleming focused her practice in the areas of labor and employment law and civil rights litigation. She was also a litigator in the adult trial division of the Louisville-Jefferson County Public Defender's Office for the first 8 years of her legal career. Ms. Fleming has a Bachelor of Arts degree in International Affairs with a Business Concentration from Xavier University and a Juris Doctor degree from the University of Louisville Brandeis School of Law.

Jacquelyn Quarles, Interim General Counsel

Jacquelyn Quarles has been the Deputy General Counsel since May, 2019. She has over 15 years of experience. She previously served as the Deputy General Counsel of the Kentucky Energy and Environment Cabinet and focused her practice on Clean Air Act and Clean Water Act permitting, enforcement and compliance. Ms. Quarles practiced in Federal, State and administrative forums. Ms. Quarles has an undergraduate degree from Vanderbilt University and received her Juris Doctor degree from the University of Kentucky College of Law.

René Patterson-Lindsay, Chief Procurement Officer

René Patterson-Lindsay has been employed by the District since 1994 and was promoted to Chief Procurement Officer in 2018. During her tenure she has worked the last 24 years in Procurement and Supplier Diversity. Ms. Lindsay is a certified public procurement officer and has a Bachelor of Science degree in Business Administration from Spalding University.

Kimberly Reed, Chief Innovation Officer

Kim Reed has been the Chief Innovation Officer of the District since March of 2019. She previously worked for the Louisville Water Company in various leadership positions. She has had a diverse career of over 20 years in the electric, gas, water, and waste water utility industries. Ms. Reed has a Bachelor of Science in Chemical Engineering and a Master of Business Administration (MBA) degrees, both from the University of Louisville.

Paul Bagley, Chief Information Officer

Paul Bagley has been the Chief Information Officer of the District since April of 2021. His previous experience includes information technology leadership and technical positions in the software, airline, and utility industries. Mr. Bagley has over 20 years of experience in the field of information technology. He holds a bachelor's degree in Industrial Engineering from Georgia Tech.

The Sewer System

The District is authorized by KRS Chapter 76 to provide wastewater collection, treatment, and disposal services in Jefferson County. Through inter-local agreements, the District also provides wastewater collection, treatment, and disposal services to portions of Oldham County and Bullitt County. The District's sewer system extends throughout much of the developed portions of Jefferson County and includes approximately 600 miles of combined sewers (which carry sanitary wastewater during dry weather and a combination of stormwater and sanitary wastewater during wet periods), 2,700 miles of sanitary sewers, more than 260 pumping stations, five regional Water Quality Treatment Centers, and an estimated 1,400 miles of lateral connections to buildings.

The District's wastewater treatment capacity as of June 30, 2022 was as follows:

Plant	WASTEWATER TREATMENT PLANT CAPACITY								
	Current Capacity	Avg Daily Flow	Eventual Capacity	Customer Base			Year Total	Built	Treatment Process
	MGD	MGD	MGD	Residential	Commercial	Industrial			
Morris Forman	120.0	91.8	120.0	120,629	13,540	304	134,473	1958	Secondary added in 1976.
Derek R. Guthrie	60.0	51.0	60.0	64,238	3,758	38	68,034	1986	Secondary
Hite Creek	6.0	4.1	9.0	10,816	663	9	11,488	1970	Tertiary: sand filter
Cedar Creek	7.5	3.8	11.3	18,712	1,072	12	19,796	1995	Tertiary: sand filter
Floyd's Fork	6.5	6.5	9.8	9,987	548	5	10,540	2001	Tertiary: sand filter
Oldham County Plants	4.3	1.9	4.3	6,495	93	-	6,588	Varies	
Bullitt County Plants	1.7	1.2	1.7	3,801	115	1	3,917	Varies	
Total Treatment System	206.0	160.3	215.1	234,678	19,789	369	250,919		

MGD: Million Gallons per Day
Source: Louisville/Jefferson County Metropolitan Sewer District

The Drainage System

Under an interlocal government cooperation agreement effective January 1, 1987, the District became the sole local authority for providing flood control and storm water drainage services in the Drainage Service Area. The District is responsible for the operation, maintenance, replacement, improvements and additions to existing flood control facilities and public storm water drainage facilities within the Drainage Service Area. The stormwater drainage system is comprised of various types of facilities to collect, convey, retain, and discharge stormwater runoff into the sewers, rivers, streams, and creeks eventually draining into the Ohio River. These facilities include open channels, ditches, streams, ponds, pipes, culverts, conduits, bridge structures, detention basins, retention basins, pump stations, and other facilities. By having a single authority responsible for drainage services and a dedicated source of revenue, the community benefits by having a more efficient, cost effective drainage service program.

One Water Initiative

In January of 2012 Mayor Greg Fischer of the Louisville/Jefferson County Metro Government formed the Louisville Utilities and Public Works Advisory Group (the "Advisory Group") to examine the operations of the Louisville Water Company, a Kentucky corporation wholly owned as a public enterprise

by the Louisville/Jefferson County Metro Government ("Louisville Water Company"), the District, and Metro Government's Department of Public Works & Assets ("DPW") to determine whether synergies exist between the entities that would allow for improved service or reduced costs. The Advisory Group, along with efforts of an experienced utility industry consulting corporation, and of due diligence teams of the District and Louisville Water Company, produced a final Report on Due Diligence Analysis and Recommendation in February 2014. As a result of those efforts, the District and the Board of Waterworks of the Louisville/Jefferson County Metro Government, the governing body of the Louisville Water Company (the "Board of Waterworks") entered into an Interlocal Cooperation Agreement (the "Original ILA") on March 11, 2014, as approved by the Kentucky Attorney General on March 31, 2014. The Original ILA, effective through June 30, 2033 (unless earlier terminated by either party on six months' notice), provided for, among other items, the joint and/or cooperative development, provision, sharing and management of certain back-office, administrative and/or support services.

On August 24, 2015, the District and the Board of Waterworks entered into an Amended and Restated Interlocal Cooperation Agreement (the "Amended ILA," and together with the Original ILA, the "ILA"), as approved by the Kentucky Attorney General on September 17, 2015. The Amended ILA was entered into to establish a joint administrative board known as the One Water Board and to provide for more efficient implementation and expansion of the services provided in the Original ILA. The One Water Board consists of two members each from the District's Board and the Board of Waterworks and a member appointed by the Mayor. The One Water Board is responsible for the overall administration of the One Water shared and/or consolidated services program. The Amended ILA is effective through June 30, 2035 (unless earlier termination by either party on 180 days' notice).

The One Water Board approves annual project plans that drive One Water efforts for both Louisville Water Company and the District. These project plans are focused on five key areas: Shared Processes, Cooperative Contracts, Shared Labor, Partnerships and Knowledge Sharing. Through the One Water Partnership, Louisville Water Company and the District strive to achieve the Partnership's mission of improving customer experience, creating efficiencies, and driving revenue growth.

THE SERVICE AREA

The combined area of the former City and the County ("Louisville Metro") is located in the north-central portion of the Commonwealth on the south bank of the Ohio River. Louisville Metro is the largest city in Kentucky and is the core of the Louisville Metropolitan Statistical Area (MSA) which includes, in addition to Louisville Metro, the counties of Bullitt, Oldham and Shelby, in Kentucky, and Clark, Floyd, and Harrison, in Indiana. The Louisville MSA has exhibited a nationally familiar pattern of population dispersion from its core urban area to the balance of Louisville Metro, and from Louisville Metro to the adjacent counties in Kentucky and Indiana.

Annual Population Estimates		
Rank	Louisville Metro⁽¹⁾	Louisville MSA⁽²⁾
1970	695,000	991,801
1980	684,300	1,054,368
1990	665,200	1,058,425
2000	693,604	1,161,975
2010	742,054	1,267,691
2011	746,361	1,310,945
2014	761,725	1,269,702
2015	764,946	1,278,413
2016	767,464	1,350,207
2017	769,828	1,293,953
2018	768,101	1,297,301
2019	766,757	1,265,108
2020	782,123	1,285,058
2021	777,874	1,284,566
⁽¹⁾ Source: Population Division, U.S. Census Bureau website: www.census.gov (Jefferson County, KY)		
⁽²⁾ Source: Population Division, U.S. Census Bureau website: www.census.gov (Louisville/Jefferson County, KY-IN)		

Louisville Metro possesses a diverse economic base which has exhibited the national pattern of a shift away from manufacturing towards services. In 2020 the average per capita personal income in the Louisville-Jefferson County metropolitan area as reported by the U.S. Bureau of Economic Analysis was \$57,683.

Louisville Metro Major Employers		
Rank	Company	Employment
1	United Parcel Service, Inc.	25,169
2	Norton Healthcare, Inc.	14,413
3	Jefferson County Public Schools	13,596
4	UofL Health Inc.	13,111
5	Ford Motor Co.	13,020
6	Humana Inc.	11,243
7	Baptist Healthcare System Inc.	9,030
8	Walmart Inc.	8,600
9	GE Appliances, a Haier company	8,100
10	University of Louisville	6,585

Source: Louisville Business First, July 15, 2022 Edition

RATES AND CHARGES

Wastewater Service and Drainage Service Charges

The District derives its revenue for wastewater service and drainage service from the collection of rates, rentals and charges established in accordance with the provisions of the Act for services rendered within the Service Area to customers served by the District's facilities. Wastewater Service Rates and Drainage Service Rates, are billed and collected by Louisville Water Company on behalf of the District under terms of an agreement executed in January 2013 and ending in December 2027. These rates are billed simultaneously with the water bill on a single statement payable in total for wastewater, drainage and water service rendered. The Louisville Water Company is currently implementing an Advanced Metering Infrastructure (AMI) project. The project automates the meter reading process and enables monthly billing. Customers are being converted to monthly billing in cycles. It is expected that all customers will be converted to monthly billing by the end of 2024. In the event of nonpayment of any such wastewater rates, rentals, or charges for a period of more than 30 days after they become due and payable, Louisville Water Company is required by law to discontinue water service.

The District wastewater service rates include a fixed service charge based on the size of the public water meter serving the property plus a charge for each 1,000 gallons of water consumed on the premises. Each customer has the option of installing private meters to record water usage which does not enter the sewers. Industrial and commercial customers may use this option to obtain credit for water which does not enter the sewers. Drainage service rates are charged based on measured impervious areas with one equivalent service unit assigned for each 2,500 square feet of impervious area (residential unit).

The District's wastewater and drainage service revenues for the past five fiscal years were as follows:

Fiscal Year	Wastewater Revenue (dollars in thousands)					Drainage Revenue (dollars in thousands)				
	Residential	Commercial	Industrial	Other	Total	Residential	Commercial	Industrial	Other	Total
2018	116,457	66,651	24,439	3,088	210,635	23,811	35,778	3,864	415	63,868
2019	122,830	71,054	23,172	2,412	219,468	25,716	38,775	4,373	842	69,706
2020	140,125	74,134	21,759	1,789	237,807	27,684	41,960	4,815	593	75,052
2021	148,091	74,460	23,080	171	245,802	29,413	45,220	5,239	43	79,915
2022	156,764	86,010	23,558	3,734	270,066	31,497	48,526	5,670	1,111	86,804

Source: Louisville/Jefferson County Metropolitan Sewer District

Rate Making Process

To amend its Jefferson County Schedule of Rates, Rentals and Charges in effect from time to time, the District adopts and publishes a preliminary rate resolution, receives public comment for a period of 30 days, and then adopts a final rate resolution. The Metro Government’s Code of Ordinances provides that, in the event the District’s net revenues are less than 1.10 times the debt service on the District’s outstanding revenue bonds for any consecutive six-month period, the District’s Schedule of Rates, Rentals and Charges shall be amended in order to maintain such 1.10 debt service coverage, provided that the aggregate of the adjustments for any 12-month period shall not generate additional revenue from wastewater and drainage service charges in excess of 7% and that an explanation of proposed rate increases in excess of 4% shall be delivered to the Metro Council at least 60 days prior to the approval of the District’s Board. Any rate increase that would generate additional revenue from wastewater and drainage service charges in excess of 7% for a 12-month period requires Metro Council approval. “Net revenues” are defined for such purpose as gross revenue from wastewater service charges less operating expenses and debt service payments other than debt service payments on the District’s outstanding revenue bonds.

Wastewater rate adjustments for MSD’s service area in Bullitt and Oldham Counties are determined by the Interlocal Agreements by which the systems were acquired.

Rate History

The following table shows the District’s combined wastewater and drainage service charge rate increases during the last five years and the resulting additional revenues. Additional revenues from the rate increases are approximate and assume constant water usage.

Jefferson County Historical Service Charge Revenue (dollars in thousands)					
	8/1/2018	8/1/2019	8/1/2020	8/1/2021	8/1/22
Rate Increase	6.90%	6.90%	5.00%	6.90%	5.00%
Annual additional revenue from rate increase	14,669	16,589	12,552	20,627	*

*Data available 6/30/23
Table excludes Bullitt & Oldham County service area.
Source: Louisville/Jefferson County Metropolitan Sewer District

Customer Growth

The following tables show the growth in the total number of the District’s wastewater customers and drainage service customers. Wastewater customer growth in fiscal year 2021 is primarily due to the District’s acquisition of the former Oldham County Environmental Authority service area. This acquisition added approximately 6,000 wastewater customers. Wastewater customer growth in fiscal year 2022 is primarily due to the District’s acquisition of the former Bullitt County Sanitation District service area. This acquisition added approximately 4,200 wastewater customers.

Historical Active Wastewater Customer Totals						
	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22
Residential	217,979	219,186	220,412	221,796	230,157	234,362
Commercial	19,658	19,350	19,373	21,331	21,537	21,851
Industrial	340	348	360	385	390	394
Total	237,977	238,884	240,145	243,512	252,084	256,607
% Growth	0.81%	0.38%	0.53%	1.40%	3.52%	1.79%

Source: Louisville/Jefferson County Metropolitan Sewer District

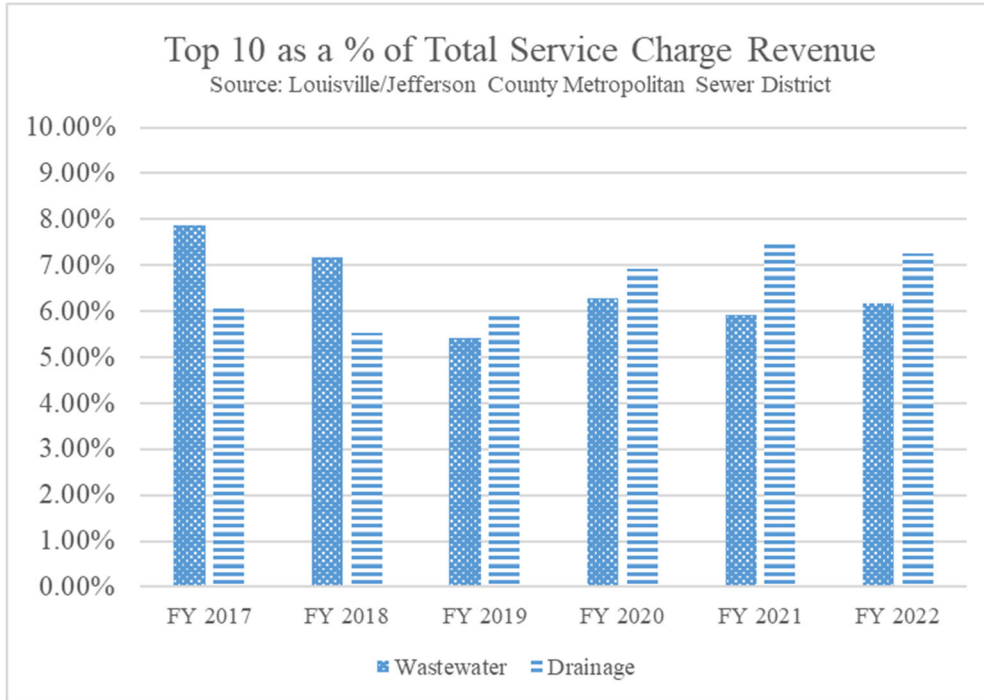
Historical Active Drainage Customer Totals					
	FY19	FY 20	FY 21	FY22	
Residential	206,499	207,317	208,060	209,335	
Commercial	14,024	14,087	14,062	14,040	
Industrial	257	271	269	274	
Total	220,780	221,675	222,391	223,649	
% Growth		0.41%	0.32%	0.57%	

Source: Louisville/Jefferson County Metropolitan Sewer District

Top 10 Customers

The following table shows the District’s top 10 wastewater and drainage customers as a % of total

revenue for the past five fiscal years.



The following tables shows the District’s top 10 wastewater and drainage customers in fiscal year 2022.

Top 10 Wastewater Customers				
Rank	Customer Name		FY '22 Wastewater Billed	Percent Total Wastewater Revenue
1	Heaven Hill Distilleries Inc	\$	4,219,789	1.51%
2	Lubrizol Advanced Material		2,751,255	0.84%
3	The Chemours Company FC LLC		1,723,158	0.84%
4	Swift Pork Co		1,461,306	0.56%
5	Clariant Corporation		1,437,880	0.56%
6	Early Times Distillery		1,420,078	0.46%
7	Ford Motor Company		1,193,083	0.32%
8	Haier US Appliance Solutions Inc		955,585	0.30%
9	Rohm & Haas		783,570	0.29%
10	Ford Motor Company		744,470	0.24%
Total			16,690,174	6.18%
Total FY 22 Wastewater Revenue:		\$	270,066,040	

Source: Louisville/Jefferson County Metropolitan Sewer District

Top 10 Drainage Customers				
Rank	Customer Name		FY 22' Drainage Billed	Percent Total Drainage Revenue
1	Regional Airport Authority	\$	1,645,863	1.93%
2	United Parcel Service		1,456,321	1.70%
3	Jeff Co Board Of Education		865,812	1.07%
4	Ford Motor Company		456,942	0.54%
5	Lit Industrial Limited Partner		346,273	0.40%
6	Kentucky State Fair Board		321,966	0.38%
7	Regional Airport Authority		320,679	0.38%
8	The U Of L Campus		308,517	0.35%
9	Churchill Downs Inc		298,224	0.34%
10	Seaboard Systm Rr-00822		273,149	0.33%
	Total		6,293,747	7.25%
	Total FY 22 Drainage Revenue:	\$	86,804,257	

Source: Louisville/Jefferson County Metropolitan Sewer District

FINANCIAL OPERATIONS

Historical Financial Operations

The District derives its revenues primarily from customer payments for wastewater and stormwater services, which accounts for 98% of operating revenues. Other operating revenues include inflow and infiltration fees, capacity charges and other miscellaneous system fees and charges, which account for the remaining 2% of operating revenues. Non-operating revenues include interest income earned on investments and the federal interest subsidy on the District’s Build America Bonds. The current portion of assessments payments is also included in non-operating revenue for purposes of coverage calculations per the Resolution.

The District’s Finance Department provides detailed monthly reports on cash and investments, revenues, expenses, variances to budget and capital spending to management and the Board. The following table presents historical revenues, expenses and changes in net position using information contained in the audited financial statements for fiscal years 2018 through 2022. The District’s audited financial statements for the fiscal year ended 2021 are found in Appendix B.

Historical Revenues, Expenses and Changes in Net Position					
Fiscal Year ended June 30					
(\$ in thousands)					
	FY18	FY19	FY20	FY21	FY22 (Unaudited)
Operating revenue:					
Wastewater service charges	\$ 210,636	\$ 219,467	\$ 237,807	\$ 245,802	\$ 270,066
Drainage service charges	63,868	69,706	75,052	79,915	86,804
Other operating income	4,645	5,195	6,198	3,701	8,497
Total operating revenue	<u>279,149</u>	<u>294,368</u>	<u>319,057</u>	<u>329,418</u>	<u>365,367</u>
Operating expenses:					
Service and administrative costs	142,711	154,325	167,771	170,073	169,869
Capitalization/recovery of cost	(38,147)	(38,383)	(39,643)	(41,785)	(42,166)
Capitalized overhead (over) under applied	88	-	-	-	-
Depreciation and amortization	77,954	87,882	98,872	97,874	104,219
Total operating expenses	<u>182,606</u>	<u>203,824</u>	<u>227,000</u>	<u>226,162</u>	<u>231,922</u>
Income (loss) from operations	<u>96,543</u>	<u>90,544</u>	<u>92,057</u>	<u>103,256</u>	<u>133,445</u>
Non-operating revenue (expense):					
Gain/Loss Disposal of Assets	-	15	(15,008)	(21)	124
Investment income	6,280	8,338	5,275	1,777	(1,467)
Build America bond refund	10,249	10,339	10,325	10,398	10,344
Interest expense - bonds	(95,041)	(94,831)	(92,274)	(93,067)	(86,792)
Interest expense - swaps	(7,724)	(6,468)	(8,027)	(9,793)	(9,502)
Interest expense - other	(9,873)	(13,497)	(13,129)	(13,104)	(12,873)
Amortization of debt discount/premium	15,198	14,344	12,688	17,429	17,172
Amortization of loss on refunding	(3,147)	(2,817)	(2,404)	(3,107)	(3,768)
Capitalized interest	21,859	18,582	13,043	12,049	7,464
Change in fair values - swaps	16,317	(13,597)	812	8,796	11,293
Total non-operating revenue (expenses), net	<u>(45,882)</u>	<u>(79,592)</u>	<u>(88,699)</u>	<u>(68,643)</u>	<u>(68,005)</u>
Net income / (loss) before contributions	<u>50,661</u>	<u>10,952</u>	<u>3,358</u>	<u>34,613</u>	<u>65,440</u>
Contributions					
Property owner assessments	-	-	-	-	-
All other	12,726	50,926	9,085	16,422	9,572
Increase (decrease) in net position	<u>63,387</u>	<u>61,878</u>	<u>12,443</u>	<u>51,035</u>	<u>75,012</u>
Net position, beginning of year	668,488	708,674	770,552	796,730	847,765
Net position, OCEA merger	-	-	13,735	-	-
Restatement for GASB 75 implementation	(23,201)	-	-	-	-
Net Position, beginning of year, as restated	<u>645,287</u>	<u>708,674</u>	<u>784,287</u>	<u>796,730</u>	<u>847,765</u>
Net position, end of year	<u>\$ 708,674</u>	<u>\$ 770,552</u>	<u>\$ 796,730</u>	<u>\$ 847,765</u>	<u>\$ 922,777</u>

Source: Louisville/Jefferson County Metropolitan Sewer District

The following table presents historical senior debt service coverage for each of the last five fiscal years.

Historical Debt Service Coverage					
Fiscal Year ended June 30					
(\$ in thousands)					
	2018	2019	2020	2021	2022 (Unaudited)
Revenues:					
Service charges	\$ 274,504	\$ 289,173	\$ 312,859	\$ 325,717	\$ 356,870
Other operating income	4,645	5,195	6,198	3,701	8,497
Assessments	1,232	1,258	909	799	583
Investment income	16,531	18,692	15,600	12,175	8,877
Less: capitalized investment income	-	-	-	-	-
Total revenues	296,912	314,318	335,566	342,392	374,827
Operating expenses:					
Service and administrative costs ¹	131,948	142,082	149,945	151,527	161,144
Less: capitalized overhead	(38,148)	(38,383)	(39,643)	(41,785)	(42,166)
Capitalization Rate	29%	27%	26%	28%	26%
Total operating expenses	93,800	103,699	110,302	109,742	118,978
Net revenues	203,112	210,619	225,264	232,650	255,849
Aggregate debt service:					
Current maturities of long-term debt	33,906	40,358	40,637	43,802	51,597
Interest expense - senior lien	95,041	94,831	92,274	93,067	86,792
Less: capitalized interest expense	(21,859)	(18,582)	(13,043)	(12,050)	(7,464)
Aggregate net debt service	\$ 107,088	\$ 116,607	\$ 119,868	\$ 124,819	\$ 130,925
Debt service coverage ratio²	190%	181%	188%	186%	195%
¹ Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year					
² Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year					
Source: Louisville/Jefferson County Metropolitan Sewer District					

Projected Financial Operations

Both historic revenues and expenses of the District for prior fiscal years and projected revenues and expenses of the District for the current and future fiscal years are reflected in the charts below. The projected revenues reflect the increases in rates and charges adopted by the District for fiscal year 2023 and the anticipated increases in rates and charges for fiscal years 2024 through 2027. The projected financial results for fiscal years 2023 through 2027 incorporate assumptions as of the date of this Official Statement.

The information on projected revenues and expenses constitute a "forward looking statement" under federal securities law. Actual revenues, expenses, or both could differ materially from those forecasted and there can be no assurance that such estimates of future results will be achieved. For example, there can be no assurance that the MSD Board will approve any proposed revision of the District's Schedule

of Rates, Rentals and Charges. In general, important factors that could cause actual results to differ materially from the revenues or expenses presently estimated include, but are not limited to, material changes in the size and composition of the District's service area, unanticipated changes in law or unanticipated material litigation, a material downturn in economic activity, efficiency of operations and the capital construction and expenditure plans and results of the District.

Analysis of Actual and Projected Financial Results								
Fiscal Years ended/ending June 30								
(\$ in thousands)								
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
	Actual	Actual	Unaudited	Budget	Projected	Projected	Projected	Projected
Rate Increase ¹	6.90%	5.00%	6.90%	5.00%	6.90%	6.90%	6.90%	6.90%
Operating Revenues								
Wastewater service charges	\$ 237,807	\$ 245,802	\$ 270,066	\$ 282,643	\$ 295,029	\$ 312,571	\$ 331,172	\$ 350,644
Drainage service charges	75,052	79,915	86,804	91,599	96,166	102,785	109,860	117,423
Other operating income	6,198	3,701	8,497	4,500	4,500	4,525	4,550	4,550
Total Operating Revenues	319,057	329,418	365,367	378,742	395,695	419,881	445,582	472,617
Non-Operating Revenues								
Assessments	909	799	583	550	550	550	400	400
BAB refund	10,325	10,398	10,344	10,338	10,986	10,986	10,986	10,986
Investment income	5,275	1,777	(1,467)	1,188	1,236	1,285	1,337	1,337
Total Non-Operating Revenues	16,509	12,974	9,460	12,076	12,772	12,821	12,723	12,723
Total Available Revenue	335,566	342,392	374,827	390,818	408,467	432,702	458,305	485,340
Operating Expenses								
Total operating expenses ²	149,945	151,528	161,144	176,668	186,130	196,507	208,625	222,528
Capitalized cost	(39,643)	(41,786)	(42,165)	(40,634)	(39,867)	(40,194)	(40,661)	(43,395)
Net Operating Expense	110,302	109,742	118,979	136,034	146,263	156,313	167,964	179,133
Net Revenues Available for Debt Service	225,264	232,650	255,848	254,784	262,204	276,389	290,341	306,207
Debt Service								
Total senior debt service ³	132,911	136,869	138,389	144,195	142,156	151,204	161,035	177,513
Capitalized interest	(13,043)	(12,049)	(7,464)	(8,222)	(8,056)	(8,594)	(9,300)	(9,284)
Total subordinated debt service	20,751	22,782	24,302	27,639	33,137	34,278	37,706	25,647
Total Outstanding & Projected Debt Service	140,619	147,602	155,227	163,612	167,237	176,888	189,441	193,876
Senior Debt Service Coverage	188%	186%	195%	187%	196%	194%	191%	182%
Total Debt Service Coverage	160%	158%	165%	156%	157%	156%	153%	158%
Aggregate Net Debt Service ⁴	119,868	124,820	130,925	135,973	134,100	142,610	151,735	168,229
110% of Aggregate Net Debt Service	131,855	137,302	144,018	144,018	144,018	144,018	144,018	144,018
Subordinate Debt Service	20,751	22,782	24,302	27,639	33,137	34,278	37,706	25,647
110% of Subordinated Debt Service	22,826	25,060	26,732	30,403	36,451	37,706	41,477	28,212

¹ Jefferson County Rate Increase.

² Excludes the actuarial portion of changes to GASB 68 pension expense and GASB 75 OPEB for the year.

³ Projections assume bonds issued in 2022 and 2024 are issued on a senior lien basis.

⁴ As defined by General Bond Resolution

Source: Louisville/Jefferson County Metropolitan Sewer District

CAPITAL IMPROVEMENT PROGRAM

Consulting Engineer's Report

Jacobs Engineering Group, Inc., Louisville, Kentucky (the "Consulting Engineers") has been retained by the District as its engineering consultant. The most recent report of the Consulting Engineers

is appended to this Official Statement as Appendix F. The projections shown in "Appendix F — Consulting Engineer's Report" are based on, among other things, the District's Capital Improvement Plan in effect as of the date of such report. Except as specifically described herein, there can be no assurance that the District will not amend or revoke the Capital Improvement Program (the "CIP") described in Appendix F or that the District will issue or support bonds or other funding for the Capital Improvement Program in its current form or as amended or any substitute therefor.

Consent Decree

In August 2005, the District entered into a joint Consent Decree agreement with the federal government and the Commonwealth of Kentucky. The Consent Decree created the framework for a 19-year program to manage and mitigate combined sewer overflows (CSOs), and eliminate sanitary sewer overflows (up to a certain storm event). In 2009, the Consent Decree was amended to address recordkeeping and Water Quality Treatment Center bypasses and treatment performance.

To meet the requirements of the Amended Consent Decree, the District developed the Integrated Overflow Abatement Program (IOAP), which was later incorporated into the Critical Repair and Reinvestment Plan. Key capital projects in the IOAP include:

- **CSO Storage Basins.** Large storage basins are under design or construction at strategic locations in the District's combined sewer system to temporarily store flows during rain events. When capacity is available, these stored flows will be released back into the collection system for treatment. These basins are a foundation of the District's CSO control strategy and must be operational by state and federally-enforced deadlines.
- **Green Infrastructure Projects.** Green infrastructure works by capturing stormwater flows in natural systems before they can enter the underground pipe network and thus creates additional capacity within the sewer system. Additionally, these systems remove pollutants through natural filtration systems so that any flows that must pass through them carry a reduced pollutant load. The District is committed to integrating green infrastructure as part of its overflow control strategy and has implemented an innovative system of cost-sharing with other public agencies and private developers to leverage the District's investment in green infrastructure to the extent it furthers the District's service offerings.
- **Capacity, Management, Operations and Maintenance (CMOM) Projects.** An essential component to the long-term success of the IOAP is an effective CMOM program that makes sure the wastewater collection system operates effectively. Elements of this program include capital investment, sewer inspection and cleaning, repair of defects found in sewers, and removal of illicit and illegal connections to the system.
- **Nine Minimum Controls (NMC) Projects.** Reporting requirements for the NMC program will be phased out after the completion of the District's obligations under the Consent Decree. The NMC principles related to optimizing operation of the combined sewer system will remain in full force and effect, with the enforcement mechanism shifted from the Consent Decree to the Morris Forman WQTC discharge permit. One critical item that will continue after the IOAP is completed is the continued implementation and optimization of the District's Real Time Control system that maximizes storage in the collection system through a series of automated dams and gates.

The District has spent approximately \$1 billion designing and constructing many of the IOAP projects and completing other projects required under the Amended Consent Decree. This work has been

financed or refinanced with proceeds of the District's Sewer and Drainage System Revenue Bonds, Series 2008, Series 2009C, Series 2010A, Series 2013C, Series 2014A, Series 2015A, Series 2016A, Series 2017A, Series 2020C, and Series 2021A, and refinanced with proceeds of the 2022A Bonds.

All scheduled milestones on IOAP projects to mitigate sewer overflows across the service area have been met. Local waterways are safer and cleaner today as a result of these expenditures. Spending on the Amended Consent Decree work has consumed the majority of the District's capital expenditures since 2009. However, IOAP projects have only addressed a fraction of the wastewater, stormwater and flood protection assets under the District's purview. An unintended consequence of compliance with the Amended Consent Decree has been deferred asset management on the remaining infrastructure.

The District proactively approached federal and state regulators in 2019 to renegotiate the timing for completing the remaining LTCP and SSDP projects required by the Amended Consent Decree in order to reprioritize capital dollars for rehabilitation of the Districts' aging biosolids systems, failing sewer interceptors and flood protection system rehabilitation. The District, along with the federal government and the Commonwealth of Kentucky, have negotiated the Second Amended Consent Decree which grants a time extension for completing the remaining LTCP and SSDP projects to 2035. In exchange, the District agreed to invest a minimum of \$25 million annually for asset management projects through 2035. Additionally, the District agreed to incorporate \$70 million for critical sewer rehabilitation in its 5-year capital improvement plan. These financial commitments are achievable within the Board's rate increase authority of 6.9% per year. Final court approval of the Second Amended Consent Decree is pending. See "PENDING LITIGATION" and "Appendix F -- 2022 Supplemental Engineer's Report", for additional information on the Second Amended Consent Decree.

Critical Repair and Reinvestment Plan

The District's 20-year Comprehensive Facility Plan published in June 2017 ("Facility Plan") represents the District's most ambitious planning effort in a decade. Working with the Wet Weather Team Stakeholder Group and District staff, the Facility Plan Team reviewed the challenges our community faces now and in the future and has developed a roadmap to protect the area's health, economic vitality, and environment. The recommendations in this plan are the result of well-vetted analyses from some of the most experienced engineers in Louisville Metro. The recommendations are essential to maintaining reliable and properly sized facilities that will allow the District to fulfill its responsibility for safe, clean waterways and to help preserve and promote our competitiveness as a city.

Wastewater collection and treatment is the District's largest service offering and was the original reason the District was formed by state statute in 1946. Fully implementing the Facility Plan recommendations will accomplish the following wastewater service objectives:

- Fulfill the obligation of the Consent Decree, including completing all the projects contained in the IOAP on schedule
- Provide facilities that comply with the other environmental regulations the District is governed by and provide a plan to remain in compliance with future regulations currently under development
- Renew and replace aging wastewater infrastructure to provide reliable service and the lowest overall cost using a best-practice asset management approach
- Position the District to support the community's ability to grow responsibly as economic development opportunities become available

The District assumed responsibility for stormwater management, including both drainage and interior floodplain management for most of Jefferson County in 1987. The drainage system at that time had a backlog of thousands of drainage complaints that the District was expected to correct. While the District

has invested hundreds of millions of dollars in drainage infrastructure since 1987, drainage problems still are found across the entire county. In addition, the increased frequency of extreme storms that have been observed in Louisville Metro have raised customer concerns about the adequacy of our drainage and interior floodplain management systems. While current development standards require mitigation of the drainage impacts of land use changes, analysis of historical trends shows a significant reduction in natural green space and an increase in impervious surfaces that do not allow stormwater to seep into the ground. Runoff from impervious surfaces also causes increased runoff volume and greatly increased runoff peak flows. Together, these factors exacerbate the observed deficiencies in the stormwater system that the District now has responsibility for, impacting neighborhood drainage in addition to interior floodplain inundation. Implementing the Facility Plan recommendations will accomplish the following stormwater management objectives:

- Improve the level of protection against public health and property risks caused by inadequate stormwater drainage systems
- Continue support for the Project DRI neighborhood drainage solutions
- Expand the efforts of the MS4 program to reduce stormwater contamination of our waterways, primarily through BMPs and continued proactive support of green infrastructure solutions to both quantity and quality concerns
- Recognize and respond to the impact of changing weather patterns including the increased frequency of extreme storms

The Ohio River Flood Protection System (ORFPS) was developed in response to the flood of 1937. This system of levees, floodwalls, and flood pumping stations has protected Louisville since it became operational in the 1950s. While the system has an outstanding record of reliability, much of the system is more than 60 years old and includes antiquated equipment that cannot be repaired with standard parts available today. In addition, the same changing precipitation and land use patterns that affect drainage and inland floodplain management also impact the flood pumping stations and related appurtenances. Implementing the Facility Plan recommendations will accomplish the following ORFPS objectives:

- Maintain protection from Ohio River floods entering Louisville by proactive preventive and predictive maintenance activities related to the levee, floodwall, and all gates and other penetration closures that keep floodwaters at bay
- Modernize the flood pumping stations with current mechanical and electrical equipment that can provide continued reliability and a predictable cost because parts will be more readily available at a more reasonable cost
- Expand the capacity of those flood pumping stations to enhance community protection in response to changing precipitation and land use patterns

Implementing the recommendations for all three service areas will require a significant investment from the community. Based on the analyses of this Facility Plan, meeting the critical needs of the community is estimated to cost \$4.3 billion over the next two decades. Unlike the IOAP, which is required by the Consent Decree to be completed, most stormwater management and flood protection capacity projects developed in the Facility Plan are not specifically required by regulation. Providing for infrastructure renewal and replacement, and improving the consistent level of service in stormwater management and flood protection are local decisions driven by the District's mission to provide safe, clean waterways for the community. The District will implement the Facility Plan to the extent funding is provided through the rate-setting process. If sufficient funding is not provided to complete the recommended projects in the 20-year planning period, then projects will be deferred to the future, when funding comes available.

Climate Change Storm Risk

As stated above, one of the objectives of the Facility Plan is to recognize and respond to the impact of changing weather patterns, including the increased frequency of extreme storms. Statistical data show an increase in the volume of rain in the District's local service area as a result of fewer but more severe and intense storms. As part of the process of developing and adopting the Facility Plan, the District has taken into account this increased frequency of extreme storms, presumably related to the effects of global climate change, with an approach aimed at providing protection to properties and buildings from surface flooding across the entire county from a 10-year storm. The Facility Plan also provides guidance on reducing (but not eliminating) the risk associated with localized, unusual weather events. The Facility Plan thus takes into account climate change as an issue affecting the resilience of the District's storm water treatment and drainage system and the effect on customer protection by focusing on the ability of the District's infrastructure to function effectively under different potential storm patterns. A discussion of the District's 5-year CIP spending for the Facility Plan drainage program is contained in Section 3.3 of the Consulting Engineer's Report included as Appendix F.

RECENT AND PENDING TRANSACTIONS OF THE DISTRICT

On March 25, 2020, the District entered into a Forward Delivery Bond Purchase Agreement with Bank of America, N.A. (the "Bank") providing for the sale to the Bank of the District's Sewer and Drainage System Revenue Bonds, Series 2021A (the "Series 2021A Bonds") in the principal amount of \$246,555,000 to be issued and delivered on August 17, 2021. Pursuant to the Forward Delivery Bond Purchase Agreement, the District issued the Series 2021A Bonds under the Bond Resolution and the proceeds thereof were used to defease, and to redeem and refund on November 15, 2021, all of the District's Sewer and Drainage System Revenue Bonds, Series 2011A outstanding on that date. Upon the issuance of the Series 2021A Bonds, the District entered into a Continuing Covenant Agreement with the Bank providing that if an Event of Default shall have occurred and be continuing under the Continuing Covenant Agreement, the Bank or its assigns as holders of the Series 2021A Bonds may by written notice to the District declare the outstanding principal of and interest on the Series 2021A Bonds to be immediately due and payable. A redacted copy of the Continuing Covenant Agreement has been posted by the District on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) website and is available there at: <https://emma.msrb.org/ES1470532.pdf>.

On March 15, 2021 the District issued under the General Bond Resolution, to the United States Environmental Protection Agency (the "EPA"), the District's Sewer and Drainage System Revenue Bonds, Series 2020B (the "Series 2020B Bonds") in the principal amount of \$96,126,000, evidencing a loan from the EPA to the District under the federal Water Infrastructure Finance and Innovation Act (WIFIA), for the purpose of financing the costs of certain improvements to the System. The District's loan agreement with the EPA (the "WIFIA Loan Agreement") prohibits the District from incurring additional debt without the permission of the EPA if a payment default has occurred and is continuing under the WIFIA Loan Agreement. A redacted copy of the WIFIA Loan Agreement is attached to the event notice which the District posted on March 26, 2021 on the EMMA website and which is available there at: <https://emma.msrb.org/P11479931-P11147049-P11561056.pdf>.

On July 2, 2021, the Kentucky Infrastructure Authority ("KIA"), an agency of the Commonwealth of Kentucky, approved loans to the District (i) in the amount of \$2,944,345 to rehabilitate, renovate, and replace a sewer lift station in Oldham County and (ii) in the amount of \$7,400,000 to eliminate a pump station in Oldham County and increase sewer pipe diameter to facilitate future regionalization.

On November 30, 2021 the District acquired the wastewater system of the Bullitt County Sanitation District (“BCSD”) pursuant to (i) an Interlocal Cooperation Agreement for Wastewater Collection and Treatment Services, dated May 6, 2021, as amended by a First Amendment to Interlocal Agreement dated July 26, 2021, and a Second Amendment to Interlocal Cooperation Agreement dated September 27, 2021, by and among the District, BCSD, and the County of Bullitt, Kentucky (the “County”) and (ii) an Asset Purchase Agreement dated as of October 25, 2021, by and between the District, BCSD, and the County. BCSD operated a sewer and wastewater treatment system in Bullitt County, Kentucky serving approximately 4,200 residential customers with eight small “package” wastewater treatment plants. Further details regarding this acquisition is contained in the event notice the District posted on the EMMA website on December 10, 2021 and which is available there at: <https://emma.msrb.org/MarketActivity/ContinuingDisclosureDetails/P11177347>.

On February 1, 2022 the District issued its Sewer and Drainage System Revenue Bonds, Series 2022A (Green Bonds – Climate Bond Certified) (the “Series 2022A Bonds”) in the principal amount of \$225,000,000, for the purpose of paying at maturity, redeeming, and refunding Program Notes issued and outstanding as Senior Subordinated Debt, the proceeds of which were used for the purpose of financing the cost of capital improvements and additions to the District’s sewer and drainage system and refinancing other Program Notes previously issued under the Program Note Resolution adopted on May 29, 2018.

On June 27, 2022 the District entered into an Assistance Agreement with KIA for a loan in the amount of \$8,270,000 to the District to rehabilitate or replace several sewer pump stations in the District. The loan bears interest at the rate of 2% per annum. Repayments will commence within twelve months from project completion.

On July 25, 2022, MSD’s Board adopted a resolution imposing a 5.00% increase in wastewater and drainage volume and service charges and optional and quality charge rates assessed to commercial and industrial customers in the District’s Jefferson County service area, effective August 1, 2022.

Pursuant to the terms of an Interlocal Cooperation Agreement, on July 25, 2022, the MSD Board approved a \$2.00 reduction in the wastewater volume charge for MSD’s Oldham County service area effective August 1, 2022. Starting August 1, 2023, rate increases for wastewater service in Oldham County will not exceed 3% annually until rates for MSD’s Oldham County service area equal those for its Jefferson County service area.

COVID-19 PANDEMIC

The World Health Organization declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus. In response to this novel coronavirus, on March 6, 2020, the Governor of Kentucky issued Executive Order 2020-215, declaring a State of Emergency under KRS Chapter 39A and activating the Kentucky Emergency Operations Plan. On March 13, 2020, President Donald Trump declared a national emergency and made federal government funds available to help states and local governments fight the pandemic. The continued spread of COVID-19 may alter the behavior of businesses and individuals in a manner that will have negative effects on economic activity and therefore may adversely affect the financial conditions of the Commonwealth and the District, either directly or indirectly.

District operations have continued, largely uninterrupted, by the pandemic. The District has taken measures to safeguard its employees while enabling them to perform their work. Many administrative personnel are teleworking, operational personnel have been supplied with personal protective equipment,

and the District has made other modifications following CDC guidelines that enable it to continue to provide wastewater treatment, drainage and flood protection to the community.

As the federal, state, and local governments, including the District, continue efforts to contain and limit the spread of COVID-19, revenue collections may deviate from historical or anticipated collections and may have an adverse impact on the financial position and operations of the District to a degree that cannot currently be estimated. As of June 30 2022, MSD has \$118 million of unrestricted operating cash and investments on hand, which is expected to be adequate to fund essential services and make timely debt service payments. In addition, MSD can issue Program Notes to provide short-term funding for its capital improvement program. The District, however, is not able to predict and makes no representations as to the future economic impact of the COVID-19 pandemic on the District, the operations of the District, or the financial position of the District.

Certain statements contained in this Official Statement are “forward-looking statements.” Particularly because of the evolving nature of the current public health crisis, no assurances can be given that any projected future results described herein will be achieved, and actual results may differ materially from the projected future results described herein. In this respect, the words “estimate,” “forecast,” “project,” “anticipate,” “expect,” “intend,” “believe,” “budget” and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements in this Official Statement are expressly qualified in their entirety by this cautionary statement.

PENDING LITIGATION

There is no litigation or other legal proceeding pending or, to the knowledge of the District, threatened to restrain or enjoin the issuance, sale or delivery of the Series 2022 Notes or the implementation of the plan of financing described herein, or in any way contesting or affecting the validity of the Series 2022 Notes or the plan of financing described herein or any proceedings of the District taken with respect to the issuance or sale of the Series 2022 Notes, the pledge or application of any moneys or securities provided for the payment of the Series 2022 Notes or the existence or powers of the District insofar as they relate to the authorization, sale and issuance of the Series 2022 Notes or such pledge or application of moneys and securities or the implementation of the plan of financing described herein.

There is no litigation or other legal proceeding pending or, to the knowledge of the District, threatened which challenges the authority of the District to operate the System or to collect revenues therefrom or which contests the creation, organization or existence of the District or the title of any of its Board members or executive staff to their respective offices.

After several months of negotiation, the District, Commonwealth of Kentucky and United States of America have reached an agreement on important modifications to the 2009 Amended Consent Decree entered by the United States District Court for the Western District of Kentucky, Louisville Division (the “Court”), in Civil Action No. 3:08-CV-00608-CRS. The parties have agreed to enter into a Second Amended Consent Decree which will supersede and replace the 2009 Amended Consent Decree and update the 2012 Integrated Overflow Abatement Plan (“IOAP”) Modification approved on June 19, 2014 with the 2021 IOAP Modification.

The original IOAP, which included a Final Sanitary Sewer Discharge Plan (“SSDP”) and CSO Long Term Control Plan (“LTCP”), was certified on December 19, 2008, and incorporated by reference into the 2009 Amended Consent Decree by an Order signed on February 12, 2010 and entered into the public record February 15, 2010. The IOAP was amended in 2012 and 2014 to improve compliance and adjust capital project schedules.

Since entry of the 2009 Amended Consent Decree, the District has spent approximately \$1 billion developing and completing many of the IOAP projects, and completing other projects and compliance measures mandated by the Consent Decree. The District has completed the majority of the CSO LTCP projects and SSDP projects, as well as the development of Comprehensive Program Evaluations, Composite Correction Plans, Sewer Overflow Response Protocol, Interim Sanitary Sewer Discharge Plan, and Sanitary Capacity Assessment Plan.

The Second Amended Consent Decree, which was lodged in the Court on July 27, 2021, was negotiated to effectuate additional remedial measures for CSO and SSO control and regulatory compliance. Specifically, the Second Amended Consent Decree was negotiated to integrate the development of an asset management plan that provides for a long-term maintenance and funding strategy for rehabilitation and renewal of the District's aging biosolids systems and failing critical interceptors and flood protection system. To facilitate the District's ability to reprioritize projects and capital spending, the Commonwealth of Kentucky and United States of America have agreed to extend the time for completion of remaining LTCP and SSDP projects to 2035. In exchange for the time extension, the District has agreed to invest a minimum of \$25 million on average each fiscal year in asset management projects for a total of \$375 million by June 30, 2035. The District has also agreed to incorporate \$70 million in its 5-year CIP for critical sewer rehabilitation. The Second Amended Consent Decree sets forth stipulated penalties to be assessed should the District fail to comply.

Final approval of the Second Amended Consent Decree by the Commonwealth of Kentucky and United States of America, and entry by the Court, are subject to the requirements of 28 C.F.R. §50.7, which provides for notice of the lodging of the Second Amended Consent Decree in the Federal Register, and an opportunity for public comment. The comment period has expired and entry of the Second Amended Consent Decree as a final judgement is currently pending consideration of comments by the United States of America.

The District is a defendant from time to time in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the District that resolution of these matters will not result in a material adverse effect on the operations, properties or financial condition of the District.

Except as disclosed above, there is no litigation or other legal proceeding pending or, to the knowledge of the District, threatened against or affecting the District or its Board wherein an unfavorable decision, ruling or finding might have a materially adverse effect on the operations, properties or financial condition of the District.

APPROVAL OF LEGAL PROCEEDINGS

The issuance of the Series 2022 Notes is subject to the approval of Wyatt, Tarrant & Combs LLP, Louisville, Kentucky, Bond Counsel, whose approving opinion will be delivered with the Series 2022 Notes. Certain legal matters will be passed upon for the District by its Interim General Counsel, Jacquelyn Quarles, Esq.

Bond Counsel has reviewed legal matters incident to those sections of the Official Statement entitled "The Series 2022 Notes," "Security and Sources of Payment for the Series 2022 Notes," "Tax Treatment," and "Appendix A – Definitions of Certain Terms and Summary of Provisions of the Bond Resolution and Note Resolution," and is of the opinion that the statements contained in such sections are, as to law and legal conclusions, correct and that such sections fairly summarize the contents of the documents therein described. Bond Counsel assumes no responsibility for the accuracy or completeness of other statements or financial information contained in this Official Statement.

TAX TREATMENT

General

In the opinion of Wyatt, Tarrant & Combs, LLP, Bond Counsel, (i) under the Internal Revenue Code (the "Code") as presently enacted and construed, interest on the Series 2022 Notes is excludable from gross income for federal income tax purposes, although such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and (ii) the Series 2022 Notes are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth of Kentucky and all of its political subdivisions and taxing authorities.

A copy of the form of opinion of Bond Counsel for the Series 2022 Notes is set forth in Appendix D.

The Code imposes various restrictions, conditions, and requirements relating to the qualification of the Series 2022 Notes as so-called "tax-exempt" bonds. The District has covenanted to comply with certain restrictions designed to ensure that interest on the Series 2022 Notes will not be includable in gross income for federal income tax purposes. Failure to comply with these covenants could result in the Series 2022 Notes not qualifying as "tax-exempt bonds," and thus interest on the Series 2022 Notes being includable in the gross income of the holders thereof for federal income tax purposes. Such failure to qualify and the resulting inclusion of interest could be required retroactively to the date of issuance of the Series 2022 Notes. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2022 Notes may adversely affect either the federal or Kentucky tax treatment of the Series 2022 Notes.

Certain requirements and procedures contained or referred to in the Note Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2022 Notes) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Series 2022 Notes or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Wyatt, Tarrant & Combs, LLP.

Although Bond Counsel for the Series 2022 Notes is of the opinion that (i) interest on the Series 2022 Notes is excludable from gross income for federal income tax purposes, although such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022, and (ii) the Series 2022 Notes will be exempt from Kentucky income tax as described above, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2022 Notes may otherwise affect a Holder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Holder or the Holder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Holder or potential Holder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Series 2022 Notes on the tax liabilities of the individual or entity.

Receipt of interest on or the ownership or disposition of Series 2022 Notes may result in other collateral federal, state or local tax consequence for certain taxpayers. Such effects may include, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits

tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code and limiting the amount of the earned income credit under Section 32 of the Code that might otherwise be available. Ownership of any of the Series 2022 Notes may also result in the limitation of interest and certain other deductions for financial institutions and other taxpayers pursuant to Section 265 of the Code. Residence of the Holder of Series 2022 Notes in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Series 2022 Notes.

The District has not designated the Series 2022 Notes as "qualified tax-exempt obligations" under Section 265 of the Code.

Original Issue Premium

"Acquisition Premium" is the excess of the cost of a note over the stated redemption price of such note at maturity. The Series 2022 Notes have a yield that is lower than their stated interest rate, as shown on the cover page hereto, and are therefore being initially offered and sold to the public at an Acquisition Premium. For federal income tax purposes, the amount of Acquisition Premium on each note the interest on which is excludable from gross income for federal income tax purposes ("tax-exempt notes") must be amortized and will reduce the bondholder's adjusted basis in that note. However, no amount of amortized Acquisition Premium on tax-exempt notes may be deducted in determining a noteholder's taxable income for federal income tax purposes. The amount of any Acquisition Premium paid on the Series 2022 Notes that must be amortized during any period will be based on the "constant yield" method, using the original bondholder's basis in such bonds and compounding semiannually. This amount is amortized ratably over each semiannual period on a daily basis.

Holders of the Series 2022 Notes should consult their own tax advisors as to the effect of Acquisition Premium with respect to their own tax situation and as to the treatment of Acquisition Premium for state and local tax purposes.

FINANCIAL STATEMENTS

The financial statements of the District for the fiscal year ended June 30, 2021 included in **Appendix B** of this Official Statement, which is an integral part of this Official Statement, have been audited by Crowe LLP, independent auditors, as stated in their report.

The preliminary and unaudited financial statements of the District for the fiscal year ended June 30, 2022 are included in **Appendix C**, which is an integral part of this Official Statement.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC. ("S&P") have assigned the ratings of "MIG 1" and "SP-1+", respectively, to the Series 2022 Notes. Such ratings reflect only the views of the respective rating agency. An explanation of the significance of the rating given by Moody's may be obtained from Moody's at Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, Public Finance Group - 23rd Floor, New York, New York 10007, (212) 553-0300. An explanation of the rating given by S&P may be obtained from S&P Global Ratings, 55 Water Street, New York, New York 10041, (212) 438-2124. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or

withdrawn entirely by a rating agency if in its judgment circumstances so warrant. Any such downward revision or withdrawal of such a rating could have an adverse effect on the market price of the Series 2022 Notes.

UNDERWRITING

The Series 2022 Notes are being purchased for reoffering by Morgan Stanley & Co. LLC (the "Underwriter"). The Underwriter has agreed to purchase the Series 2022 Notes at a purchase price of \$229,468,018.80 (representing the par amount of the Series 2022 Notes, plus original issue premium of \$3,207,237.80, less underwriter's discount of \$79,219.00). The initial public offering price, which produces the yield set forth on the cover page of this Official Statement, may be changed by the Underwriter and the Underwriter may offer and sell the Series 2022 Notes to certain dealers (including dealers depositing Series 2022 Notes into investment trusts) and others at prices lower than the offering price which produces the yield set forth on the cover page.

Morgan Stanley & Co. LLC, as the Underwriter of the Series 2022 Notes, has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, the Underwriter may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, the Underwriter may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2022 Notes.

FINANCIAL ADVISOR

Robert W. Baird & Co, Incorporated has been employed as Financial Advisor to the District in connection with the issuance of the Series 2022 Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2022 Notes is contingent upon the issuance and delivery thereof. This Official Statement was prepared and distributed by the Financial Advisor. The information set forth herein was obtained from the District and other sources believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Financial Advisor.

CONTINUING DISCLOSURE

In accordance with Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the District will agree, pursuant to a Continuing Disclosure Certificate to be dated and delivered as of the date of issuance and delivery of the Series 2022 Notes (the "Disclosure Certificate"), to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the "MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in the Official Statement under the heading "RATES AND CHARGES – Wastewater and Drainage Service Revenues" and in "Appendix B" (Audited Annual Financial Statement); such information shall be provided on or before the January 1 following the fiscal year ending on the preceding June 30, commencing with the fiscal year ended June 30, 2022; provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditor to the Obligated Person;

- (ii) In a timely manner not in excess of ten business days after the occurrence of the event to the MSRB, notice of the occurrence of the following events, with respect to the Series 2022 Notes:
- (1) Principal and interest payment delinquencies;
 - (2) Non-payment related defaults, if material;
 - (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (5) Substitution of credit or liquidity providers, or their failure to perform;
 - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
 - (7) Modifications to rights of security holders, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) Defeasances;
 - (10) Release, substitution or sale of property securing repayment of the securities, if material;
 - (11) Rating changes;
 - (12) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
 - (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
 - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties.

- (iii) in a timely manner, to the MSRB, notice of a failure of an obligated person to provide the required Annual Financial Information on or before the date specified in the Continuing Disclosure Certificate.

For purposes of the events listed above, the Rule defines “financial obligation” to mean (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of a debt obligation or a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation. The term “financial obligation” does not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

With respect to the events set forth in the Rule:

- (a) the District is the obligated person for the Series 2022 Notes;
- (b) there are no credit enhancements for the Series 2022 Notes;
- (c) there are no debt service reserves securing the Series 2022 Notes; and
- (d) there are no liquidity providers for the Series 2022 Notes.

The Disclosure Certificate provides holders of the Series 2022 Notes, including beneficial owners of the Series 2022 Notes, with certain enforcement rights in the event of a failure by the District to comply with the terms thereof; however, a default under the Disclosure Certificate does not constitute an event of default under the Note Resolution. The Disclosure Certificate may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein. Holders of the Series 2022 Notes are advised that the Disclosure Certificate, the form of which is obtainable from the Financial Advisor, should be read in its entirety for more complete information regarding its contents.

Pursuant to outstanding continuing disclosure undertakings (the "Existing Undertakings") the District is required to file certain annual financial information with the MSRB by January 1 of each year. The District has filed its annual financial information in accordance with the Existing Undertakings and, to the best of the District’s knowledge, is in material compliance with the continuing disclosure undertaking requirements of the Rule in connection with its outstanding obligations that are subject to such requirements. In the past five years, the District has been made aware that there have been changes to the credit ratings on certain obligations of the District resulting from changes to the credit rating of credit enhancers providing bond insurance for those obligations, for which continuing disclosure event notices were not filed. Such changes to the credit ratings were made without any formal notice of the change to the District.

CONCLUDING STATEMENT

The foregoing summaries or descriptions of provisions of the Note Resolution and all references to other materials not purporting to be quoted in full, are only brief outlines of certain provisions thereof and do not purport to be complete statements of such documents and provisions. Reference is hereby made to the complete documents, copies of which will be furnished by the District upon request, for further information.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the Series 2022 Notes.

This Official Statement has been approved by the District as of the date set forth on the cover hereof.

LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN
SEWER DISTRICT

By: /s/ Marita Willis
Marita Willis, Chair

By: /s/ Brad Good
Brad Good, Chief Financial Officer

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APPENDIX A

**DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PROVISIONS OF THE
BOND RESOLUTION AND NOTE RESOLUTION**

DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PROVISIONS OF THE BOND RESOLUTION AND NOTE RESOLUTION

The descriptions and summaries set forth herein are not intended to be comprehensive or definitive, and reference is made to the Bond Resolution and the Note Resolution for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to the Bond Resolution and Note Resolution. Copies of the Bond Resolution and Note Resolution are available from the District.

Definitions

"Account" means an Account established pursuant to the Bond Resolution, including the General Subaccount in the Note Account and the Subordinated Debt Subaccounts.

"Accountant" shall mean an independent, certified public accountant, or a firm of independent, certified public accountants, selected by the District.

"Accountant's Certificate" means a certificate of an independent certified public accountant or firm of accountants (who may be the accountant or firm which regularly audits the books of the District) selected by the District.

"Accreted Value" means, with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (determined on the basis of the principal amount per \$5,000 at maturity thereof) plus the amount assuming semiannual compounding of earnings which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation Bond and ending at the maturity date thereof, at a yield which, if produced until maturity, will produce \$5,000 at maturity. As of any Valuation Date, the Accreted Value of any Capital Appreciation Bonds shall mean the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and as of any date other than a Valuation Date, the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Accreted Values for such Valuation Dates.

"Accrued Aggregate Debt Service" for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of [i] interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month and [ii] Principal Installments due and unpaid and that portion of the Principal Installment for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month. The principal and interest portions of the Accreted Value and Appreciated Value of Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Bonds.

"Act" means Kentucky Revised Statutes Chapters 58, 65 and 76, including particularly Sections et seq., inclusive, and Section 56.513, as the same may be from time to time amended, and successor provisions.

"Act of Bankruptcy" shall mean any of the following events:

(a) The District shall (1) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or the like of the District, or of all or a substantial part of the property of any of them, (2) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect) or (3) 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 District, as the case may be, in any court of competent jurisdiction, seeking (1) the liquidation, reorganization, dissolution, winding-up, or the composition or adjustment of debts, of the District, (2) the appointment of a trustee, receiver, custodian, liquidator or the like of the District or of all or any substantial part of the assets of the District, or (3) similar relief in respect of the District under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect for a period of 30 days from the commencement of such proceeding or case.

"Additional Bonds" means Bonds authenticated and delivered upon original issuance pursuant to the Bond Resolution and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Bond Resolution.

"Affiliate" of any specified Person shall mean any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person shall mean the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agent Member" shall mean a member of, or participant in, the Securities Depository.

"Aggregate Debt Service" for any period means, as of any date of calculation and with respect to all Bonds, the sum of the amounts of Debt Service for such period.

"Aggregate Net Debt Service" for any period means, as of any date of calculation and with respect to all Bonds, the Aggregate Debt Service for such period, less any amounts available or expected to be available in the ordinary course for the payment of Debt Service during such period pursuant to the Resolution (including but not limited to interest or other income available or expected to be available for payment of Debt Service during such period from the Reserve Account).

"Annual Budget" means the budget adopted or in effect for a particular Fiscal Year as provided in the Resolution.

"Appreciated Value" means, with respect to any Capital Appreciation and Income Bond up to the Interest Commencement Date, an amount equal to the principal amount of such Capital Appreciation and Income Bond (determined on the basis of the principal amount per \$5,000 at the Interest Commencement

Date thereof) plus the amount, assuming semi-annual compounding of earnings which would be produced on the investment of such principal amount, beginning on the dated date of such Capital Appreciation and Income Bond and ending on the Interest Commencement Date, at a yield which, if produced until the Interest Commencement Date, will produce \$5,000 at the Interest Commencement Date. As of any Valuation Date, the Appreciated Value of any Capital Appreciation and Income Bond shall mean the amount set forth for such date in the Supplemental Resolution authorizing such Capital Appreciation Bonds and as of any date other than a Valuation Date, the sum of (a) the Appreciated Value on the preceding Valuation Date and (b) the product of (1) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days from such preceding Valuation Date to the next succeeding Valuation Date and (2) the difference between the Appreciated Values for such Valuation Dates.

"Authorized District Representative" shall mean the Chairperson or Vice-Chairperson or Executive Director or Director of Finance or Secretary or Treasurer of the District or such Persons as, at the time, are designated to act in behalf of the District by written certificate furnished to the Paying Agent and the District, containing the specimen signature of each such Person and signed on behalf of the District.

"Authorized Denominations" shall mean \$5,000 or any integral multiple thereof.

"Authorized Investments" shall mean any of the following securities, to the extent legal for investment of the District's funds: [a] Government Obligations and, to the extent from time to time permitted by law, [b] obligations of [i] Federal Home Loan Banks, senior debt obligations, [ii] Federal Home Loan Mortgage Corporation, participation certificates and senior debt obligations, [iii] Student Loan Marketing Association, senior debt obligations, [iv] Resolution Funding Corporation and [v] Federal National Mortgage Association mortgage-backed securities and senior debt obligations; [c] money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard and Poor's of AAAM-G, AAAM or AAM; [d] certificates of deposit or time deposits of any bank, any branch of any bank, trust company or national banking association or any savings and loan association; provided, however, that such certificates of deposit or time deposits shall be fully secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, by Government Obligations in which the Note Registrar has a perfected first security interest, [e] investment agreements (for investment of moneys held in the Construction and Acquisition Fund) or other investments approved in writing by the Insurer, [f] commercial paper rated at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P, [g] bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies, [h] federal funds or banker acceptances with a maximum term of 1 year with a rating of "Prime- 1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P, and [i] any repurchase agreement approved in writing by the Insurer or any repurchase agreement with a term not in excess of 30 days that is a legal investment for public funds under state law (as determined by a written legal opinion delivered to the District) and is with a primary dealer on the Federal Reserve reporting dealer list rated A or better by Moody's and S&P or any bank or trust company (including the Note Registrar) rated "A" or better by Moody's and S&P for Government Obligations or obligations described in [b] above in which the Note Registrar shall be given a first security interest and on which no third party shall have a lien. The underlying repurchase obligations must be valued weekly and marked to market at a current market price plus accrued interest of at least 104% (105% if the underlying securities are Federal National Mortgage Association Mortgage-backed securities and senior debt obligations) of the amount of the repurchase obligations of the bank or trust company. All obligations purchased must be transferred to the Note Registrar or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations. Any investment in a repurchase agreement shall

be considered to mature on the date the obligor providing the repurchase agreement is obligated to repurchase the obligations. Any investment in obligations described in [a] and [b] above may be made in the form of an entry made on the records of the issuer of the particular obligation.

The Note Registrar, any Paying Agent, or other custodian of funds of the District, respectively, may trade with itself in the purchase and sale of securities for such investment and may charge its ordinary and customary fees for such trades, including cash sweep account fees. In the absence of any direction from the District, the Note Registrar, any Paying Agent, or other custodian of funds of the District, respectively, shall invest all funds in sweep accounts, money market funds and similar short-term investments, provided that all such investments shall constitute Authorized Investments.

"Authorized Newspaper" means The Bond Buyer or any other financial newspaper customarily published at least once a day for five days (other than legal holidays) in each calendar week, printed in the English language and of general circulation in the Borough of Manhattan, City and State of New York.

"Authorized Officer of the District" means any person authorized by the District to perform the act or sign the document in question.

"Board" means the Board of the District, or such board, commission or agency as may succeed to the duties and responsibilities of such Board.

"Bond" or "Bonds" means any bonds, notes or other evidences of indebtedness (other than Subordinated Debt), as the case may be, authenticated and delivered pursuant to the Resolution.

"Bond Counsel" means a nationally recognized municipal bond attorney or firm of municipal bond attorneys, acceptable to the District.

"Bond Fund" means the Bond Fund established in the Resolution.

"Bondholder" or "Holder of Bonds" or "Holder" means any person who shall be the registered owner of any Bond or Bonds. Notwithstanding this definition, with respect to any Bonds which are registered in Book-Entry Form, the Paying Agent shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Bonds with reference to consent, if any, required from Bondholders under the Resolution.

"Bond Register" means the form or system or document in which the ownership of Bonds is recorded by the Bond Registrar.

"Bond Registrar" means any bank or trust company organized under the laws of any state of the United States of America or national banking association appointed by the District to perform the duties of Bond Registrar enumerated in the Resolution.

"Bond Resolution" shall mean the District's Sewer and Drainage System Revenue Bond Resolution as adopted on December 7, 1992, and amended on March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996 and February 24, 2003, as the same may be further amended and supplemented from time to time.

"Book-Entry Form" or "Book-Entry System" means, with respect to the Bonds, a form or system, as applicable, under which (i) the ownership of beneficial interests in Bonds and bond service charges may be transferred only through a book entry and (ii) physical Bond certificates in fully registered form are

registered only in the name of a Securities Depository or its nominee as Holder, with the physical Bond certificates in the custody of a Securities Depository.

"Business Day" means any day other than a Saturday, Sunday or legal holiday in the Commonwealth or a day on which either Bond Registrar, the Paying Agent or the District is legally authorized to close.

"Capital Appreciation Bonds" means any Bonds issued under the Resolution as to which interest is payable only at the maturity or prior redemption of such Bonds, as further described in the Resolution.

"Capital Appreciation and Income Bonds" means any Bonds issued under the Resolution as to which interest is deferred prior to the Interest Commencement Date, as further described in the Resolution.

"Chairperson" means the Chairperson of the District, or such Officer of the District as may succeed to the duties and responsibilities of the Chairperson.

"Closing Date" shall mean the date of the issuance and delivery of a series of Notes.

"Code" shall mean the Internal Revenue Code of 1986, as amended, as it applies to the Notes, including applicable regulations and revenue rulings thereunder.

"Commonwealth" means the Commonwealth of Kentucky.

"Construction and Acquisition Fund" means the Construction and Acquisition Fund established in the Resolution.

"Cost of Construction and Acquisition" means, with respect to a Project, the District's costs, expenses and liabilities paid or incurred or to be paid or incurred by the District in connection with the planning, engineering, designing, acquiring, constructing, installing and financing, of a Project and the obtaining of all governmental approvals, certificates, permits and licenses with respect thereto, including, but not limited to, all costs relating to the acquisition, construction and installation of a Project and the cost of any demolitions or relocations necessary in connection therewith, any good faith or other similar payment or deposits required in connection with the purchase of a Project, the cost of acquisition by or for the District of real and personal property or any interests therein, and costs of the District incidental to such construction, acquisition or installation all costs relating to injury and damage claims relating to a Project, the cost of any indemnity or surety bonds and premiums on insurance, preliminary investigation and development costs, engineering fees and expenses, contractors' fees and expenses, the costs of labor, materials, equipment and utility services and supplies, legal and financial advisory fees and expenses, interest and financing costs, including, without limitation, bank commitment, line of credit, and letter of credit fees, bond insurance and indemnity premiums, and any other means of providing credit enhancement or credit support, costs incurred in connection with interest rate exchanges, futures contracts or other similar financing arrangements, fees and expenses of the Fiduciaries, including reasonable fees and expenses of counsel to the Fiduciaries, administration and general overhead expense and costs of keeping accounts and making reports required by the Resolution prior to or in connection with the completion of construction of a Project, amounts, if any, required by the Resolution to be paid into the Bond Fund to provide, among other things, for interest accruing on Bonds and to provide for the Debt Service Reserve Requirement or to be paid into the Renewal and Replacement Account for any of the respective purposes thereof, payment when due (whether at the maturity of principal or the due date of interest or upon redemption or purchase) on any indebtedness of the District, including Bonds, notes and Subordinate Debt, incurred in respect of

any of the foregoing, and working capital and reserves therefor, and all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with a Project and shall include reimbursements to the District for any of the above items theretofore paid by or on behalf of the District. It is intended that this definition of Cost of Construction and Acquisition be broadly construed to encompass all costs, expenses and liabilities of the District related to a Project which on the date of adoption of the Resolution or in the future shall be permitted to be funded with the proceeds of Bonds pursuant to the provisions of the laws of the Commonwealth.

"Credit Facility" means, a letter of credit, surety bond, loan agreement, standby purchase agreement or other credit agreement, facility or insurance or guaranty arrangement which has been rated not lower than "A" by Moody's or S&P's, or which is issued by an entity whose unsecured long term debt or claims paying ability is rated not lower than "A" by Moody's or S&P's, in either case, pursuant to which the District or another person is entitled to obtain funds to pay Bonds and interest thereon tendered to the District or a third party for payment, purchase or redemption in accordance with the Resolution.

"Debt Service" for any period means, as of any date of calculation and with respect to any Series, an amount equal to [i] the interest accruing during such period on Bonds of such Series plus [ii] the portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue periodically in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). For Variable Interest Rate Bonds, the annual interest rate thereon and the resulting Debt Service shall be calculated by an Authorized Officer and evidenced by a certificate from such Authorized Officer of the District in accordance with the following procedure: for any Variable Interest Rate Bonds Outstanding on the date such certificate is delivered, an Authorized Officer of the District shall estimate the Debt Service on such Bonds upon reliance upon a written estimate of such Debt Service by the District's financial advisor which estimate shall include assumptions with respect to the interest rate or rates to be borne by such Bonds and the amounts and due dates of the Principal Installments for such Bonds; provided, however, that the interest rate or rates assumed to be borne by any Variable Interest Rate Bonds shall not be less than the interest rate borne by such Variable Interest Rate Bonds at the time that an Authorized Officer of the District delivers such certificate. The principal and interest portions of the Accreted Value and Appreciated Value of Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, becoming due at maturity or by virtue of a Sinking Fund Installment shall be included in the calculations of accrued and unpaid and accruing interest or Principal Installments in such manner and during such period of time as is specified in the Supplemental Resolution authorizing such Bonds.

"Debt Service Account" means the Debt Service Account of the Bond Fund.

"Debt Service Reserve Requirement" as of a particular date of computation means an amount, computed separately for each Series of Bonds, equal to the least of [i] ten percent (10%) of the face amount of such Series, [ii] one hundred percent (100%) of the maximum Aggregate Net Debt Service (as of the computation date) in the current or any future Fiscal Year and [iii] one hundred twenty-five percent (125%) of average Aggregate Net Debt Service (as of the computation date) in the current or any future Fiscal Year. For Variable Interest Rate Bonds, the Debt Service Reserve Requirement shall be the maximum permitted amount with interest calculated at the lesser of the 30-year Revenue Bond Index (published by The Bond Buyer no more than two weeks prior to the date of sale of such Variable Interest Rate Bonds) or the Maximum Interest Rate. If any Variable Interest Rate Bond shall be converted to a fixed rate Bond for the remainder of the term thereof, and as a result thereof a nominal deficiency shall be created in the Bond

Fund, the Debt Service Reserve Requirement shall be adjusted so as to exclude the amount of such deficiency, but the Debt Service Reserve Requirement shall be increased in each Fiscal Year or portion thereof after the date of such conversion by an amount equal to one hundred percent (100%) of the nominal deficiency, until there is no longer a nominal deficiency.

"Default" shall mean any event which with the giving of notice or lapse of time, or both, would constitute an Event of Default.

"Defaulted Interest" shall have the meaning stated in Note Resolution.

"Defeasance Obligations" means (i) cash, (ii) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series - "SLGS"), (iii) direct obligations of the United States Treasury which have been stripped by the Treasury itself (CATS, TIGRS and similar securities), (iv) interest components of obligations of the Resolution Funding Corporation in book-entry form if such obligations have been stripped by request to the Federal Reserve Bank of New York, (v) pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P; however, if the issue is only rated by S&P, then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals, (vi) obligations issued by the following agencies which are backed by the full faith and credit of the United States: (a) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank (Eximbank), (b) certificates of beneficial ownership of the Farmers Home Administration, (c) obligations of the Federal Financing Bank, (d) participation certificates of the General Services Administration, (e) guaranteed Title XI financings of the U.S. Maritime Administration, (f) United States guaranteed New Community Debentures, (g) United States guaranteed public housing notes and bonds, and (h) project notes and local authority bonds of the U.S. Department of Housing and Urban Development, and (vii) any other investments approved in writing by the Insurer.

"District" means the Louisville and Jefferson County Metropolitan Sewer District, a public body corporate and political subdivision, created and established pursuant to the Act.

"District Certificate" shall mean a certificate signed by an Authorized District Representative and delivered to the Paying Agent.

"District Note" shall mean any Note registered in the name of the District or any beneficial ownership interest in the Notes held by the District.

"District Request", "District Order" or "District Consent" shall mean, respectively, a written request, order or consent of the District, signed by an Authorized District Representative and delivered to the Paying Agent.

"District Resolution" shall mean a resolution or other appropriate enactment by the District certified by the Secretary or another Authorized District Representative to have been duly adopted by the District and to be in full force and effect on the date of such certification, and delivered to the Paying Agent.

"Eastern Time" shall mean the prevailing time in the City of Louisville, Kentucky.

"Eligible Moneys" shall mean (a) proceeds of the sale of Notes not sold to the District or an Affiliate of the District, (b) moneys deposited with the Paying Agent by the District (including proceeds of Notes sold to an Affiliate of the District) for the benefit of the Noteholders for more than 183 days during which

no Act of Bankruptcy has occurred as evidenced by a certificate of the District, (c) moneys with respect to which the District delivers to the Paying Agent an Opinion of Counsel with nationally recognized expertise in bankruptcy acceptable to the Paying Agent that such payments will not constitute a voidable transfer or preference under and pursuant to Section 547 of the Federal Bankruptcy Code and (d) investment income on the foregoing types of money.

"Event of Default" shall have the meaning given to such term herein under the caption "Events of Default."

"Extraordinary Services and Extraordinary Expenses" shall mean all reasonable services rendered and all reasonable expenses incurred by the Paying Agent under the Resolution other than Ordinary Services and Ordinary Expenses.

"Federal Reserve Bank" means any one of the central banks constituting the Federal Reserve System, created by the Federal Reserve Act of 1913, as amended, in order to regulate and aid the member banks in its respective Federal Reserve district.

"Fiduciary" or "Fiduciaries" means the Bond Registrar, the Paying Agents, or any or all of them, as may be appropriate or any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the District as a depository of monies and securities held under the provisions of the Resolution, and may include the Bond Registrar.

"Fiscal Year" means each twelve (12) month period commencing on July 1 and ending on the succeeding June 30.

"Fitch" shall mean Fitch Ratings, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, Fitch shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the District.

"Fund" or "Funds" means, as the case may be, each or all of the Funds established in the Resolution.

"Government Obligations" when used with respect to Bonds shall mean (i) any direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or obligations the principal and interest on which are unconditionally guaranteed by the United States of America, and (ii) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies (including stripped obligations thereof if such obligations have been stripped by the issuing agency itself) provided such obligations are backed by the full faith and credit of the United States of America: [1] Farmer's Home Administration; [2] General Services Administration; [3] United States Maritime Administration - Guaranteed Title XI Financing; [4] Federal Financing Bank; [5] United States Department of Housing and Urban Development; [6] U.S. Export - Import Bank; [7] Federal Housing Administration Debentures, and [8] Government National Mortgage Association guaranteed mortgage-backed bonds and guaranteed pass-through obligations.

"Government Obligations" when used with respect to Notes shall mean, direct general obligations of, or obligations the prompt payment of the principal of and the interest on which are fully and unconditionally guaranteed by, the United States of America. In addition, investments having a maturity of seven days or less in a money market or other fund, which fund is rated by Moody's and S & P in the highest

rating category, and investments of which fund are exclusively in Government Obligations, shall be considered investments in Government Obligations.

"Granting Clauses" means the granting clauses appearing at the beginning of the Resolution. "Immediate Notice" shall mean notice (a) by telex, telecopier or telephone, or delivery by hand, (b) promptly followed by written notice by first class mail, postage prepaid, and (c) to such address or such telex, telecopier or telephone number as the Person receiving such notice shall have previously furnished to the Paying Agent in writing.

"Independent" when used with respect to any specified Person shall mean such a Person who (a) is in fact independent; (b) does not have any direct financial interest or any material indirect financial interest in the District or any Affiliate of the District, other than the payment to be received under a contract for services to be performed by such Person; and (c) is not connected with the District or any Affiliate of the District, as an official, officer, employee, promoter, underwriter, trustee, partner, subsidiary, director or Person performing similar functions.

"Interest Payment Date" shall mean the date or dates for the payment of interest on each series of Notes as provided in the applicable series of Notes.

"Insurer" means any nationally recognized company engaged in the business of insuring bonds which may from time to time insure the payment of the principal of and interest on all or a portion of the Bonds of any Series.

"Interest Commencement Date" means, with respect to any particular Capital Appreciation and Income Bond, the date specified in the Supplemental Resolution authorizing such Bonds, (which date must be prior to the maturity date for such Bonds) after which interest ceases to be deferred and compounds and the interest becomes currently payable.

"Investment Securities" means any of the following securities, to the extent legal for investment of the District's funds: [a] Government Obligations and, to the extent from time to time permitted by law, [b] obligations of [i] Federal Home Loan Banks, senior debt obligations, [ii] Federal Home Loan Mortgage Corporation, participation certificates and senior debt obligations, [iii] Student Loan Marketing Association, senior debt obligations, [iv] Resolution Funding Corporation and [v] Federal National Mortgage Association mortgage-backed securities and senior debt obligations; [c] money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by Standard and Poor's of AAAM-G, AAAM or AAM; certificates of deposit or time deposits of any bank, any branch of any bank, trust company or national banking association or any savings and loan association; provided, however, that such certificates of deposit or time deposits shall be fully secured, to the extent not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, by Government Obligations in which the Bond Registrar has a perfected first security interest, [e] investment agreements (for investment of moneys held in the Construction and Acquisition Fund) or other investments approved in writing by the Insurer, [f] commercial paper rated at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P, [g] bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies, [h] federal funds or banker acceptances with a maximum term of 1 year with a rating of "Prime-1" or "A-3" or better by Moody's and "A-1" or "A" or better by S&P, and [i] any repurchase agreement approved in writing by the Insurer or any repurchase agreement with a term not in excess of 30 days that is a legal investment for public funds under state law (as determined by a written legal opinion delivered to the District) and is with a primary dealer on the

Federal Reserve reporting dealer list rated A or better by Moody's and S&P or any bank or trust company (including the Bond Registrar) rated "A" or better by Moody's and S & P for Government Obligations or obligations described in [b] above in which the Bond Registrar shall be given a first security interest and on which no third party shall have a lien. The underlying repurchase obligations must be valued weekly and marked to market at a current market price plus accrued interest of at least 104% (105% if the underlying securities are Federal National Mortgage Association Mortgage-backed securities and senior debt obligations) of the amount of the repurchase obligations of the bank or trust company. All obligations purchased must be transferred to the Bond Registrar or a third party agent by physical delivery or by an entry made on the records of the issuer of such obligations. Any investment in a repurchase agreement shall be considered to mature on the date the obligor providing the repurchase agreement is obligated to repurchase the obligations. Any investment in obligations described in [a] and [b] above may be made in the form of an entry made on the records of the issuer of the particular obligation.

The Bond Registrar, any Paying Agent, other Fiduciaries, or other custodian of funds of the District, respectively, may trade with itself in the purchase and sale of securities for such investment and may charge its ordinary and customary fees for such trades, including cash sweep account fees. In the absence of any direction from the District, the Bond Registrar, any Paying Agent, other Fiduciaries, or other custodian of funds of the District, respectively, shall invest all funds in sweep accounts, money market funds and similar short-term investments, provided that all such investments shall constitute Investment Securities.

"Maturity" when used with respect to any Note shall mean the date on which the principal of such Note becomes due and payable as therein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"Maximum Interest Rate" means, with respect to any particular Variable Interest Rate Bond, an annual rate of interest, which shall be set forth in the Supplemental Resolution authorizing such Bond, that shall be the maximum rate of interest such Bond may at any time bear.

"Minimum Interest Rate" means, with respect to any particular Variable Interest Rate Bond, an annual rate of interest which may (but need not) be set forth in the Supplemental Resolution authorizing such Bond, that shall be the minimum rate of interest such Bond may at any time bear.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, if any.

"Month" means a calendar month.

"Net Revenues" for any period shall mean Revenues, less Operating Expenses for such period. "Noteholder", "Owner", "owner", "Holder" or "holder" or any similar term, when used with reference to any of the Notes, shall mean any Person who shall be the registered owner on the records of the Note Registrar of any then Outstanding Notes.

"Notes" shall mean the District's Subordinated Sewer and Drainage System Revenue Notes issued pursuant to the Note Resolution.

"Note Account" shall mean the fund created in Section 5.2 of the Note Resolution. "Note Documents" shall mean the Note Resolution and the Notes.

"Note Register" shall have the meaning specified in Section 2.5 of the Note Resolution.

"Note Registrar" shall mean the Paying Agent in its capacity as bond registrar, appointed and serving in such capacity pursuant to the Note Resolution.

"Note Resolution" or "Subordinated Debt Resolution" shall mean the Subordinate Debt Resolution adopted by the District on April 26, 2010, as amended by the Subordinate Debt Sale Resolution adopted on August 22, 2022.

"Notice by Mail" or "notice" of any action or condition "by Mail" shall mean a written notice meeting the requirements of the Note Resolution mailed by first-class mail, postage prepaid, to the Holders of specified Notes at the addresses shown in the Note Register. If, because of the temporary or permanent suspension of mail service or for any other reason, it is impossible or impracticable to mail any such notice in the manner described, then such notification in lieu thereof as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

"Official Statement" shall mean the offering document for a series of Notes to be used by the Underwriter to offer such Notes, as from time to time amended.

"Operating Expenses" means the District's reasonable, ordinary, usual or necessary current expenses of maintenance, repair and operation of the System, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Operating Expenses shall include, without limiting the generality of the foregoing, [i] expenses not annually recurring, [ii] administrative and engineering expenses (to the extent not paid or reimbursed as a Cost of Construction and Acquisition), payments to pension or retirement funds properly chargeable to the System, insurance premiums, fees and expenses of Paying Agents and legal expenses, [iii] interest on, redemption premium on, or principal of, Subordinated Debt, [iv] any other expenses required to be paid by the District under the provisions of the Resolution or by law and [v] amounts reasonably required to be set aside in reserves for operating items or expenses the payment of which is not then immediately required.

However, Operating Expenses do not include [i] reserves for extraordinary maintenance or repair, or any allowance for depreciation, or any deposits or transfers to the credit of the Bond Fund or the Renewal and Replacement Account, nor any amounts paid or required to be paid to the United States of America pursuant to the Resolution (except to the extent such rebate amounts must be paid from Revenues other than the investment income that generated the liability to the United States), [ii] non- capital Costs of Acquisition and Construction or other costs, to the extent composed of non-capital expenses, salaries, wages and fees that are necessary or incidental to capital improvements for which debt has been issued and which may be paid from proceeds of such debt or [iii] losses from the sale, abandonment, reclassification, revaluation or other disposition of properties of the System nor such property items, including taxes and fuel, which are capitalized pursuant to the then existing accounting practice of the District.

"Opinion of Counsel" means an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds (who may be counsel to the District) selected by the District.

"Option Bonds" means Bonds which by their terms may be tendered by and at the option of the Holder thereof for payment or purchase by the District or a third party prior to the stated maturity thereof, or the maturities of which may be extended by and at the option of the Holder thereof

"Ordinary Services and Ordinary Expenses" shall mean those services normally rendered and those expenses normally incurred by a paying agent, bond registrar or trustee under instruments similar to the

Note Resolution, including all costs of administering the optional redemption provisions contained in the Note Resolution including, but not limited to, reasonable attorneys' fees.

"Outstanding" when used with respect to Notes shall mean, as of the date of determination, all Notes theretofore authenticated and delivered under the Note Resolution, except:

Notes theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;

(a) Notes for whose payment or redemption money (which shall be Eligible Moneys to the extent, if any, provided in the Resolution) in the necessary amount has been theretofore deposited with the Paying Agent in trust for the Holders of such Notes, provided that, if such Notes are to be redeemed, notice of such redemption has been duly given pursuant to the Resolution or provision therefor satisfactory to the Paying Agent has been made;

(b) Notes in exchange for or in lieu of which other Notes have been authenticated and delivered pursuant to the Resolution; provided, however, that in determining whether the Holders of the requisite principal amount of Notes Outstanding have given any request, demand, authorization, direction, notice, consent or waiver hereunder, District Notes shall be disregarded and deemed not to be Outstanding, except that, in determining whether the Paying Agent shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes of which the Responsible Officer of the Paying Agent located at the Paying Agent's principal corporate trust office has actual knowledge are District Notes are disregarded; and

(c) For purposes of any consent, request, demand, authorization, direction, notice, waiver or other action to be taken by the Holders of all or a specified percentage of Outstanding Notes hereunder, all District Notes.

"Outstanding" when used with reference to Bonds, means, as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Resolution except:

(i) Bonds cancelled pursuant to the Resolution at or prior to such date;

(ii) Bonds (or portion of Bonds) for the payment or redemption of which monies, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date shall be held in trust under the Resolution and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such bonds (or portion of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the District shall have been made for the giving of such notice as provided in the Resolution;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Resolution;

(iv) Bonds deemed to have been paid as provided in the Resolution; and

(v) Option Bonds deemed tendered in accordance with the provisions of the Supplemental Resolution authorizing such Bonds on the applicable adjustment or conversion date if interest thereon shall have been paid through such applicable date and the purchase price

thereof shall have been paid or amounts are available for such payment as provided in the Resolution.

"Paying Agent" means any bank or trust company organized under the laws of any state of the United States of America or any national banking association designated as paying agent for the Bonds of any Series, and its successor or successors hereafter appointed in the manner provided in the Resolution.

"Payment of the Notes" shall mean the payment in full of principal of, premium, if any, and interest on the Notes or provisions for such payment sufficient to discharge the Note Resolution.

"Person" shall mean any natural person, corporation, limited liability company, joint venture, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity, as in the context may be appropriate.

"Pledged Property" means and includes the following property, as and when received by or for the account of the District, in each case pending the application or expenditure thereof in accordance with the Resolution: [i] the proceeds of sale of Bonds, [ii] all Revenues, [iii] all amounts on deposit in the Funds or Accounts established under the Resolution, [iv] such other amounts as may be pledged from time to time by the District as security for the payment of Bonds and [v] all proceeds of the foregoing.

"Principal Installment" means, as of the date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, [i] the principal amount of Bonds of such Series due on a certain future date for which no Sinking Fund Installments have been established (including the principal amount of Option Bonds tendered for payment and not purchased), [ii] the Sinking Fund Installment due on a certain future date for Bonds of such Series and [iii] if such future dates coincide, the sum of such principal amount and such Sinking Fund Installment.

"Prior Bonds" or "Senior Debt" shall mean any bonds, notes or other obligations issued on a parity as to security and sources of payment pursuant to the Bond Resolution.

"Project" means a capital project of the District to be financed or refinanced with the proceeds of any of the Notes, and with respect to the Series 2022 Notes shall mean the refunding of certain of the District's outstanding Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2021.

"Rating Agency" shall mean Moody's, S&P and/or Fitch.

"Record Date" means a Regular Record Date or a Special Record Date.

"Redemption Date" when used with respect to any Note to be redeemed shall mean the date on which it is to be redeemed pursuant to the Resolution.

"Redemption Price" means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond.

"Redemption Price" when used with respect to any Note to be redeemed shall mean the price at which it is to be redeemed.

"Refunding Bonds" means all Bonds, whether issued in one or more Series or as part of a Series, authenticated and delivered on original issuance pursuant to the Resolution.

"Renewal and Replacement Account" means the account of that name which is maintained pursuant to the Resolution.

"Reserve Account" means the Reserve Account of the Bond Fund.

"Resolution" means the Sewer and Drainage System Revenue Bond Resolution of the District originally adopted on December 9, 1992 and amended and restated in its entirety on June 30, 1993, as from time to time amended or supplemented.

"Responsible Officer" when used with respect to the Paying Agent shall mean the chairman or vice-chairman of the board of directors, the chairman or vice-chairman of the executive committee of the board of directors, the president, any vice-president, any trust officer, or any other officer of the Paying Agent customarily performing functions similar to those performed by any of the above designated officers and who, in any event is located at the principal corporate trust office of the Paying Agent and shall also mean, with respect to a particular corporate trust matter any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject; with respect to any signature on or authentication of Notes by the Paying Agent, the term "Responsible Officer" shall also include any authorized signers of the Paying Agent.

"Revenue Fund" means the Revenue Fund which is maintained pursuant to the Resolution. "Revenues" means all revenues, rates, fees, rents, charges and other operating income and receipts, as derived by or for the account of the District from or for the operation, use or services of the System, determined in accordance with generally accepted accounting principles and the enterprise basis of accounting. Revenues shall include, without limiting the generality of the foregoing, [i] revenue from capital charges recovered or reimbursed to the District, capacity charges and service connection fees, [ii] acquisition surcharges and assessments levied by the District (regardless of whether any of the same are allocated or designated by the District for capital expenditures) and [iii] interest or other income received or to be received from any source, including but not limited to interest or other income received or to be received on any monies or securities held pursuant to the Resolution. Revenues shall not include customer deposits and contributions in aid of construction, except to the extent the same would constitute revenues or income in accordance with generally accepted accounting principles.

"S&P" shall mean Standard & Poor's Ratings Group, a division of McGraw-Hill Financial Services Company, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a municipal securities rating agency, S&P shall be deemed to refer to any other nationally recognized municipal securities rating agency designated by the District.

"Secretary-Treasurer" means the Secretary-Treasurer of the District, or such officer of the District as may succeed to the duties and responsibilities of the Secretary-Treasurer.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Securities Depository" means any securities depository that is a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

"Securities Depository Nominee" means any nominee of a Securities Depository and shall initially mean Cede & Co., New York, New York, as nominee of The Depository Trust Company.

"Senior Debt" or "Prior Bonds" shall mean any bonds, notes or other obligations issued on a parity as to security and sources of payment pursuant to the Bond Resolution.

"Senior Subordinated Debt Fund" means the Senior Subordinated Debt Fund which is maintained pursuant to the Resolution.

"Series" means all of the Bonds authenticated and delivered on original issuance and identified pursuant to the Resolution or any Supplemental Resolution authorizing such Bonds as a separate Series of Bond, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Resolution, regardless of variations in maturity, interest rate, Sinking Fund Installments, or other provisions.

"Series 2022 Notes" shall mean the District's Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2022 issued pursuant to the Note Resolution.

"Sinking Fund Installment" means an amount so designated which is established pursuant to the Resolution.

"Stated Maturity" when used with respect to any Note or any installment of interest thereon shall mean the date specified in such Note as the fixed date on which principal of such Note or such installment of interest is due and payable.

"Subordinated Debt Subaccounts" shall have the meaning assigned to such term in Section 6.05 of the Note Resolution.

"Subordinated Debt" means indebtedness of the System which is subordinate to the Bonds issued under the Resolution including the Senior Subordinated Debt.

"Supplemental Resolution" means any resolution supplemental to or mandatory of this Resolution adopted by the District in accordance with the Resolution.

"System" means [i] the sewer facilities, drainage facilities and all appurtenant facilities or any other facilities owned, operated or controlled by the District from time to time, [ii] any Project and [iii] all improvements, additions, extensions and betterments to the foregoing which may be hereafter acquired by the District by any means whatsoever.

"Trust Funds" shall mean all of the funds and accounts held by the Paying Agent pursuant to Note Resolution, but otherwise excluding the Rebate Fund.

"Trust Moneys" shall have the meaning stated in the Note Resolution.

"Valuation Date" means with respect to any Capital Appreciation Bonds and Capital Appreciation and Income Bonds, the date or dates set forth in the Supplemental Resolution authorizing such Bonds on which specific Accreted Values or Appreciated Values are assigned to the Capital Appreciation Bonds and Capital Appreciation and Income Bonds, as the case may be.

"Variable Interest Rate" means a variable interest rate to be borne by a Series of Bonds or any one or more maturities within a Series of Bonds.

"Variable Interest Rate Bonds" for any period means bonds which during such period bear a Variable Interest Rate, provided that Bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be Variable Interest Rate Bonds.

"Vice-Chairperson" means the Vice-Chairperson of the District, or such officer of the District as may succeed to the duties and responsibilities of the Vice-Chairperson.

SUMMARY OF PROVISIONS OF THE BOND RESOLUTION

The Pledge Affected by the Resolution.

The Bonds are special and limited obligations of the District payable, solely from and secured as to the payment of the principal and Redemption Price thereof, and interest thereon, in accordance with their terms and the provisions of the Resolution, solely from the Pledged Property. There are by the Resolution pledged and assigned as security for the payment of the principal and Redemption Price of, and interest on, the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution, the Pledged Property.

Establishment of Funds and Accounts; Application of Revenues.

The Resolution establishes the following Funds and Accounts:

- (a) Construction and Acquisition Fund to be held by the District,
- (b) Revenue Fund to be held by the District,
- (c) Bond Fund to be held by the Paying Agent which shall consist of a Debt Service Account and a Reserve Account,
- (d) Renewal and Replacement Account to be held by the District, and
- (e) Senior Subordinated Debt Fund to be held by the District.

The District may, for accounting or allocation purposes, [i] establish one or more additional accounts or subaccounts within the Construction and Acquisition Account, the Revenue Fund, the Bond Fund or the Renewal and Replacement Account, or [ii] to the extent not expressly prohibited by other provisions hereof, commingle amounts between or among any or all of such Funds or Accounts, except the Senior Subordinated Debt Fund.

Construction and Acquisition Fund.

There shall be paid into the Construction and Acquisition Fund the amounts required to be so paid by the provisions of the Resolution, and there may be paid into the Construction and Acquisition Fund, at the option of the District, any monies received by the District from any source, unless required to be otherwise applied as provided by the Resolution. Amounts in the Construction and Acquisition Fund shall be applied to pay the Cost of Construction and Acquisition in the manner provided in the

Resolution and the Supplemental Resolution authorizing a Series of Bonds to finance the Cost and Acquisition of a Project.

There shall be established within the Construction and Acquisition Fund a separate account for a Project.

The proceeds of insurance, if any, maintained pursuant to the Resolution against physical loss of or damage to the System, or of contractors' performance bonds or other assurances of completion with respect thereof, or pertaining to the period of construction thereof, shall be paid into the appropriate separate account in the Construction and Acquisition Fund.

The Secretary-Treasurer of the District shall make payments from the Construction and Acquisition Fund, except payments and withdrawals pursuant to the Resolution as described in the next paragraph, in the amounts, at the times, in the manner, and on the other terms and conditions set forth in the Resolution. The Secretary-Treasurer or other Authorized Officer of the District shall maintain adequate records in respect of all payments made, including [a] the particular account established within the Construction and Acquisition Fund from which such payment is to be made, [b] the name and address of the person, firm or corporation to whom payment is due, [c] the amount to be paid and [d] the particular item of the Cost of Construction and Acquisition to be paid and that the cost or the obligation in the stated amount is a proper charge against the Construction and Acquisition Fund which has not been previously paid. The Secretary-Treasurer shall issue a check for each payment required by such requisition or shall by interbank transfer or other method arrange to make the payment required by such requisition.

Notwithstanding any of the provisions of the Resolution as described under this caption, except as provided below, to the extent that other monies are not available therefor, amounts in the Construction and Acquisition Fund shall be applied to the payment of Principal Installments of and interest on Bonds when due; provided, however, that proceeds (and investment earnings thereon) from the issuance by the District of Senior Subordinated Debt shall not be subject to the priority in favor of the Bonds created by the Resolution, but may instead be pledged by the District as security and a source of payment first for the Senior Subordinated Debt pursuant to the resolution or resolutions of the District authorizing such Senior Subordinated Debt, in which event such amounts shall be applied to the payment of debt service on the Senior Subordinated Debt when due to the extent that other monies are not available therefor, and shall not be used to pay debt service on any Bonds if there is any Senior Subordinated Debt which remains outstanding and unpaid.

An adequate record of the completion of construction of a Project financed in whole or in part by the issuance of Bonds shall be maintained by an Authorized Officer of the District. The balance in the separate account in the Construction and Acquisition Fund established therefor shall be transferred to the Reserve Account in the Bond Fund, if and to the extent necessary to make the amount of such Account equal to the Debt Service Reserve Requirement, and any excess amount shall be paid over or transferred to the District for deposit in the Revenue Fund.

Application of Revenues.

All Revenues shall be promptly deposited by the District upon receipt thereof into the Revenue Fund.

There shall be withdrawn in each month the following amounts, for deposit as set forth below and in the order of priority set forth below.

(i) To the Bond Fund, (i) for credit to the Debt Service Account, the amount, if any, required so that the balance in such Account shall equal the Accrued Aggregate Debt Service as of the last day of the then current month or, if interest or principal are required to be paid to Holders of Bonds during the next succeeding month on a day other than the first day of such month, Accrued Aggregate Debt Service as of the day through and including which such interest or principal is required to be paid and (ii) for credit to the Reserve Account, the amount, if any, required for such Account, after giving effect to any surety bond, insurance policy, letter of credit or other similar obligation deposited in such Account pursuant to the Resolution, to equal one-twelfth (1/12) of the difference between (a) the amount then in the Reserve Account immediately preceding such deposit and (b) the actual Debt Service Reserve Requirement as of the last day of the then current month; and

(ii) To the Senior Subordinated Debt Fund the amount, if any, required to pay the scheduled base and additional rental payments when due on the Senior Subordinated Debt and make deposits, if any, for reserves therefor, in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Senior Subordinated Debt; and

(iii) Each month the District shall pay from the Revenue Fund such amounts as are necessary to meet Operating Expenses for such month; and

(iv) To the Renewal and Replacement Account, a sum equal to 1/12 of the amount, if any, provided in the Annual Budget to be deposited in the Renewal and Replacement Account during the then current Fiscal Year; provided that, if any such monthly allocation to the Renewal and Replacement Account shall be less than the required amount, the amount of the next succeeding monthly payment shall be increased by the amount of such deficiency.

The balance of monies remaining in the Revenue Fund after the above required payments have been made may be used by the District for any lawful purpose relating to the System; provided, however, that none of the remaining monies shall be used for any purpose other than those hereinabove specified unless all current payments and including all deficiencies in prior payments, if any, have been made in full and unless the District shall have complied fully with all the covenants and provisions of the Resolution.

So long as there shall be held in the Debt Service Account and the Reserve Account an amount sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), no transfers shall be required to be made to the Bond Fund; and provided further, that any deficiency in the Reserve Account, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Resolution as described in the fourth paragraph under the caption "Bond Fund - Reserve Account" herein, other than a deficiency attributable to a withdrawal of amounts therefrom pursuant to the Resolution as described in the first paragraph under the caption "Bond Fund - Reserve Account" herein, shall be cured by depositing into the Reserve Account each month during the period commencing with the month following the month in which the determination of the deficiency was made an amount equal to one-twelfth (1/12th) of the deficiency, except that, if a new valuation of Investment Securities held in the Reserve Account is made pursuant to the Resolution during the period that such deposits are required, then the obligation of the District to make deposits during the balance of such period on the basis of the

preceding valuation shall be discharged and the deposits, if any, required to be made for the balance of such period shall be determined under this proviso on the basis of the new valuation.

Bond Fund - Debt Service Account.

The Paying Agent, from amounts deposited therein, shall pay out of the Debt Service Account, [i] on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date, [ii] no later than each Principal Installment due date, the amount required for the Principal Installment payable on such due date and [iii] no later than any redemption date for the Bonds, the amount required for the payment of interest on the Bonds then to be redeemed. In the case of Variable Interest Rate Bonds, the District shall furnish the Paying Agent with a certificate setting forth the amount to be paid on such Bonds on each interest payment date, such certificate shall be furnished on or prior to the appropriate Record Date with respect to any interest payment date. Such amounts shall be applied by the Paying Agents on or after the due dates thereof. The Paying Agent shall also pay out of the Debt Service Account, from amounts deposited therein, the accrued interest included in the purchase price of Bonds purchased for retirement.

Amounts accumulated in the Debt Service Account with respect to any Sinking Fund Installment may be applied on or prior to the 40th day next preceding the due date of such Sinking Fund Installment, to [i] the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established or [ii] the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms. All purchases of any Bonds pursuant to the Resolution as described in this paragraph shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Debt Service Account until such Sinking Fund Installment date, for the purpose of calculating the amount of such Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the District shall proceed to call for redemption, by giving notice as provided in the Resolution, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied balance of such Sinking Fund Installment. The District shall pay out of the Debt Service Account to the appropriate Paying Agents, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment).

Unless otherwise provided by the District, upon any purchase or redemption pursuant to the Resolution of Bonds of any Series and maturity for which Sinking Fund Installments shall have been established, there shall be credited, in increments of \$5,000 to the extent practicable, toward each succeeding Sinking Fund Installment thereafter to become due on Bonds, of the same series and maturity (other than the Sinking Fund Installment next coming due) an amount bearing the same ratio, to the Sinking Fund Installment, as the total principal amount of Bonds purchased or redeemed bears to the total principal amount of all the Sinking Fund Installments to be credited. The portion of any principal Sinking Fund Installment remaining after the deduction of any such amounts are credited toward the same shall constitute the unsatisfied balance of such Sinking Fund Installment for the purpose of calculation of Sinking Fund Installments due on a future date. The amount, if any, deposited in the Debt Service Account from the proceeds of each Series of Bonds shall be set aside in such Account and applied to the payment of interest on Bonds as provided in the Resolution or in accordance with certificates of the District delivered pursuant to the Resolution or, if the District shall modify or amend any such

certificate by a subsequent certificate signed by an Authorized Officer of the District, then in accordance with the most recent amended certificate.

In the event of the refunding of any Bonds, the District may withdraw from the Debt Service Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts with itself to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter Bonds being refunded shall be deemed to have been paid pursuant to the Resolution as described herein under the caption "Defeasance," and (b) the amount remaining in the Debt Service Account in the Bond Fund, after giving effect to the issuance of Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the requirement of such Account pursuant to the Resolution in the second paragraph under this caption. In the event of such refunding, the District may also withdraw from the Debt Service Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to Debt Service on the Bonds being refunded and deposit such amounts in any fund or Account under the Resolution; provided, however, that such withdrawal shall not be made unless items (a) and (b) referred to hereinabove have been satisfied and provided, further, that, at the time of such withdrawal, there shall exist no deficiency in any Fund or Account held under the Resolution, as confirmed in writing to the Bond Registrar by the Secretary- Treasurer.

Bond Fund - Reserve Account.

If five days prior to any interest or Principal Installment due date with respect to any Series of Bonds payment for such interest or Principal Installment in full has not been made or provided for, the District shall forthwith withdraw from the Reserve Account an amount not exceeding the amount required to provide or such payment in full and deposit such amount in the Debt Service Account for application to such payment.

Whenever the amount in the Reserve Account shall exceed the Debt Service Reserve Requirement, after giving effect to any surety bond, insurance policy or letter of credit deposited in such Account pursuant to the Resolution as described in the fourth paragraph under this caption, such excess shall be deposited in the Debt Service Account.

Whenever the amount in the Reserve Account (exclusive of any surety bond, letter of credit or insurance policy therein), together with the amount in the Debt Service Account is sufficient to pay in full all Outstanding Bonds in accordance with their terms (including principal or applicable sinking fund Redemption Price and interest thereon), the funds on deposit in the Reserve Account shall be transferred to the Debt Service Account. Prior to said transfer, all investments held in the Reserve Account shall be liquidated to the extent necessary in order to provide for the timely payment of principal and interest (or Redemption Price) on the Bonds.

In lieu of the required transfers or deposits to the Reserve Account, the District may cause to be deposited into the Reserve Account a surety bond or an insurance policy for the benefit of the holders of the Bonds or a letter of credit in an amount equal to the difference between the Debt Service Reserve Requirement and the sums then on deposit in the Reserve Account, if any, after the deposit of such surety bond, insurance policy or letter or credit. Such difference may be withdrawn by the District and be deposited in the Revenue Fund. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any due date on which monies will be required to be withdrawn from the Reserve Account and applied to the payment of a Principal Installment of or

interest on any Bonds and such withdrawal cannot be met by amounts on deposit in the Reserve Account. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this subsection, the District shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Reserve Account, funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or a combination of such alternatives, as shall provide that the amount in the Reserve Account equals the Debt Service Reserve Requirement. Any other provision under this caption to the contrary notwithstanding, for each particular Series of Bonds or portion thereof which is insured by an Insurer, the right of the District under the Resolution to cause a surety bond or an insurance policy to be deposited into the Reserve Account in lieu of the required transfers or deposits thereto shall be subject to the condition that the District obtain the prior written consent of the Insurer as to the structure and the issuer of such surety bond or insurance policy.

In the event of the refunding of any Bonds, the District may withdraw from the Reserve Account in the Bond Fund all, or any portion of, the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts with itself to be held for the payment of the principal or Redemption Price, if applicable, and interest on the Bonds being refunded; provided that such withdrawal shall not be made unless (a) immediately thereafter the Bonds being refunded shall be deemed to have been paid pursuant to the Resolution as described in the second paragraph under the caption "Defeasance" herein, and (b) the amount remaining in the Reserve Account in the Bond Fund, after giving effect to the issuance of the Refunding Bonds and the disposition of the proceeds thereof, shall not be less than the Debt Service Reserve Requirement.

If any withdrawals are made from the Reserve Account pursuant to the Resolution, the resulting deficiency, if any, shall be remedied by the application of monthly payments into the Reserve Account as set forth in the Resolution, or by transfers from the Renewal and Replacement Account or both, until the amount on deposit in the Reserve Account is equal to the Debt Service Reserve Requirement, whereupon such deposits shall be discontinued until such time, if any, that there is again a deficiency.

Renewal and Replacement Account.

Monies to the credit of the Renewal and Replacement Account may be applied to the cost of major replacements, repairs, renewals, maintenance, betterments, improvements, reconstruction or extensions of the System or any part thereof as may be determined by the Board.

If at any time the monies in the Debt Service Account, the Reserve Account and the Revenue Fund shall be insufficient to pay the interest and Principal Installments becoming due on the Bonds, then the District shall transfer from the Renewal and Replacement Account for deposit in the Debt Service Account the amount necessary (or all the monies in said Fund if less than the amount necessary) to make up such deficiency.

Any balance of monies and securities in the Renewal and Replacement Account not required to meet a deficiency as set forth above or for any of the purposes for which the Renewal and Replacement Account was established, may, on direction of the District, be transferred from the Renewal and Replacement Account to the Reserve Account, if and to the extent necessary to make the amount in such Account equal to the Debt Service Reserve Requirement, and any balance may be deposited in the Debt Service Account or the Revenue Fund.

Senior Subordinated Debt Fund.

Subject to the provisions of the Resolution described in the next paragraph, the District shall apply amounts in the Senior Subordinated Debt Fund to the payment of debt service or the scheduled base and additional rental payments when due on the Senior Subordinated Debt and make deposits, if any, for reserves therefor in accordance with the provisions of, and subject to the priorities and limitations and restrictions provided in, the Senior Subordinated Debt.

Notwithstanding any of the other provisions of the Resolution described under this caption, if at any time the amount on deposit in the Reserve Account shall be less than the Debt Service Reserve Requirement, the District shall forthwith transfer from the Senior Subordinated Debt Fund for deposit in the Reserve Account the amount necessary (or all moneys in said Senior Subordinated Debt Fund, if necessary) to make up such deficiency.

Amounts in the Senior Subordinated Debt Fund which the District at any time determines to be in excess of the requirements of such fund may, at the discretion of the District, be transferred to the Debt Service Account or the Renewal and Replacement Account.

Investments.

In making any investment in any Investment Securities with monies in any Fund or Account established under the Resolution, the District may combine, to the extent permitted by law, or instruct such Fiduciary to combine, such monies with monies in any other Fund or Account, but solely for purposes of making such investment in such Investment Securities.

Monies held in the Bond Fund, the Revenue Fund, the Renewal and Replacement Account, the Senior Subordinated Debt Fund and the Construction and Acquisition Fund shall be invested and reinvested to the fullest extent practicable in Investment Securities, maturing not later than such times as shall be necessary to provide monies when needed for payments to be made from such Fund or Account. The Fiduciary, shall make all such investments of monies held by it in accordance with written instructions from time to time received from an Authorized Officer of the District.

Interest (net of that which represents a return of accrued interest) or gain realized on investments in such Funds and Accounts other than the Reserve Account of the Bond Fund, shall be paid into the Revenue Fund, provided that gain realized from the liquidation of an investment shall be governed by the provisions described below. Interest earned or gain realized on investments in the Reserve Account shall be transferred to the Debt Service Account, provided that gain realized from the liquidation of an investment shall be governed by the provisions of the Resolution as described in the first paragraph under the caption "Valuation and Sale of Investments" herein.

Nothing in the Resolution shall prevent any Investment Securities acquired as investments of or security for funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Nothing in the Resolution shall preclude any Fiduciary from investing or reinvesting monies through its respective trust department; provided, however, that the District may, in its discretion, direct

that such monies be invested or reinvested in a manner other than through such respective trust department.

Valuation and Sale of Investments.

Obligations purchased as an investment of monies in any Fund or Account created under the provisions of the Resolution shall be deemed at all times to be a part of such Fund or Account. Any profit realized from the liquidation of such investment shall be credited to such Fund or Account, and any loss resulting from the liquidation of such investment shall be charged to the respective Fund or Account.

In computing the amount in any Fund or Account created under the provisions of the Resolution for any purpose provided in the Resolution, investments shall be valued at the then market price (as of the time of valuation) thereof. The accrued interest paid in connection with the purchase of an investment shall be included in the value thereof until interest on such investment is paid. Such computation shall be determined on June 30 and December 31 in each Fiscal Year and at such other times as the District shall determine.

Additional Bonds.

One or more Series of Additional Bonds may be authenticated and delivered upon original issuance at any time or from time to time for the purpose of paying all or a portion of the Cost of Construction and Acquisition of a Project. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Bonds as provided in the Supplemental Resolution authorizing such Series. The conditions for the issuance of Additional Bonds to finance the Acquisition and Construction of Additional Facilities include a certificate of an Authorized Officer of the District setting forth (A) for any period of 12 consecutive calendar months within the 24 calendar months preceding the date of the authentication and delivery, the Net Revenues for such period, and (B) the Aggregate Net Debt Service during the same period for which Net Revenues are computed, with respect to all Series of Bonds which were then Outstanding (excluding from Aggregate Net Debt Service any Principal Installment or portion thereof which was paid from sources other than Net Revenues), and showing that the amount set forth in (A) is equal to or greater than 110% of the amount set forth in (B). The conditions for the issuance of Additional Bonds to finance the Acquisition and Construction of Additional Facilities include a certificate of an Authorized Officer of the District setting forth (A) for the last full Fiscal Year of 12 months (ending June 30) immediately preceding the date of the authentication and delivery, the Net Revenues for such period, or, at the option of the District, for the last 12 consecutive full calendar months immediately preceding the date of the authentication and delivery, the Net Revenues for such period, and (B) the estimated maximum Aggregate Net Debt Service in the current or any future Fiscal Year with respect to [i] all Series of Bonds which are then Outstanding and [ii] the Additional Bonds then proposed to be authenticated and delivered (and for this purpose all Series of Bonds Outstanding plus such proposed Additional Bonds shall be treated as a single Series; that is, the maximum Aggregate Net Debt Service shall be computed collectively with respect to all such Bonds, and not computed cumulatively or separately for each particular Series), and showing that the amount set forth in (A) is equal to or greater than 110% of the amount set forth in (B). For purposes of computing the amount set forth in (A), Net Revenues may be increased to reflect the following amounts: [i] any increases in the rates, fees, rents and other charges for services of the System made subsequent to the commencement of such period and prior to the date of such certificate, [ii] any estimated increases in Net Revenues caused by any Project or Projects having been placed into use and operation subsequent to the commencement of such period and prior to the date of such certificate, as if such Project or Projects had actually been placed into use and operation for the entire period chosen in

(A) above and [iii] 75% of any estimated increases in Net Revenues which would have been derived from the operation of any Project or Projects with respect to which the Cost of Construction and Acquisition is to be paid from proceeds of the Additional Bonds proposed to be authenticated and delivered, as if such Project or Projects had actually been placed into use and operation for the entire period chosen in (A) above.

Refunding Bonds.

One or more Series of Refunding Bonds may be issued at any time to refund [i] Outstanding Bonds of one or more Series or [ii] one or more maturities within a Series of any Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other monies available therefor, to accomplish such refunding and to make the deposits in the Funds and Accounts under the Resolution required by the provisions of the Supplemental Resolution authorizing such Bonds.

Refunding Bonds of each Series shall be authenticated and delivered by the Bond Registrar only upon satisfaction of the following conditions (in addition to the other documents required by the Resolution) of: [i] Instructions to the Bond Registrar, satisfactory to it, to give due notice of redemption, if applicable, of all the Bonds to be refunded on a redemption date or dates specified in such instructions, subject to the provisions of the Resolution described hereinafter under the caption "Defeasance"; [ii] if the Bonds to be refunded are not by their terms subject to redemption or will not be redeemed within the next succeeding 60 days, instructions to the escrow agent described in the Resolution, satisfactory to it, to mail the notice provided for in the Resolution described hereinafter under the caption "Defeasance" to the Holders of the Bonds being refunded; [iii] either (a) cash (including cash withdrawn and deposited pursuant to the Resolution as described herein under the captions "Bond Fund - Debt Service Account" and "Bond Fund - Reserve Account," respectively) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds to be refunded, together with accrued interest on such Bonds to the redemption date, which monies shall be held by the escrow agent described in the Resolution or any one or more of the Paying Agents in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded or (b) Investment Securities in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications and any monies, as shall be necessary to comply with the provisions of the Resolution as described herein under the caption "Defeasance", which Investment Securities and monies shall be held in trust and used only as provided in the Resolution described hereinafter under the caption "Defeasance"; and [iv] such further documents and monies as are required by the provisions of the Resolution or any Supplemental Resolution adopted pursuant to the Resolution.

The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in such Supplemental Resolution.

Subordinated Debt.

The District may, at any time, or from time to time, issue debt or enter into a contract, lease, installment sale agreement or other instrument or lend credit to or guarantee debts, claims or other obligations of any person for any of its corporate purposes payable out of, and which may be secured by a pledge of, such amounts as may from time to time be available for the purpose of payment thereof;

provided, however, that such pledge shall be, and shall be expressed to be, subordinate and junior in all respects to the pledge and lien created by the Resolution as security for the Bonds.

Creation of Liens; Sale and Lease of Property.

The District shall not issue any bonds, notes, debentures or other evidences of indebtedness of similar nature, other than the Bonds, payable out of or secured by a pledge or assignment of the Pledged Property and shall not create or cause to be created any lien or charge on the Pledged Property; provided, however, that nothing contained in the Resolution shall prevent the District from issuing, if and to the extent permitted by law [i] evidences of indebtedness (a) payable out of monies in the Construction and Acquisition Fund as part of the Cost of Construction and Acquisition of the System or (b) payable out of, or secured by a pledge or assignment of, Revenues to be received on and after such date as the pledge of the Pledged Property provided in the Resolution shall be discharged and satisfied as provided in the Resolution or [ii] Subordinated Debt.

Facilities of the System shall not be sold, leased, mortgaged or otherwise disposed of, except as follows: (A) The District may sell or exchange at any time and from time to time any property or facilities constituting part of the System, at such consideration as the District in its sole discretion deems reasonable or appropriate under all the circumstances, but only if it shall determine that ownership by the District of such property or facilities is not necessary or is not material for the purposes of the District in the operation of the System as a whole; or (B) The District may lease or make contracts or grant licenses for the operation of, or make arrangements for the use of, or grant easements or other rights with respect to, any part of the System, provided that any such lease, contract, license, arrangement, easement or right does not materially impede the operation by the District or its agents of the System and [ii] does not materially impair or adversely affect the rights or security of the Bondholders under the Resolution.

Operation and Maintenance of System.

The District shall at all times use its best efforts to operate or cause to be operated the System properly and in an efficient and economical manner, and shall use its best efforts to maintain, preserve and keep the same or cause the same to be so maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted. In rendering any report, certificate or opinion requested pursuant to the Resolution, an Authorized Officer of the District may rely upon information, certificates, opinions or reports required to be provided by others pursuant to the Resolution, and upon other sources which an Authorized Officer of the District considers reliable, and other considerations and assumptions as deemed appropriate by an Authorized Officer of the District.

Annual Budget.

On or before the first day of each Fiscal Year commencing with the Fiscal Year beginning July 1, 1993, the District shall prepare and adopt an Annual Budget for operating purposes for the ensuing Fiscal Year and will furnish copies thereof to any holder of any Bond. Said Annual Budget shall set forth in reasonable detail the estimated Revenues and Operating Expenses and other anticipated expenditures relating to the System for such Fiscal Year. Following the end of each fiscal quarter and at such other times as the District shall determine, the District shall review its estimates set forth in the Annual Budget for such Fiscal Year, and if a material change has occurred in such estimates, the District also may at any time adopt an amended Annual Budget for the remainder of the then current Fiscal Year.

Rents, Rates, Fees and Charges.

The District shall fix, establish, maintain and collect rates, fees, rents and charges for services of the System, which, together with other "Available Revenues" (as hereinafter defined) are expected to produce Available Revenues which will be at least sufficient for each Fiscal Year to pay the sum of [a] an amount equal to 110% of the Aggregate Net Debt Service for such Fiscal Year; and [b] the amount, if any, to be paid during such Fiscal Year into the Reserve Account in the Bond Fund (other than amounts required to be paid into such Account out of the proceeds of Bonds); and [c] all Operating Expenses for such Fiscal Year as estimated in the Annual Budget; and [d] to the extent not included in the foregoing, an amount equal to the debt service on the Senior Subordinated Debt, any other Subordinated Debt or other debt of the District for such Fiscal Year computed as of the beginning of such Fiscal Year; and [e] amounts necessary to pay and discharge all charges or liens payable out of the Available Revenues when due and enforceable.

For purposes of the preceding paragraph, "Available Revenues" means (i) revenues from all rates, rents and charges and other operating income derived or to be derived by the District from or for the operation, use or services of the System, (ii) any other amounts received from any other source by the District and pledged by the District as security for the payment of Bonds and (iii) interest received or to be received on any moneys or securities held pursuant to the Resolution and paid or required to be paid into the Revenue Fund or required to be retained in the Debt Service Account in the Bond Fund or transferred to the Debt Service Account in the Bond Fund. "Available Revenues" will exclude, however, any interest income which is capitalized pursuant to generally accepted accounting principles and the enterprise basis of accounting for governmental enterprises, as promulgated by the Governmental Accounting Standards Board, and governmental grants, in-kind contributions of assets and any assessments levied by the District to the extent that such grants, in-kind contributions and assessments are not recognized as operating revenues, other revenues or extraordinary gains pursuant to generally accepted accounting principles for governmental enterprises, as promulgated by the Governmental Accounting Standards Board. Nothing herein under this caption or in the definition of "Available Revenues" for purposes of the covenant described in the preceding paragraph, shall be construed so as to prohibit the District from taking into account interest earned on moneys or securities held under the Resolution, and other income available or expected to be available in the ordinary course for the payment of Debt Service pursuant to the Resolution, in calculating Aggregate Net Debt Service on the Bonds for any calculation period for purposes hereof or otherwise, nor prohibit the District from taking into account interest earned on moneys or securities held under any Resolution or indenture or similar document adopted or entered into in connection with an issuance of Subordinated Debt, and other income available or expected to be available in the ordinary course for the payment of debt service on Subordinated Debt, in calculating debt service payable on Subordinated Debt for any calculation period for purposes hereof or otherwise.

Promptly upon [i] any material decrease in the Revenues anticipated to be produced by any rates, fees, rents or charges or any later review thereof, [ii] any material increase in expenses of operation of the System not contemplated at the time of adoption of the rates, fees, rents and charges then in effect or any later review thereof or [iii] any other material change in the circumstances which were contemplated at the time such rates, fees, rents and charges were most recently reviewed, but not less frequently than once every 12 months, the District shall review the rates, fees, rents and charges so established and shall promptly establish or revise such rates, fees, rents and charges as necessary to comply with the foregoing

requirements, provided that such rates, fees, rents and charges shall in any event produce Revenues sufficient, together with other Revenues, if any, available therefor, to enable the District to comply with all its covenants under the Resolution.

In estimating Aggregate Debt Service or Aggregate Net Debt Service on any Variable Interest Rate Bonds for purposes of the first paragraph under this caption, the District shall be entitled to assume that such Variable Interest Rate Bonds will bear such interest rate or rates as the District shall determine; provided, however, that the interest rate or rates assumed shall not be less than the interest rate borne by such Variable Interest Rate Bonds at the time such estimate is made.

Insurance

Maintenance of Insurance.

The District shall provide protection for the System to the extent necessary to properly conduct the business of the System. Said protection may consist of insurance, self-insurance and indemnities. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the District and may provide for such deductibles, exclusions, limitations, restrictions and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the System.

Application of Insurance Proceeds.

In the event of any loss or damage to the System covered by insurance, the District will, with respect to each such loss, promptly repair, reconstruct or replace the parts of the System affected by such loss or damage to the extent necessary to the proper conduct of the operation of the business of the System, shall cause the proceeds of such insurance to be applied for that purpose to the extent required therefor, and pending such application shall hold the proceeds of any insurance policy covering such damage or loss in trust to be applied for that purpose to the extent required therefor. Any excess insurance proceeds received by the District shall be transferred to the Revenue Fund.

Accounts and Reports.

The District shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the System and each Fund and Account established under the Resolution and which, together with all other books and papers of the District, including insurance policies, relating to the System, shall at all times be subject to the inspection of the Bondholders and the Holders of an aggregate of not less than ten percent (10%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The District shall annually, within 180 days after the close of each Fiscal Year commencing with the Fiscal Year ending June 30, 1993, prepare an audit for such Fiscal Year, accompanied by a certificate of an Accountant relating to the System which shall include the following statements in reasonable detail: a statement of assets and liabilities as of the end of such Fiscal Year; and a statement of Revenues and Operating Expenses for such Fiscal Year. Such Certificate shall state whether or not, to the knowledge of the signer, the District is in default with respect to any of the covenants, agreements or conditions on its part contained in the Resolution, and if so, the nature of such default.

The reports, statements and other documents required pursuant to any provisions of the Resolution shall be available for the inspection of Bondholders and shall be mailed to each Bondholder who shall file a written request therefor with the District. The District may charge for such reports, statements and other documents, a reasonable fee to cover reproduction, handling and postage.

Tax Covenants Relating to the Internal Revenue Code.

The District shall do the following with respect to Bonds which, when initially issued, are the subject of an Opinion of Counsel to the effect that interest thereon is excluded from gross income for Federal income tax purposes pursuant to the Internal Revenue Code of 1986 or any successor thereto (the "Code"): [a] in order to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes, and for no other purpose, the District shall comply with the Code; [b] in furtherance of the covenant contained in the preceding paragraph, the District shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the Internal Revenue Code; and [c] Notwithstanding any other provision of the Resolution to the contrary, so long as necessary in order to maintain the exclusion from gross income of interest on the Bonds for Federal income tax purposes, the covenants contained in this Section thereon, including any payment or defeasance thereof pursuant to the Resolution as described under the caption "Defeasance" herein.

Events of Default.

Each of the following events (being those provided by Section 76.160 of the Kentucky Revised Statutes) is hereby declared an "event of default"; that is, if: [a] payment of the principal of any of the Bonds is not made on the date therein specified for payment thereof, nor within thirty (30) days thereafter, or payment of any installment of interest is not made on the date specified for such payment, nor within thirty (30) days thereafter, or [b] default shall be made in the due and punctual observance or performance of any of the covenants, conditions and agreements on the part of the District, in the Bonds or in the Resolution, or in any pertinent law contained, and such default shall continue for a period of thirty (30) days.

Rights Arising Upon Occurrence of Event of Default.

That upon the happening of any event of default specified in the Resolution as described immediately above, the provisions of said Section 76.160 of Kentucky Revised Statutes shall become operative, and the holder or holders of twenty percent (20%) in principal amount or more of the Bonds then Outstanding pursuant to the Resolution may, by an instrument or instruments filed in the office of the County Clerk of Jefferson County, Kentucky, and approved or acknowledged in the same manner as a deed to be recorded, apply to a Judge in the Circuit Court of such County to appoint a trustee to represent all of the Bondholders. Upon such application, such Judge shall appoint a trustee and such trustee may, and upon the written request of the holder or holders of twenty percent (20%) in principal amount or more of the Bonds Outstanding under the Resolution, shall, in his or its name, (a) by mandamus or other suit, action or proceeding at law, or in equity, including mandatory injunction, enforce all rights of the District to collect rates, rentals and other charges adequate to carry out any agreement as to, or pledge of, the revenues and income of the District, and to require the District and its officers to carry out any other agreement with the Bondholders and to perform its and their duties imposed by law; (b) bring suit upon the Bonds; (c) by action or suit in equity require the District to account as if it were the trustee of an express trust for the Bondholders; (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of Bondholders; (e) declare all Bonds due and payable; and (f)

pursue any other rights or remedies available at law or in equity. For any Bonds registered in Book-Entry Form, notwithstanding the above definition of "Bondholder," the Paying Agent shall be entitled to rely upon written instructions from a majority of the beneficial owners of the Bonds with reference to consent, if any, required from Holders pursuant to the terms of the Resolution.

Any such trustee, whether or not all Bonds have been declared due and payable, shall be entitled as of right upon application to such Court to the appointment of a receiver, who may enter upon and take possession of the System, or any part or parts thereof, and operate and maintain the same, and collect and receive all rentals, rates, and other charges, and other revenues and income, of the District, thereafter arising therefrom, in the same manner as the District and its officers might do, and shall deposit all such monies in a separate account and apply the same in such manner as such Court shall direct. In any suit, action or proceeding, by the trustee, the fees, counsel fees and expenses of the trustee and of the receiver, if any, shall constitute disbursements taxable as costs. All costs and disbursements allowed by the Court shall be a first charge on any revenue and income derived from the System. Such trustee shall, in addition to the foregoing, have and possess all of the powers necessary or appropriate for the exercise of any functions specifically set forth herein or incident to the general representation of the Bondholders in the enforcement and protection of their rights.

Rights of Insurer.

Any other provision of the Resolution to the contrary notwithstanding, and to the extent permitted by law (including the Act), for each particular Series of Bonds or portion thereof that is insured by an Insurer, the exercise by the court appointed trustee or the Bondholders of any rights, powers or privileges granted thereto in the Resolution shall require the written consent of the Insurer, if the Insurer is not then in breach or default of its obligations under its insurance policy.

Bond Registrar; Paying Agents.

The Resolution permits the appointment by the District of a Bond Registrar and one or more Paying Agents. Any Paying Agent or Bond Registrar may at any time resign and be discharged of the duties and obligations created by the Resolution by giving at least 60 days written notice to the District and the other Paying Agents or Bond Registrars. Any Paying Agent or Bond Registrar may be removed at any time by an instrument filed with such Paying Agent or Bond Registrar and signed by an Authorized Officer of the District. Any successor Paying Agent or Bond Registrar shall be appointed by the District and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association, having capital stock, surplus and undivided earnings aggregating at least \$10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by the Resolution.

Amendments and Supplemental Resolutions.

Any modification or amendment of the Resolution and of the rights and obligations of the District and of the Holders of the Bonds thereunder, in any particular, may be made by a Supplemental Resolution, with the written consent given as provided in the Resolution of [i] the Holders of at least a majority in principal amount of the Bonds Outstanding at the time such consent is given and [ii] if less than all of the Series of Bonds then Outstanding are affected by the modification or amendment, the Holders of at least a majority in principal amount of the Bonds of each Series so affected and Outstanding at the time such consent is given; provided that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent

of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption (including Sinking Fund Installments) or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereof without the consent of the Holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto. For the purpose of this caption, a Series shall be deemed to be affected by a modification or amendment of the Resolution if the same adversely affects or diminishes the rights of the Holders of Bonds of such Series. The District may in its sole discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Resolution and any such determination shall be binding and conclusive on the District and all Holders of Bonds.

For any one or more of the following purposes and at any time or from time to time, a Supplemental Resolution of the District may be adopted, which, when adopted, shall be fully effective in accordance with its terms: [1] to close the Resolution against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Resolution on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness; or [2] to add to the covenants and agreements of the District in the Resolution, other covenants and agreements to be observed by the District which are not contrary to or inconsistent with the resolutions as theretofore in effect; or [3] to add to the limitations and restrictions in the Resolution, other limitations and restrictions to be observed by the District which are not contrary to or inconsistent with the Resolution as theretofore in effect; or [4] to authorize Bonds of a Series; or [5] to authorize one or more series of Subordinated Debt; or [6] to authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of coupon Bonds; or [7] to authorize, in compliance with all applicable law, Bonds of each Series to be issued in the form of Bonds issued and held in book-entry form on the books of the District or any Fiduciary appointed for that purpose by the District; or [8] notwithstanding any other provisions of the Resolution, to authorize Bonds of a Series having terms and provisions different than the terms and provisions theretofore provided in the Resolution; or [9] to confirm, as further assurance, any pledge or assignment under, and the subjection to any security interest, pledge or assignment created or to be created by, the Resolution of the Pledged Property and Credit Facilities or other agreements; or [10] to comply with the provisions of any federal or state securities law, including, without limitation, the Trust Indenture Act of 1939, as amended or comply with Section 103 of the Internal Revenue Code of 1986 or 1954, as applicable, as amended, or successor provisions; or [11] to modify any of the provisions of the Resolution in any other respect whatever, provided that [i] such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Resolution shall cease to be Outstanding and [ii] such Supplemental Resolution shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Resolution and of Bonds issued in exchange therefore or in place thereof; or [12] to cure any ambiguity, defect or inconsistency provided that there is no material adverse impact on Bondholders.

Consent of the Insurer When Consent of Bondholder Required; Notice.

The Insurer, and not the registered Holders thereof, shall be deemed to be the Holder of Bonds of any Series as to which it is the Insurer at all times for the purpose of giving any approval or consent to the execution and delivery of any Supplemental Resolution or any amendment, change or modification

of the Resolution which, as specified in the Resolution, requires the written approval or consent of the Holders of at least a majority in aggregate principal amount of Bonds of such Series at the time Outstanding. In such cases where the consent of the Insurer shall be necessary pursuant to the Resolution for the execution of a particular amendment, the District shall be required to send a copy of such amendment to S&P's. In addition, in such cases where the consent of the Insurer shall not be necessary pursuant to the Resolution for the execution of a particular amendment, the District shall provide the Insurer with written notice of such amendment prior to or within a reasonable time after the execution thereof.

Defeasance.

If the District shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated in the Bonds and in the Resolution, then the pledge of the Pledged Property and all covenants, agreements and other obligations of the District to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied.

Bonds or interest installments, or portions thereof, for the payment or redemption of which monies shall have been set aside and shall be held in trust by the Paying Agents (through deposit by the District of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in the Resolution. Subject to the provisions of the Resolution, any Outstanding Bonds shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in the Resolution if the following conditions are met: (a) if any of such Bonds are to be redeemed on any date prior to their maturity, the District shall have instructed the Bond Registrar to mail as provided in the Resolution notice of redemption of such Bonds (other than Bonds which have been purchased or otherwise acquired by the District and delivered to the Bond Registrar as hereinafter provided prior to the mailing of notice of redemption), (b) there shall have been deposited with an escrow agent either cash (including amounts, if any, withdrawn and deposited pursuant to the Resolution as described herein under the captions "Bond Fund - Debt Service Account" and "Bond Fund - Reserve Account") in an amount which shall be sufficient, or Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide cash which, together with any other cash on deposit with the escrow agent, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on the Bonds on or prior to the redemption date or maturity date thereof; as the case may be and (c) if the Bonds are not by their terms subject to redemption within the next succeeding 60 days, the District shall have instructed the Bond Registrar to mail a notice to the Holders of such Bonds to be paid or redeemed, that the deposit required by (b) above has been made and that the Bonds are deemed to have been paid in accordance with this Section and stating the maturity or redemption date upon which monies are expected to be available for the payment.

Such escrow agent shall, as and to the extent necessary, apply amounts held by it pursuant to this Section to the retirement of Bonds in amounts equal to the unsatisfied balances (determined as provided in the Resolution as described herein under the caption "Bond Fund - Debt Service Account") of any Sinking Fund Installments with respect to such Bonds, all in the manner provided in the Resolution. The escrow agent shall, if so directed by the District prior to the maturity or redemption date, as applicable, of Bonds deemed to have been paid in accordance with the provisions of the Resolution described under this caption, apply cash, redeem or sell Defeasance Obligations so deposited with such escrow agent and apply the proceeds thereof, together with any cash on deposit with the escrow agent, to the purchase of

such Bonds (and the Bond Registrar shall immediately thereafter cancel all such Bonds so purchased and delivered to it); provided, however, that the cash and Defeasance Obligations remaining on deposit with such escrow agent after the purchase and cancellation shall be sufficient to pay when due the principal or Redemption Price, as applicable, and interest due or to become due on all remaining Bonds in respect of which such cash and Defeasance Obligations are being held by such escrow agent on or prior to the redemption date or maturity date thereof, as the case may be. Except as otherwise provided in the Resolution, neither Defeasance Obligations nor cash deposited with such escrow agent pursuant to the Resolution nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, as applicable, and interest on the Bonds with respect to which such cash and Defeasance Obligations have been deposited. Any excess cash received from such principal or interest payments on such Defeasance Obligations shall be paid over to the District as received by such escrow agent, free and clear of any trust, lien or pledge.

Notwithstanding any of the provisions of the Resolution regarding Defeasance, no forward supply contract shall constitute a "Defeasance Obligation" or otherwise be used to refund all or any portion of Bonds which are insured as to the payment of principal and interest by an Insurer, without first obtaining the prior written consent of such Insurer.

SUMMARY OF PROVISIONS OF THE NOTE RESOLUTION

The following is a brief summary of certain provisions of the District's Subordinated Debt Resolution adopted by the District on April 26, 2010 (the "Resolution" or the "Subordinated Debt Resolution") and used in this Official Statement. The summary does not purport to be comprehensive or definitive. All references herein to the Resolution are qualified in their entirety by reference to such Resolution, a copy of which is available for review prior to the issuance and delivery of the Series 2022 Notes, at the office of the District and thereafter at the office of the Paying Agent. All references to the Series 2022 Notes are qualified in their entirety by reference to the definitive form thereof and the information with respect thereto included in the Resolution.

GENERAL COVENANTS OF THE DISTRICT.

Payment of Notes.

The District shall promptly pay when due the principal or purchase price of (whether at maturity, upon acceleration, call for redemption or purchase or otherwise) and premium, if any, and interest on each series of Notes at the places, on the dates and in the manner provided the Resolution and in such Notes according to the true intent and meaning thereof; provided, however, that such obligations are not general obligations of the District but are limited obligations payable solely from the revenues and receipts described in the Granting Clauses to the Resolution and the other Pledged Property, all of which are specifically pledged to such purposes in the manner and to the extent provided the Resolution. The Notes and interest thereon shall not be deemed to constitute a debt or a pledge of the faith and credit of the State or any political subdivision thereof, including the District. Neither the State nor any political subdivision thereof, including the District shall be obligated to pay the principal of or interest on the Notes or other costs incident thereto except from the revenues and receipts pledged therefor, and neither the faith and credit nor the taxing power of the State or any political subdivision thereof, including the District is pledged to the payment of the principal of or interest on the Notes or other costs incident thereto.

Covenants and Representations of District.

The District shall observe and perform all covenants, conditions and agreements on its part contained in the Resolution, in every Note executed, authenticated and delivered hereunder and in all of its proceedings pertaining thereto. The District represents (a) that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Notes and to execute the Resolution; to execute the Note Purchase Agreement; and to pledge the revenues, receipts and funds in the manner and to the extent set forth in the Resolution; (b) that all action on its part for the issuance of the Notes and the execution and delivery of the Resolution has been duly and effectively taken; and (c) that the Notes in the hands of the Holders thereof are and will be valid and enforceable obligations of the District according to the terms thereof except as limited by bankruptcy laws and usual equity principles.

Further Assurances.

The District shall do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such supplemental resolutions and such further acts, instruments and transfers as the Paying Agent may reasonably require for the better assuring, transferring, conveying, pledging and assigning to the Paying Agent of all the rights assigned by the Resolution and the revenues and receipts pledged to the payment of the principal of, premium, if any, and interest on the Notes. The District shall cooperate with the Paying Agent and the Noteholders in protecting the rights and security of the Noteholders.

Inspection of Books and Project.

All books and documents in the District's possession relating to each Project and the revenues derived therefrom shall at all times be open to inspection by such agents as the Paying Agent or the Holders of 25% in aggregate principal amount of Notes then Outstanding may from time to time designate.

Priority of Notes.

The District warrants and covenants that the lien created under the Resolution with respect to any series of Notes shall be superior in priority to all revenue debt of the District, except for the Senior Debt.

Prohibited Activities.

The District shall not knowingly engage in any activities or take any action that might result in (a) the income of the District derived from each Project becoming taxable to it, (b) any Note becoming an "arbitrage bond" within the meaning of Section 148 of the Code and the regulations and rulings thereunder, or (c) any interest on the Notes otherwise becoming includable in the gross income of the recipients thereof under the federal income tax laws or becoming taxable under the laws of the State.

Anticipation of Issuance of Bonds.

The District covenants that each series of Notes issued under the Resolution is issued in anticipation of the issuance by the District, prior to the maturity of such Notes whether by acceleration, redemption, or otherwise, of Additional Bonds (within the meaning of the Bond Resolution) on a parity with the Senior Debt under the Bond Resolution and pursuant to the Act. The District further covenants

to, in a timely fashion, do any and all things necessary for the issuance of such Additional Bonds on a parity with the Senior Debt, to the extent necessary to pay such Notes and to the extent permitted by law. To the extent that any Notes of a particular series issued hereunder are not paid from the Revenues of the District as described in the Resolution, including the proceeds of the Project for which such Notes were issued, such Notes shall be paid from the proceeds of such Senior Debt.

Tax Covenants.

The District covenants that within the meaning of Section 141 of the Code, [i] less than 10% of the proceeds of the Notes of any series, if any, will be applied for any private business use, and the payment of principal of or interest on less than 10% of the amount of the Notes of any series, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived from payments in respect of such property; [ii] at least 90% of the proceeds of the Notes of any series will be applied for a governmental use of the District; [iii] any private business use of the Project will be related to such governmental use of the District and will not be unrelated or disproportionate; and [iv] none of the proceeds of the Notes of any series will be used, directly or indirectly, to make or finance loans to private Persons; and the District covenants further that the Notes of any series will not be federally guaranteed within the meaning of Section 149(b) of the Code.

APPLICATION OF FUNDS.

"Trust Moneys" Defined.

All moneys received by the Paying Agent to be held and applied under the Resolution, or required to be paid to the Paying Agent and whose disposition is not elsewhere in the Resolution otherwise specifically provided for, including but not limited to the investment income of all Trust Funds held by the Paying Agent under the Resolution (all such moneys pending the expenditure thereof, including but not limited to the proceeds of Notes deposited in the Subordinated Debt Subaccounts of the Construction and Acquisition Fund and investment income thereon pending the expenditures thereof, and all proceeds of any such moneys pending the expenditure of such proceeds, being defined as the "Trust Moneys") shall be held by the Paying Agent as a part of the Pledged Property, and, upon the exercise by the Paying Agent of any remedy specified in the Resolution, such Trust Moneys shall be applied in accordance with the Resolution, except to the extent that the Paying Agent is holding in trust moneys and/or Government Obligations for the payment of any specified Notes which are no longer deemed to be Outstanding under the provisions of the Resolution, which moneys and/or Government Obligations shall be applied only as provided in said Article. Prior to the exercise of any such remedy, all or any part of the Trust Moneys shall be held, invested, withdrawn, paid or applied by the Paying Agent, from time to time.

NOTE ACCOUNT.

(a) A special trust fund is established under the Resolution with the Paying Agent and designated as the "Note Account." The Note Account constitutes a part of the Senior Subordinated Debt Fund of the District pursuant to the Bond Resolution, but is maintained as a separate special trust fund. Established within the Note Account is a General Subaccount.

There shall be credited to the General Subaccount in the Note Account, as and when received,

(i) each payment received by the Paying Agent under and pursuant to any of the provisions of the Resolution which is required, or which is accompanied by directions that such payment is, to be credited to the Note Account; and

(ii) all income derived from the investment of amounts described in clause as realized.

(b) The Paying Agent shall disburse, from time to time, sufficient moneys from the Note Account as specified below to pay the principal of, premium if any, and the interest on, the Notes as the same become due and payable.

(c) Funds for the payment of the principal of, premium, if any, and interest on the Notes shall be derived from the following sources:

(1) Funds for the payment of the principal of and premium, if any, on the Notes, at Maturity, shall be disbursed by the Paying Agent from the Note Account in the order of priority indicated below:

(i) Eligible Moneys in the General Subaccount in the Note Account;
and

(ii) all other amounts in the General Subaccount in the Note Account which were received by the Paying Agent under and pursuant to the Resolution from the District or from any other Person or Fund, and amounts derived from the investment of such amounts.

(2) Funds for the payment of interest on the Notes shall be derived from the following sources in the order of priority indicated below and in each case applied to interest on Notes:

(i) Eligible Moneys in the General Subaccount in the Note Account;
and

(ii) all other amounts in the General Subaccount in the Note Account which were received by the Paying Agent under and pursuant to the Resolution from the District or from any other Person or Fund, and amounts derived from the investment of such amounts.

(d) Upon the occurrence of an Event of Default described in clauses (d) of Section 8.1, the Paying Agent shall pay, to the extent moneys are available, to the Noteholders, in accordance with the provisions of Section 2.2 of the Resolution, in payment of the principal of and interest on the Notes, an amount equal to the principal of and interest on the Notes due upon the date of acceleration of the Notes as provided in Section 8.2 of the Resolution and to the extent of such payment, the obligations of the District under the Resolution and the Notes shall be deemed to have been satisfied.

(e) If any Note shall not be presented for payment at Maturity, provided moneys sufficient to pay such Note shall have been made available to the Paying Agent and are held in the Note Account for the benefit of the Holder thereof, all liability of the District to the Holder thereof for the payment of such Note shall forthwith cease, determine and be completely

discharged, and thereupon it shall be the duty of the Paying Agent to hold such moneys in the Note Account, without liability to the Holder for interest thereon, for the benefit of the Holder of such Note, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on the part of such Holder hereunder or on, or with respect to, such Note.

(f) All moneys paid over to the Paying Agent for the account of the Note Account shall be held in trust by the Paying Agent for the benefit of the Holders of the Notes as each is entitled to be paid therefrom. Any moneys remaining in the Note Account after any Interest Payment Date and after Payment of the Notes, and payment of the fees, charges and expenses of the Paying Agent which have accrued and which will accrue and all other items required to be paid hereunder, shall be paid to the District.

Payment Into Construction and Acquisition Fund; Use of Proceeds.

The proceeds of sale of each series of Notes shall be deposited in a separate subaccount in the Construction and Acquisition Fund (collectively, the "Subordinated Debt Subaccounts"), each of the Subordinated Debt Subaccounts to be designated in a manner which will distinguish it from all other subaccounts of the Construction and Acquisition Fund and to consist of Pledged Property on which the holders of such series of Notes shall have a first lien. The District shall use such proceeds of the Notes only to pay costs of a Project with respect to which at the time of use the District reasonably intends to issue Additional Bonds on a parity with the Prior Bonds to permanently finance the Project.

Trust Moneys; Reports.

All Trust Moneys shall be trust funds and shall not be subject to lien or attachment of any creditor of the District or the Paying Agent. Such Trust Moneys shall be held in trust and applied in accordance with the provisions of the Resolution. The Paying Agent shall furnish to the District on at least a semi-annual basis a statement of the moneys (including all investment activity) in each Trust Fund.

Arbitrage.

The District covenants and agrees that it will commit knowingly no act that would cause any Notes of any series to be "arbitrage bonds" within the meaning of Section 148(a) of the Code (including the applicable regulations thereunder). The Paying Agent covenants that it will comply with any instructions of the District regarding investment or other use of proceeds of the Notes so as to prevent the Notes from becoming "arbitrage bonds" but shall otherwise have no other liability or obligations with respect to preventing the Notes from becoming "arbitrage bonds." The Paying Agent shall file a copy of any applicable Opinion of Bond Counsel received by it with the District.

Rebate Requirements.

The District covenants and agrees to comply with any requirements to rebate moneys to the United States of America as may be required by law. Moneys in any rebate fund established for this purpose, including investment earnings thereon, if any, shall not be subject to the pledge of the Resolution and shall not constitute part of any of the Funds and Accounts held under the Resolution for the benefit and security of the Noteholders.

INVESTMENTS.

Investments.

Moneys held in any Accounts hereunder (other than Eligible Moneys) shall be invested and reinvested in Authorized Investments maturing or subject to redemption at the option of the Holder as needed as directed by the District in writing, or if orally, promptly confirmed in writing, or in such other manner as is acceptable to the Paying Agent. Eligible Moneys held in any Accounts hereunder shall be invested in Government Obligations maturing as needed as directed by the District in writing, or if orally, promptly confirmed in writing, or in such other manner as is acceptable to the Paying Agent. All such investments shall be held by or under the control of the Paying Agent except as may be otherwise permitted or authorized in the Resolution, and shall be deemed at all times a part of the fund or account in which the moneys so invested were originally held and the interest accruing thereon and any profit realized therefrom shall be credited to and held in such fund or account and any loss resulting therefrom shall be charged to such fund or account. The Paying Agent is directed to sell and convert to cash a sufficient amount of such investments in any fund whenever the cash held in such fund is insufficient for the purposes thereof. Moneys held in the Subordinated Debt Subaccounts shall not be invested except as otherwise permitted in the Resolution or in the Bond Resolution for amounts on deposit in the Construction and Acquisition Fund.

Limitation of Liability.

(a) The Paying Agent shall not be responsible for any losses on investments or from the redemption, sale or maturity of any such investments made in accordance with the Resolution, and the District specifically holds the Paying Agent harmless and agrees to indemnify the Paying Agent for any claim resulting from any losses on investments made in accordance with the District's instructions.

(b) Notwithstanding any provision of the Resolution to the contrary, unless otherwise specifically agreed in a separate written agreement, the Paying Agent shall not be liable or responsible for any calculation or determination which may be required in connection with, or for the purpose of complying with, Section 148 of the Code, or any successor statute or any regulation, ruling or other judicial or administrative interpretation thereof, including, without limitation, the calculation of amounts required to be paid to the United States of America or the determination of the maximum amount which may be invested in nonpurpose obligations having a yield higher than the yield on the Notes, or the determination as to whether any investments are permissible under Section 148 of the Code, and the Paying Agent shall not be liable or responsible for monitoring the compliance by the District with any of the requirements of Section 148 of the Code or any judicial or administrative interpretation thereof; it being acknowledged and agreed that the sole obligation of the Paying Agent in this regard shall be to hold and invest monies received by it pursuant to the terms of the Resolution and in each case pursuant to the instructions of the District.

DISCHARGE OF LIEN.

Discharge of Lien and Security Interests.

If the District shall pay or cause to be paid in full the principal of and the interest on any series of Notes or if the District has deposited or caused to be deposited with the Paying Agent in trust cash and/or Government Obligations, which do not permit the redemption thereof at the option of the issuer

thereof, the principal of, premium, if any, and interest on which when due (or upon the redemption thereof at the option of the Holder), will, without reinvestment, provide cash which, together with the cash, if any, deposited with the Paying Agent at the same time, shall be sufficient to pay and discharge the entire indebtedness on such series of Notes as the same become due not theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation, for principal and interest (and premium, if any) which have become due and payable, or to the Maturity thereof or earlier Redemption Date and (a) has paid or made arrangements satisfactory with the Paying Agent to pay, all fees and expenses (including, without limitation, counsel's fees and expenses) of the Paying Agent respecting such series of Notes which have accrued or which the Paying Agent estimates will accrue prior to the final payment of such series of Notes in full, (b) has furnished to the Paying Agent an Opinion of Bond Counsel to the effect that the deposit of such cash and Government Obligations is in compliance with the provisions of the Resolution, will not adversely affect the exclusion of interest on such Notes from gross income for purposes of Federal income taxation and that payments to the owners of such Notes will not constitute a voidable transfer or preference under and pursuant to the Federal Bankruptcy Code as then in effect in the event of a bankruptcy proceeding thereunder by or against the District, and (c) has made arrangements satisfactory to the Paying Agent for the giving of notice of redemption, if any, then the lien of the Resolution, these presents and the security interests in the Resolution with respect to such series of Notes shall cease, determine and be void. Upon the discharge of the lien of the Resolution with respect to the applicable series of Notes, these presents and the security interests therein ceasing, determining and being void as provided in the preceding sentence, the Paying Agent shall, upon receipt of evidence satisfactory to it that all conditions precedent to the satisfaction and discharge of the Resolution with respect to such Notes have been complied with, cancel and discharge the Resolution with respect to such Notes and the security interests therein, execute and deliver to the District such instruments in writing as shall be required to cancel and discharge the Resolution with respect to such Notes and the security interests therein and apply any moneys and investments held in the Note Account with respect to such Notes in accordance with Sections 5.2, provided that all moneys then held in the Note Account for the purpose of paying such Notes of the applicable series which have not yet been presented for payment shall be held thereafter in trust solely for the Holders of such Notes pending the payment thereof to such Holders. If such Notes will not be redeemed in whole within 60 days of such discharge, the Paying Agent shall promptly give notice of such discharge, to all Noteholders of such Notes in the manner described in Section 3.6(a) for the giving of notices of redemption. If the lien and security interests of the Resolution with respect to all series of Notes are discharged, the Resolution, at the request of the District, shall be discharged and canceled.

Discharge of the Resolution.

Notwithstanding the fact that the lien of the Resolution upon the Pledged Property may have been discharged and canceled with respect to a series of Notes, the Resolution and the rights granted and duties imposed by the Resolution, to the extent not inconsistent with the fact that the lien upon the Pledged Property may have been discharged and canceled with respect to one or more series of Notes, shall nevertheless continue and subsist until the principal of, premium, if any, and the interest on, all of the Notes shall have actually been paid in full, all amounts owed by the District to the Paying Agent shall have been paid in full, and the Paying Agent shall have applied amounts in the Note Account and all funds theretofore held by the Paying Agent for payment of any Notes not theretofore presented for payment or purchase, as the case may be, which funds shall be held in trust solely for the Holders of such Notes pending their application in accordance herewith, until such funds have been applied in accordance herewith.

DEFAULT PROVISIONS AND REMEDIES.

Events of Default.

Each of the following events is defined as and declared to be and to constitute an "Event of Default" hereunder with respect to the Notes of a particular series:

- (a) default in the due and punctual payment of any interest on any Note when the same shall become due and payable; or
- (b) default in the due and punctual payment of the principal of or premium on any Note at its maturity or upon mandatory redemption; or
- (c) the declaration of an Event of Default hereunder with regard to the Notes of any series; or
- (d) the failure of the District to observe and perform any of the covenants, conditions, agreements, or provisions contained in the Resolution, or in the Notes, on the part of the District to be observed or performed and the continuation thereof for thirty days after written notice, specifying such default and requiring the same to be remedied, is given to the District by the Paying Agent.

Acceleration.

Upon the occurrence of any Event of Default described in subsection (a), (b) or (c) of Section 8.1 of the Resolution, the Paying Agent may or the Holders of more than fifty percent (50%) in aggregate principal amount of the Outstanding Notes of the particular series shall, and, upon the occurrence and continuance of an Event of Default described in subsection (d) of Section 8.1 of the Resolution, the Paying Agent shall by notice in writing delivered to the District declare the principal of all the Notes immediately due and payable as of the fifth Business Day following such date, whereupon the same shall become immediately due and payable. Upon any such acceleration, the Notes and the interest thereon shall forthwith be paid in accordance with the Resolution. Upon any declaration of acceleration hereunder, the Paying Agent shall immediately declare the payments required to be made by the District hereunder to be immediately due and payable.

Other Remedies.

Upon the occurrence of an Event of Default, the Paying Agent shall have the power to proceed with any right or remedy available at law or in equity or by statute, as it may deem best, including any suit, action or special proceeding in equity or at law for the collection of amounts due and to become due hereunder and under the Notes or the performance of any covenant or agreement contained in the Resolution or for the enforcement of any proper legal or equitable remedy as the Paying Agent shall deem most effectual to protect the rights aforesaid, insofar as such may be authorized by law.

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

No waiver of any Event of Default hereunder, whether by the Paying Agent or by the Noteholders, shall extend to or affect any subsequent or other Event of Default, or impair any rights or remedies consequent thereon.

Rights of Noteholders.

Upon the occurrence of an Event of Default and if requested so to do by the Holders of more than fifty percent (50%) in aggregate principal amount of the Notes then Outstanding and if indemnified, the Paying Agent shall be obligated to exercise such one or more of the rights and remedies conferred by the Resolution as the Paying Agent, being advised by Counsel, shall deem most expedient in the interests of the Noteholders.

Right of Noteholders to Direct Proceedings.

Except in the case of an Event of Default under Section 8.1(d) of the Resolution, the Holders of more than fifty percent (50%) in aggregate principal amount of the Notes then Outstanding shall have the right, at any time, by an instrument or instruments in writing executed and delivered to the Paying Agent, to direct (as between such Noteholders and the Paying Agent) the time, method and place of conducting all proceedings otherwise permitted to be taken in connection with the enforcement of the terms and conditions of the Resolution, or for the appointment of a receiver or any other proceedings, provided the Paying Agent is indemnified

Application of Moneys.

All moneys received by the Paying Agent pursuant to any right given or remedy or action taken under the provisions of the Resolution shall, after payment of all fees and expenses of the Paying Agent, including, without limitation, the costs and expenses of the proceedings resulting in the collection of such other moneys and of the related expenses, liabilities and advances incurred or made by the Paying Agent, be deposited in the General Subaccount in the Note Account. All such other moneys shall be applied by the Paying Agent as follows:

(a) Unless the principal of all the Notes shall have become or shall 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 Outstanding Notes (other than District Notes), in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment of such installment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or privilege;

Second, to the payment to the Persons entitled thereto of the unpaid principal of any of the Outstanding Notes which shall have become due (other than District Notes), in the order of their due dates, with interest on such Notes at the rate last borne by the Notes from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full the principal which became due on such Notes 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;

Third, to the payment of the principal of and interest on the District Notes in the same order of priority as specified in the first and second clauses.

(b) If the principal of all the Notes shall have become due or shall have been declared due and payable, all such moneys shall be applied FIRST, to the payment of the principal and the interest then due and unpaid on the Outstanding Notes (other than District Notes), 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 such Note over any other such Note, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege, and SECOND to the payment of the principal of and interest on the District Notes in the same manner as specified in this first clause.

(c) If the principal of all such Notes shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of the Resolution, in the event that the principal of all the Notes shall later become due or be declared due and payable.

Such moneys shall be applied at such times, and from time to time, as the Paying Agent 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 Paying Agent shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable or unless the principal of all of the Notes has been declared immediately due and payable, in which case application shall be made immediately) upon which such application is to be made and upon such date interest on the amount of principal to be paid on such dates shall cease to accrue provided that such amount of principal is in fact paid on such date. The Paying Agent shall give such notice to the Holders of the Notes as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment from such moneys to the Holder of any Notes until such Note shall be presented to the Paying Agent.

Whenever all Notes and the interest thereon have been paid in full and all expenses and charges of the Paying Agent have been paid, any balance remaining in the Note Account shall be disposed of in the manner provided in the Resolution.

Rights and Remedies Vested in Paying Agent.

All rights of action and remedies (including the right to file proofs of claim) hereunder or under any of the Notes may be enforced by the Paying Agent without the possession of any of the Notes or the production thereof in any trial or other proceedings relating thereto and any such suit or proceeding instituted by the Paying Agent shall be brought in its name as Paying Agent without the necessity of joining as plaintiffs or defendants any Holders of the Notes, and any recovery of judgment shall be for the equal benefit of the Holders of the Notes.

Rights and Remedies of Noteholders.

No Holder of any Note shall have any right to institute any suit, action or proceeding in equity or at law for the enforcement of the Resolution, for the execution of any trust or for the appointment of a receiver or to enforce any other right or remedy under the Resolution unless (a) a Default has occurred of which the Paying Agent has been notified as provided in subsection (e) of Section 9.1 of the

Resolution, or of which by said subsection it is deemed to have notice, (b) such Default shall have become an Event of Default and the Holders of more than fifty percent (50%) in aggregate principal amount of Notes then Outstanding shall have made written request to the Paying Agent and shall have offered reasonable opportunity to the Paying Agent either to proceed to exercise the powers in the Resolution before granted or to institute such action, suit or proceeding in its own name, and (c) such Noteholders have offered to the Paying Agent indemnity and the Paying Agent shall thereafter fail or refuse to exercise the powers in the Resolution before granted, or to institute such action, suit or proceeding in its own name. Such notification, request and offer of indemnity are at the option of the Paying Agent to be conditions precedent to the execution of the powers and trusts, and to any action or cause of action for the enforcement of the Resolution, or for the appointment of a receiver or for any other right or remedy under the Resolution; it being understood and intended that no one or more Holders of the Notes shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of the Resolution by its, his or their action or to enforce any right or remedy, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner provided in the Resolution and for the benefit, first, of the Holders of all Notes other than District Notes and, second, of the Holders of District Notes. Nothing in the Resolution shall, however, affect or impair the right of any Noteholder to enforce the payment of the principal and redemption or purchase price of, and interest on, any Note at and after the date such payment is due, or the obligation of the District or the Paying Agent to pay the principal and redemption or purchase price of, and interest on, each of the Notes to the respective Holders thereof at the time, place, from the source and in the manner expressed in the Notes.

Termination of Proceedings.

If the Paying Agent shall have proceeded to enforce any right or remedy hereunder by any action at law or in equity, by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Paying Agent, then and in every such case the District, the Paying Agent and the Noteholders shall be restored to their former positions and rights hereunder, respectively, with respect to the Pledged Property, and all rights, remedies and powers of the Paying Agent and the Noteholders, respectively, shall continue as if no such proceedings had been taken.

Waivers of Events of Default.

(a) The Paying Agent shall waive any Event of Default hereunder and its consequences upon the written request of the Holders of more than fifty percent (50%) in aggregate principal amount of all Notes then Outstanding, provided, however, that except as permitted in subsection (b) below (relating to the rescission and annulment of declarations of acceleration of the Notes), there shall not be waived:

(1) any Event of Default pertaining to the payment of the principal or redemption or purchase price of any Note at its Maturity or Redemption Date; or

(2) any Event of Default pertaining to the payment when due of the interest on any Note unless prior to such waiver, all arrears of interest and all principal or redemption or purchase price payments in respect of which such Event of Default shall have occurred, with interest thereon (to the extent permitted by law) for the period from the occurrence of such Event of Default until paid in full at a rate per annum equal to the interest rate payable on the Notes from time to time during such period in accordance with the terms of the Notes, and all expenses of the Paying Agent in connection with

such Event of Default, shall have been paid or provided for, and in case of any such waiver, or in case any proceeding taken by the Paying Agent on account of any such Event of Default shall have been discontinued or abandoned or for any reason, or shall have been determined adversely to the Paying Agent, then and in every such case the District, the Paying Agent and the Noteholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to or affect any subsequent or other Event of Default, or impair any rights or remedies consequent thereon.

The Paying Agent shall not have any discretion to waive any Event of Default hereunder and its consequences except in the manner and subject to the terms expressed above or in subsection (b) below.

(b) If a declaration of acceleration is made then and in every such case, the Paying Agent shall upon the written request of the Holders of more than fifty percent (50%) in principal amount of such Notes then Outstanding rescind and annul such declaration, and the consequences thereof, provided that at the time such declaration is rescinded and annulled:

(1) no judgment or decree has been entered for the payment of any moneys due pursuant to the Notes;

(2) all arrears of interest on all of the Notes and all other sums payable under the Notes (except as to principal of, and interest on, the Notes which have become due and payable by reason of such declaration) shall have been duly paid; and

(3) each and every Event of Default hereunder shall have been waived pursuant to the preceding paragraph or otherwise made good or cured;

and, provided further, that no such rescission and annulment shall extend to or affect any subsequent or other Event of Default or impair any rights or remedies consequent thereon. The Paying Agent shall not have any discretion to rescind and annul any declaration of acceleration and its consequences except in the manner and subject to the terms expressed in the Resolution.

SUPPLEMENTAL RESOLUTIONS.

Supplemental Resolutions Not Requiring Consent of Noteholders.

The District may adopt, effective upon filing of a copy thereof certified by the District with the Paying Agent and without the consent of, or notice to, any of the Noteholders, one or more supplemental resolutions for any one or more of the following purposes, provided that in the opinion of the District the change effected thereby is not to the prejudice of the interests of the Paying Agent or the Noteholders:

(a) to cure any ambiguity or formal defect or omission in the Resolution or between the terms and provisions of any other instrument or document executed in connection herewith or with the issuance of the Notes;

(b) to grant to or confer upon the Noteholders, the Paying Agent or for the benefit of the Noteholders or the Paying Agent any additional rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Noteholders or the Paying Agent;

(c) to subject to the lien and pledge of the Resolution, additional payments, revenues, properties or collateral including a lien, mortgage or security interest in a Project;

(d) to modify, amend or supplement the Resolution or any supplemental resolution in such manner as to permit the qualification under the Trust Indenture Act of 1939, as amended, or any similar Federal statute hereafter in effect or to permit the qualification of the Notes for sale under the securities laws of any of the states of the United States of America or the Securities Act of 1933, and, if it so determines, to add to any supplemental resolution such other terms, conditions and provisions as may be permitted by the Trust Indenture Act of 1939, as amended, or similar Federal statute;

(e) to evidence the appointment of a Co-Paying Agent or the succession of a new Paying Agent;

(f) to effect any other supplement to the Resolution which, in the judgment of the District, will not adversely affect the interests of the Noteholders; or

(g) to modify or supplement the Resolution in such manner as may be necessary, in the Opinion of Bond Counsel, to comply fully with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the Department of the Treasury or the Internal Revenue Service.

Supplemental Resolutions Requiring Consent of Noteholders.

(a) Exclusive of supplemental resolutions, and not otherwise, the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Notes Outstanding shall have the right, from time to time, to consent to and approve the adoption by the District of such other supplemental resolution or resolutions as shall be deemed necessary and desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Resolution or in any supplemental resolution; provided, however, that nothing in this Section contained shall permit, or be construed as permitting, (1) an extension of the maturity date on which the principal of or the interest on any Note is, or is to become, due and payable, (2) a reduction in the principal amount of any Note, premium, if any, or interest rate on any of the Notes, (3) the creation of a lien ranking prior to or on a parity with the lien of the Resolution on the property conveyed pursuant to the Resolution or the deprivation of such lien, (4) a privilege or priority of any Note or Notes over any other Note or Notes, (5) the elimination of any mandatory redemption or mandatory purchase of Notes, extension of the due date for the purchase of Notes or call for mandatory redemption or the reduction of the purchase price or Redemption Price for the Notes or (6) a reduction in the aggregate principal amount of the Notes required for consent to such supplemental resolution without the consent of all Noteholders.

(b) If the District shall notify in writing the Paying Agent of the desire of the District to adopt any such supplemental resolution for any of the purposes of this Section, the Paying Agent shall, upon being satisfactorily indemnified with respect to expenses, cause written notice of the proposed adoption of such supplemental resolution together with a copy of such proposed supplemental resolution to be given by first class mail, postage prepaid, to the Holders of the Notes at their addresses shown on the Paying Agent's books of registration. If, within 60 days following the mailing of such notice or such longer period as shall be prescribed by the District

and specified in such notice, the Holders of not less than two-thirds (2/3) in aggregate principal amount of the Notes Outstanding shall have consented to and approved the adoption of such supplemental resolution as provided in the Resolution, no Holder of any Note shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the District from adopting the same or the District or the Paying Agent from taking any action pursuant to the provisions thereof. Upon the adoption of any such supplemental resolution as in this section permitted and provided, and effective upon filing of a copy thereof certified by the District with the Paying Agent, and subject to Section 10.4 of the Resolution, the Resolution shall be modified and amended in accordance therewith.

(c) The Resolution may not be amended, changed or modified except by the execution and delivery of a supplemental resolution entered into in accordance with the provisions of Article X of the Resolution.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020**

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APPENDIX C

**PRELIMINARY AND UNAUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2022**

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APPENDIX D
FORM OF BOND COUNSEL OPINION

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October 5, 2022

Louisville and Jefferson County
Metropolitan Sewer
Louisville, Kentucky 40203

The Bank of New York Mellon
Trust Company, N.A., as Registrar and Paying Agent
Pittsburgh, Pennsylvania 15262

Re: \$226,340,000 Louisville and Jefferson County Metropolitan Sewer District
Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2022

Ladies and Gentlemen:

As Bond Counsel, we have examined a copy of the transcript of proceedings relating to the original issuance by the Louisville and Jefferson County Metropolitan Sewer District (the “District”), a public body corporate and political subdivision of the Commonwealth of Kentucky (the “Commonwealth”), of the District’s \$226,340,000 aggregate principal amount of Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2022 (the “Notes”). The proceeds of the Notes will be used to pay and retire the outstanding Sewer and Drainage System Subordinated Bond Anticipation Notes, Series 2021 (the “Series 2021 Notes”) at their maturity. To the extent proceeds of the Notes are received in excess of the amount required to pay the Series 2021 Notes, such additional proceeds will be used to pay the costs of improvements to the District’s sewer and drainage system.

The Notes are being issued pursuant to [i] applicable provisions of Chapters 58, 65 and 76 and Section 56.513 of the Kentucky Revised Statutes, as amended (the “Act”), [ii] the Subordinated Debt Resolution adopted by the Board of the District on April 26, 2010, as amended by a Subordinated Debt Note Sale Resolution adopted on August 22, 2022 (the “Resolution”), and [iii] the Sewer and Drainage System Revenue Bond Resolution adopted by the Board of the District on December 7, 1992, as amended on March 4, 1993, June 30, 1993, December 14, 1994, January 25, 1996, and February 24, 2003 (the “Bond Resolution”). Capitalized terms that are used but not defined herein are defined in the Resolution or the Bond Resolution.

The Notes and the interest thereon do not constitute a general obligation or indebtedness of the District, the Louisville/Jefferson County Metro Government (“Metro Government”), the County of Jefferson, Kentucky (the “County”) or the Commonwealth within the meaning of any applicable debt-limiting provisions of the Constitution and laws of the Commonwealth and are not a charge against the general credit or taxing power of Metro Government, the County, the Commonwealth or any other political subdivision of the Commonwealth.

The Notes are special and limited obligations of the District secured solely by and payable solely from the property and revenue pledged in the Resolution (collectively, the “Pledged Property”). The pledge of the Pledged Property securing the Notes is subordinate, however, to the District’s pledge of its

property and revenue securing the Bonds, as such terms are defined in the Resolution and the Bond Resolution.

In our capacity as Bond Counsel we have examined such documents and matters and conducted such research as we have deemed necessary to enable us to express the opinions set forth below. We have also relied upon an opinion dated as of even date herewith of Jackie Quarles, Esq., Interim General Counsel of the District, with respect to the valid creation, organization and existence of the District and the due adoption by the Board of the District of the Resolution and the Bond Resolution. As to certain questions of fact, we have relied upon statements and certifications of certain of the officers, officials, directors, employees and agents of the District and other public officials.

In rendering our opinions set forth below, we have assumed the authenticity of all documents submitted to us as originals, the legal capacity of natural persons and the conformity to the originals of all documents submitted to us as copies. We have assumed that parties other than the District had the requisite power and authority to enter into and perform all obligations of all documents to which they are parties. We have assumed the due authorization by all requisite action, and the execution and delivery by such other parties of such documents, and the validity and binding effect thereof on such other parties. We have relied for purposes of the opinions set forth below on the representations and warranties made in such documents by all parties thereto.

Based on the foregoing, and in reliance thereon, and on the basis of our examination of such other matters of fact and questions of law as we have deemed relevant in the circumstances, it is our opinion that:

1. The District is a public body corporate and political subdivision of the Commonwealth, validly existing under the provisions of the Constitution and laws of the Commonwealth, including the Act.
2. The Resolution and the Bond Resolution have been duly adopted by the Board of the District and are in full force and effect.
3. The Resolution and the Bond Resolution are the valid and binding special limited obligations of the District enforceable in accordance with their respective terms.
4. The Notes have been duly executed and delivered by the District and are the valid and binding special limited obligations of the District, enforceable in accordance with their terms and entitled to the benefit and security of the Resolution and the Bond Resolution.
5. Under the laws of the Commonwealth as presently enacted and construed, the Notes are exempt from ad valorem taxation, and the interest thereon is exempt from income taxation, by the Commonwealth and all of its political subdivisions and taxing authorities.
6. Based upon existing laws, regulations and judicial decisions, and assuming the correctness and accuracy of certain representations and warranties of the District made in connection with the original issuance of the Notes, interest on the Notes is excluded from gross income for federal income tax purposes, although such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in Section 59(k) of the Internal Revenue Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022.

The opinion set forth in Paragraph 6 above is subject to the condition that the District comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be and remain excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Notes to be included in gross income retroactive to the date of issuance of the Notes. The District has covenanted in the Resolution and the Bond Resolution to comply with such requirements.

The foregoing opinions are qualified to the extent that the enforceability of the Notes, the Resolution and the Bond Resolution, including the rights and remedies thereunder, may be limited by equitable principles and by bankruptcy, insolvency, reorganization, moratorium or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies. We also express no opinion as to the availability of equitable rights or remedies.

We are not expressing an opinion on the investment quality of the Notes. We are members of the Bar of the Commonwealth and do not purport to be experts on the laws of any jurisdiction other than the Commonwealth and the United States of America, and we express no opinion as to the laws of any jurisdiction other than those specified. Our opinion relates solely to the questions set out herein and does not consider other questions of law.

Sincerely,

WYATT, TARRANT & COMBS, LLP

APPENDIX E
BOOK-ENTRY ONLY SYSTEM

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BOOK ENTRY SYSTEM

THE INFORMATION PROVIDED BELOW IN THIS APPENDIX E HAS BEEN PROVIDED BY DTC. NO REPRESENTATION IS MADE BY THE BOARD AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION PROVIDED BY DTC OR AS TO THE ABSENCE OF MATERIAL ADVERSE CHANGES IN SUCH INFORMATION SUBSEQUENT TO THE DATE HEREOF.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Bonds”). The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued in the aggregate principal amount of each maturity of Bonds and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be

requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered to DTC.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX F
CONSULTING ENGINEER'S REPORT

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