

RESOLUTION NO. 2004-044

NOTE RESOLUTION
(General Fund)

A RESOLUTION AUTHORIZING THE ISSUANCE OF A TAX AND REVENUE ANTICIPATION NOTE, SERIES 2004A GLOBAL; APPROVING A FORM OF NOTE; AUTHORIZING DESIGNATED OFFICERS TO EXECUTE AND DELIVER THE NOTE; AUTHORIZING AND DIRECTING THE FILING OF NOTICE WITH THE STATE LOCAL DEBT OFFICER; PROVIDING FOR THE PAYMENT AND SECURITY OF THE NOTE; CREATING A SINKING FUND; MAKING CERTAIN FEDERAL INCOME TAX COVENANTS IN RESPECT OF THE NOTE; ACCEPTING THE PROPOSAL OF THE NOTE PURCHASER HEREINAFTER SET FORTH FOR THE PURCHASE OF THE NOTE; AND REPEALING INCONSISTENT RESOLUTIONS.

WHEREAS, the County of HARDIN, Kentucky, duly organized pursuant to the laws of the Commonwealth of Kentucky and existing as a political subdivision of the Commonwealth of Kentucky (the "Governmental Agency") anticipates the receipt of both current taxes and current revenues during the fiscal year ending June 30, 2005; and

WHEREAS, the Governmental Agency desires to borrow for the purpose of meeting current general fund expenses by issuing a note, to be repaid from those taxes and revenues which are required by law to be deposited in the Governmental Agency's general fund (the "General Fund"), all in accordance with the Short-Term Borrowing Act of Kentucky as codified in §§ 65.7701 to 65.7721 of the Kentucky Revised Statutes (the "Act"); and

WHEREAS, as required by the Act, the Judge/Executive, Fiscal Court Clerk and any designated officer or official of the Governing Body of the Governmental Agency (the "Designated Officers") have, not more than thirty (30) days before this date on which this Note Resolution is being adopted and furthermore hereby confirmed on this date, made an estimate, from taxes now levied and assessed and from other budgeted revenues, of the taxes and revenues to be received and the expenditures to be made under the General Fund during the period when such note will be outstanding and have certified that estimate by a duly executed document, attached hereto as Annex B (the "Certificate as to Collections and Expenditures-General Fund"); and

WHEREAS, Kentucky Association of Counties Advance Revenue Program, a trust organized and existing under the laws of the Commonwealth of Kentucky ("KARP"), has established a program (the "Program") for the purchase of tax and revenue anticipation notes (the "Notes") issued by governmental agencies and to, thereupon, cause the execution and delivery of certificates of participation (the "Certificates") or assignment of the Notes, pursuant to a Trust Agreement dated as of July 1, 2004 (the "Trust Agreement") between KARP and J. P. Morgan Trust Company, N.A., Lexington, Kentucky, (the "Trustee") with respect thereto in order to provide an efficient system of cash flow borrowing for Governmental Agencies in Kentucky, and KARP has submitted an acceptable proposal (the "Proposal") for the purchase of the Notes under the Program;

NOW, THEREFORE, BE IT RESOLVED by the Fiscal Court of the County of HARDIN, Commonwealth of Kentucky, as follows:

Section 1 -- Authorization. The Governmental Agency hereby authorizes the issuance of a note in the aggregate principal amount and with the specific terms (the "Note") set forth in the form of Note attached hereto as Annex A and authorizes participation in the Program, including the execution and delivery of the Certificates or assignment of the Note pursuant to the Trust Agreement. The interest rate on the Note shall, except to the extent a penalty rate may apply (as set forth in the Note) due to a default by the Governmental Agency, be the rate set forth in the Proposal, subject to acceptance thereof by a Designated Officer; provided that such stated interest rate shall not exceed six and one-half percent (6.5%) per annum.

Section 2 -- Form. The Note shall be issued as a fully registered Note, shall be designated "General Fund Tax and Revenue Anticipation Note, Series 2004A" and shall be substantially in the form set forth in Annex A. The Note shall be of a single denomination, which shall be in an integral multiple of \$5.00, in the principal amount of \$ 5,191,400. The Note shall bear interest at the stated interest rate on the principal amount thereof, payable at maturity, except to the extent a penalty rate may apply due to a default by the Governmental Agency.

The Note shall not be subject to redemption prior to maturity, shall be negotiable, shall be dated July 1, 2004, and, subject to the provisions of Section 7 hereof, shall be payable as to principal and interest on June 30, 2005 in such coin or currency of the United States of America as shall be legal tender for the payment of public and private debts at the time and place of payment.

Section 3 -- Execution and Delivery of Notes; Disbursement of Funds. The Note shall be executed by the Judge/Executive and duly attested by the Fiscal Court Clerk. To the extent that any one signature on a Note is manual, the other signature may be facsimile. The Designated Officers are further authorized and directed to deliver the Note to KARP or its assignee, upon the terms and conditions provided herein and in the Proposal, receive the proceeds therefor, execute and deliver such certificates and other closing documents and take such other action as may be necessary or appropriate in order to effectuate the proper issuance, sale and delivery of the Note including, but not limited to, the Certificate as to Collections and Expenditures-General Fund substantially in the form of Annex B hereto (which includes a calculation of the cumulative cash flow deficit of the General Fund calculated in accordance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code") and United States Treasury Department Regulations 1.148-1 *et seq.*), the Settlement and Receipt Certificate substantially in the form of Annex C hereto, the opinion of counsel to the Governmental Agency substantially in the form of Annex D hereto and an IRS Form 8038-G.

Each Governmental Agency participating in the Program is the issuer of its Note which, when combined with the Notes of other Governmental Agencies participating in the Program, may be evidenced by Certificates which represent an interest in the Note of each Governmental Agency such that each Governmental Agency participating in the Program is severally, and not jointly, liable on such Certificates, in the proportion that the face amount of each Governmental Agency's Note bears to the total aggregate face amount of the Notes issued by all Governmental Agencies participating in the Program. The Governmental Agency authorizes and directs the Trustee to prepare and execute the Certificates or assign the Note and to deliver the Certificates or Note upon payment of the purchase price thereof, as contemplated by the Program.

Upon purchase and delivery of the Note there shall be established with the Trustee a disbursement account in the name of the Governmental Agency to be known as General Fund Tax and Revenue Anticipation Note, Series 2004A Disbursement Account (the "Disbursement Account"), which shall be the Disbursement Account required to be established under the Trust Agreement. An amount equal to the principal amount of each Note shall be deposited in the applicable Disbursement Account upon delivery of a Note. The Governmental Agency may withdraw amounts from the Disbursement Account on the date of delivery of a Note and thereafter on the first business day of each month to and including the first business day of January.

Disbursements from the Disbursement Account shall be made upon the written order of an Authorized Officer, subject to any Program limitations regarding withdrawals for purposes of reinvestment. The Governmental Agency may redeposit amounts in a Disbursement Account only to the extent amounts were not previously withdrawn for purposes of reinvestment and otherwise only as permitted by Program limitations and, in any event, only up to an amount that, together with other amounts on deposit in the Disbursement Account (exclusive of any interest earned), does not exceed the original principal amount of its related Note. On January 31, 2005, all amounts in a Disbursement Account required to discharge this Resolution under Section 16 hereof shall be transferred by the Trustee to the related Sinking Fund Account established under Section 7 hereof. Earnings on amounts on deposit in a Disbursement Account which remain therein after discharge of this Resolution shall be payable to the Governmental Agency as provided in the Trust Agreement.

Section 4 -- Payment. Payment of or on account of the interest on and principal of any Note shall be made directly to the Trustee as assignee of KARP under the Trust Agreement. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note to the extent of the sum or sums so paid.

Section 5 -- Filing. KARP is hereby authorized to undertake and complete all filings of notices or information which may be required by law to be filed by the Governmental Agency, including, but not limited to, the filing with the State Local Debt Officer required by the Act.

Section 6 -- Security. As security for payment of the Note, the Governmental Agency pledges and grants to the owner, from time to time, of the Note, a first lien and charge on, and security interest in, all of the current taxes and current revenues to be received during the period that the Note will be outstanding which are required by law to be deposited in the General Fund and all amounts at any time on deposit in the Disbursement Account.

In the event of any default on the Note or hereunder, the Governmental Agency agrees to pay the reasonable expenses of the owner thereof (including court costs and attorney's fees) incurred in collecting the amounts due.

Section 7 -- Sinking Fund; Payment of Note. The Trustee is hereby appointed Sinking Fund Depository with respect to the Note.

There is hereby established with the Trustee a sinking fund in the name of the Governmental Agency to be known as General Fund Tax and Revenue Anticipation Note, Series 2004A Sinking Fund (the "Sinking Fund"), which shall be the Sinking Fund Account required to be established under the Trust Agreement. The Governmental Agency covenants to deposit to the Disbursement Account for transfer to the related Sinking Fund, and the Designated Officer is hereby authorized and directed to deposit, notwithstanding the maturity date of the Note, a Sinking Fund payment on January 31, 2005 in the amount required to discharge this Note Resolution under the provisions of Section 16 hereof, less any amounts transferred to that Sinking Fund from the related Disbursement Account as provided in Section 3 hereof. The Trustee shall, without further authorization from the Governmental Agency, withdraw from the Sinking Fund, at the maturity date of the Note, the amounts necessary to pay principal of, and interest on, the Note to the owners of the same, but only upon surrender of the Note against which payment is to be made.

If the Governmental Agency shall fail or refuse to make any required deposit in the Disbursement Account for transfer to the Sinking Fund, as provided in the preceding paragraph, the Trustee shall (i) notify any agency of the Commonwealth of Kentucky or any political subdivision thereof which may collect and distribute taxes or revenues for the Governmental Agency to seek any available necessary or proper remedial action; and (ii) upon being indemnified against cost and expense, exercise any remedy provided in the Act or at law or in equity for the benefit of the owners of the Certificates evidencing interests in the Note or any assignee of the Note, and shall disburse all funds so collected to the holders of the Certificates or assignee of the Note as provided in the Trust Agreement for payments with respect to the Note.

Section 8 -- Limited Obligation. The Note shall be continually secured by a lien on the General Fund and the right of payment under the Note is limited to the taxes and revenues which are required by law to be deposited in the General Fund. The Governmental Agency hereby covenants with the owners from time to time of the Note that if funds are not available for the full payment of the Note within the fiscal year in which issued, then the Governmental Agency will include the amounts necessary to pay the Note in its budget for the next fiscal year, to the extent then permitted by applicable law.

Section 9 -- Determinations and Covenants. The Governmental Agency hereby covenants with KARP and the Trustee that it will make no use of the proceeds of the Note which, if such use had been reasonably expected on the date of issue of the Note, would have caused the Note to be an "arbitrage bond" within the meaning of § 148 of the Code and the Regulations thereunder and that it will comply with the requirements of the Code and the Regulations throughout the term of the Note. The Governmental Agency further covenants with KARP that it will provide all information that may be required to comply with the requirements of Securities and Exchange Commission Rule 15c2-12.

Section 10 -- Events of Default. Each of the following events is hereby defined as, and is declared to be and to constitute, an "Event of Default" hereunder:

(a) If default shall be made in the due and punctual payment of principal of or any interest on the Note, including failure to make a sinking fund payment under Section 7; or

(b) If the Governmental Agency shall default in the performance of any covenant, agreement or condition on its part to be performed under the Note or this Note Resolution other than a default in payment, and such default shall continue for a period of 30 days.

Section 11 -- Enforcement of Covenants and Conditions. In any case of an Event of Default, the owner of the Note may take such action or actions for the enforcement of its rights, including commencement of an action for mandamus or other appropriate action to require the Governmental Agency to comply with the terms of this Note Resolution.

Section 12 -- Remedies. In any case of an Event of Default, the remedies available hereunder shall be subject to the provisions regarding remedies as are set forth in Article V of the Trust Agreement.

Section 13 -- Award. The Designated Officers are hereby authorized to sell the Note at private sale by negotiation to KARP, at no less than par, in accordance with the Program and the Proposal, acceptance of the Proposal to be evidenced by the execution thereof by a Designated Officer.

Section 14 -- Acknowledgement of Certificates: Registered Owner: Limitation of Liability. In accordance with the Trust Agreement, if Certificates are issued thereunder, the Registered owners of Certificates, or assignees of the Note, for purposes of this Note Resolution, to the extent of their interest, shall be treated as owners of the Note to the extent of the percentage of the principal amount of their Certificate relative to the principal amount of all outstanding Certificates and shall be entitled to all rights and security of the owner of the Note hereunder. The Governmental Agency participating in the Program recognizes the rights of the owners of the Certificates, acting directly or through the Trustee, to enforce the obligations and covenants contained in the Note and this Note Resolution; provided that in no event shall the Governmental Agency be liable for any obligations, covenants or damages except those which arise out of the Notes herein authorized and this Note Resolution, and, in particular, the Governmental Agency shall not be liable for any obligations, liabilities, acts or omissions of KARP or any other Governmental Agency participating in the Program.

Section 15 -- Note Resolution a Contract: Amendment. This Note Resolution shall be a contract with the owner, from time to time, of the Note. This Note Resolution may be amended, without the consent of the owners of the Certificates or assignees of the Note, and the Note, but only for the purpose of (i) adding to the covenants and agreements of the Governmental Agency, additional covenants, or to surrender any right or power therein reserved to the Governmental Agency, (ii) curing any ambiguity, correcting defects, or supplementing any ambiguous provision contained herein, (iii) answering questions arising under this Note Resolution or (iv) for any other purpose which shall not adversely affect the interests of the owners of the Certificates or assignee of the Note.

Section 16 -- Discharge of Resolution. If the Governmental Agency shall pay or cause to be paid, or there shall otherwise be paid, to the owner of the Note the total principal and interest due or to become due thereon through maturity, in the manner stipulated therein and in the Note Resolution, then the pledge of current taxes and current revenues under this Note Resolution, and all covenants, agreements and other obligations of the Governmental Agency hereunder, shall thereupon cease, terminate and become void and be discharged and satisfied. Whenever there shall be paid into the Sinking Fund, the Sinking Fund installment described in Section 7 hereof, on or prior to the date required for such payment the Note shall be deemed no longer outstanding hereunder and the lien created hereby shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 17 -- Severability. If any one or more of the provisions of this Note Resolution should be determined by a court of competent jurisdiction to be contrary to law then such provisions shall be deemed to be severable from all remaining provisions and shall not affect the validity of such other provisions.

Section 18 -- Inconsistent Actions. All prior resolutions or parts thereof inconsistent herewith are hereby repealed.

Section 19 -- Effective Date. This Resolution shall become effective immediately upon adoption, as provided by law.

DULY ADOPTED at, and recorded in the minutes of, a properly constituted meeting of the Governing Body of the Governmental Agency held on the date set forth below.

COUNTY OF MADISON, KENTUCKY

Dated: June 22 2004

Attest: Kenneth J. Tabb
Fiscal Court Clerk

[Signature]
Judge/Executive