

BRACKEN COUNTY WATER DISTRICT
103 WOODWARD AVENUE
P O BOX 201
BROOKSVILLE KY 41004
606-735-3513

August 6, 2007

RECEIVED
AUG 08 2007
PUBLIC SERVICE
COMMISSION

Public Service Commission
P O Box 615
Frankfort KY 40602

RE: Case No. 2007-00301
Bracken County Water District

Dear Ms. O'Donnell,

Enclosed please find a copy of the letter explaining the terms of our loan through the Kentucky Rural Water Finance Corporation. This should satisfy requirement 2 of our order. If you need any additional information let me know.

Sincerely,

Diana Moran

Diana Moran
Office Manager

Enclosures (3)

Morgan Keegan & Company, Inc.
489 East Main Street
Lexington, Kentucky 40507
9/253-9769
TS 800/937-0161
AX 859/232-8259
Members New York Stock Exchange, Inc.

July 24, 2007

Ms. Diana Moran
Bracken County Water District
Post Office Box 201
Brooksville, Kentucky 41004

RECEIVED
7/27/07

RE: Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds, Series 2007 D

Dear Diana:

The purpose of this summary letter is to confirm and itemize the proceeds from the Bracken County Water District's (the "District") \$3,350,000 loan through the Kentucky Rural Water Finance Corporation, and to outline the procedures on how to make future bond payments.

Project and Loan Sizing

This loan was issued to pay the principal and interest due on the District's Series 2006 C and Series 2006 F loans. The component costs funded by the loan are itemized below:

Payment of Series 2006 C & F Loans:	3,235,263.59
Underwriting and Issuance Expenses:	94,006.95
Bond Insurance Expenses:	20,109.85
Less Interest Earned on Series 2006 C & F	(2,630.38)
Rounding Amount (deposited to construction fund):	<u>3,249.99</u>
Loan Amount:	\$3,350,000.00

The transaction will close on July 30th. All funds will be placed in an interest-bearing account in the name of the District which is managed by the program trustee, Regions Bank in Nashville, Tennessee. The Trustee will handle payment of all issuance expenses and the principal and interest payment on the Series 2006 C and Series 2006 F loans. The rounding amount of \$3,249.99 will be added to your construction fund account.

Accessing Funds for Project Costs

To access funds for Project payments, you and your engineer simply complete and fax a payment request form to the Trustee:

Mr. Wally Duke
Regions Bank
315 Deaderick Street, 2nd Floor
Nashville, Tennessee 37237
Phone: 615-770-4359
Fax: 615-770-4350
Email: wallace.duke@regions.com

Another blank copy of this form is enclosed. Draw requests received at Regions Bank by 12:00 p.m. (EST) on each Wednesday will be paid by Friday of the same week. We recommend that you keep copies of all completed request forms for future reference.

Making Loan Payments

A semi-annual payment schedule is enclosed. Regions Bank will automatically withdraw the amount of your sinking fund payment as set forth in your loan agreement (1/12 of principal and 1/6 of interest) ten days prior to the start of each month. The amount listed in the column titled "Total Monthly Sinking Fund Payments" is the amount that will be withdrawn on the 20th of each month for the six-month period listed to the left. Please note that \$23,631.94 will be withdrawn on August 20th from your account for the September 1, 2007 first regular sinking fund payment on your loan. Additionally, \$450 will also be billed annually for each account on December 31st of each year to cover Regions' trustee fee.

Please find a form enclosed that will need to be filled out to allow Regions Bank to automatically debit your account each month for the amount of your sinking fund payment requirement. Please fill out this form and return it to me in the enclosed envelope as soon as possible.

Bookkeeping Requirements

The Sales Resolution and other documents associated with this loan require the District to maintain a local account necessary to manage funds associated with this transaction. A new account does not need to be established, but an account must be designated for the purpose described below:

Debt Service Account

This is a long-term account established to pay principal and interest on the loan for the life of the issue. It is from this account that Regions Bank will automatically withdraw (ACH Debit Direct Payment) your sinking fund payments. Again, this does not need to be a new account, but should be designated as an account for the monthly payments to be withdrawn from. If there are any changes to this account, please inform us as soon as possible so that we can have Regions Bank update the information.

Annual Reports

Under the Assistance Agreement, you have agreed to provide audited financial statements and other financial information as requested within 120 days of the completion of a fiscal year. This information needs to be provided only upon request.

On behalf of the finance team and the Kentucky Rural Water Association, we appreciate your support of the Kentucky Rural Water Finance Corporation's Flexible Term Finance Program. Please feel free to call me with any questions that you have. I can be reached directly at 859-232-8249, and toll-free at 800-937-0160.

Sincerely,


Kristen Millard

Enclosures

cc: Mr. Wally Duke, Regions Bank
Mr. Gary Larimore, Kentucky Rural Water Finance Corporation
Mr. Christian Juckett, Rubin & Hays

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2007 D

Borrower: **Bracken County Water District**
 Closing Date: **07/30/07**

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Trustee Fees	Total	Fiscal Total
07/30/07				450.00	350.00	350.00
01/01/08			74,159.72		74,159.72	
07/01/08	110,000.00	4.175%	73,750.00	450.00	184,200.00	258,359.72
01/01/09			71,453.75		71,453.75	
07/01/09	115,000.00	4.175%	71,453.75	450.00	186,903.75	258,357.50
01/01/10			69,053.13		69,053.13	
07/01/10	120,000.00	4.175%	69,053.13	450.00	189,503.13	258,556.26
01/01/11			66,548.13		66,548.13	
07/01/11	125,000.00	4.175%	66,548.13	450.00	191,998.13	258,546.26
01/01/12			63,938.75		63,938.75	
07/01/12	130,000.00	4.175%	63,938.75	450.00	194,388.75	258,327.50
01/01/13			61,225.00		61,225.00	
07/01/13	135,000.00	4.300%	61,225.00	450.00	196,675.00	257,900.00
01/01/14			58,322.50		58,322.50	
07/01/14	140,000.00	4.300%	58,322.50	450.00	198,772.50	257,095.00
01/01/15			55,312.50		55,312.50	
07/01/15	145,000.00	4.300%	55,312.50	450.00	200,762.50	256,075.00
01/01/16			52,195.00		52,195.00	
07/01/16	150,000.00	4.300%	52,195.00	450.00	202,645.00	254,840.00
01/01/17			48,970.00		48,970.00	
07/01/17	160,000.00	4.300%	48,970.00	450.00	209,420.00	258,390.00
01/01/18			45,530.00		45,530.00	
07/01/18	165,000.00	4.300%	45,530.00	450.00	210,980.00	256,510.00
01/01/19			41,982.50		41,982.50	
07/01/19	170,000.00	4.425%	41,982.50	450.00	212,432.50	254,415.00
01/01/20			38,221.25		38,221.25	
07/01/20	180,000.00	4.425%	38,221.25	450.00	218,671.25	256,892.50
01/01/21			34,238.75		34,238.75	
07/01/21	185,000.00	4.550%	34,238.75	450.00	219,688.75	253,927.50
01/01/22			30,030.00		30,030.00	
07/01/22	195,000.00	4.550%	30,030.00	450.00	225,480.00	255,510.00
01/01/23			25,593.75		25,593.75	
07/01/23	205,000.00	4.550%	25,593.75	450.00	231,043.75	256,637.50
01/01/24			20,930.00		20,930.00	
07/01/24	215,000.00	4.550%	20,930.00	450.00	236,380.00	257,310.00
01/01/25			16,038.75		16,038.75	
07/01/25	225,000.00	4.550%	16,038.75	450.00	241,488.75	257,527.50
01/01/26			10,920.00		10,920.00	
07/01/26	235,000.00	4.550%	10,920.00	450.00	246,370.00	257,290.00
01/01/27			5,573.75		5,573.75	
07/01/27	245,000.00	4.550%	5,573.75		250,573.75	256,147.50
Totals	<u>3,350,000.00</u>		<u>1,780,064.74</u>	<u>9,000.00</u>	<u>5,138,964.74</u>	