

ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
BRACKEN COUNTY WATER DISTRICT

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams, a division of Dinsmore and Shohl, LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and Bracken County Water District (the "Governmental Agency"), dated as of September 1, 2015

- 1. Opinion of Counsel to the Governmental Agency.**
- 2. General Closing Certificate of the Governmental Agency.**
- 3. Assistance Agreement.**
- 4. Resolution of the Governmental Agency authorizing the Assistance Agreement.**
- 5. Extract of Minutes of the Meeting of the Agency adopting Resolution authorizing Assistance Agreement.**
- 6. Extract of Minutes of the Authority authorizing the Assistance Agreement.**
- 7. Commitment Letter, including Credit Analysis.**

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September 23, 2015

Kentucky Infrastructure Authority
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Frankfort, KY 40601

Re: Assistance Agreement by and between Kentucky Infrastructure Authority
and Bracken County Water District dated as of September 1, 2015, B15-002

Dear Ladies and Gentlemen:

The undersigned is an attorney-at-law duly admitted to the practice of law in the Commonwealth of Kentucky (the "Commonwealth") and is special legal counsel to the Bracken County Water District (the "Governmental Agency"). I am familiar with the organization and existence of the Governmental Agency and the applicable laws of the Commonwealth.

Additionally, I am familiar with the infrastructure project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority (the "Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of the Assistance Agreement by and between the Authority and the Governmental Agency, the resolution of the Board of Commissioners of the Governmental Agency authorizing the execution and delivery of said Assistance Agreement and the plans, designs and specifications prepared by the Engineers for the Governmental Agency with respect to the Project.

Based upon my review, I am of the opinion that:

- 1) The Governmental Agency is a duly organized and existing political subdivision and body corporate of the Commonwealth validly existing under the Constitution and statutes of the Commonwealth.
- 2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (a) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (b) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically-granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

6) To the best of my knowledge after due inquiry there is no action, suit, proceeding or investigation at law or in equity before any court, public board or body, pending or threatened, (a) that would have a material adverse effect on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement or (b) affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor, (iv) the construction of the Project, or (v) the validity or enforceability of the Service Charges.

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,

STOLL KEENON OGDEN PLLC



Gerald E. Wuetcher

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Bracken County Water District (the "Governmental Agency")

GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY

In connection with the above-captioned Assistance Agreement (the "Assistance Agreement"), the Governmental Agency, through its undersigned duly authorized officer hereby certifies, represents, warrants and covenants as follows:

1. No event of default exists, or with the passage of time will exist, under the Assistance Agreement and the representations and warranties set forth in the Assistance Agreement are true and correct as of the date hereof.

2. The Governmental Agency has examined and is familiar with proceedings of the governing body of the Governmental Agency approving the Assistance Agreement and authorizing its negotiation, execution and delivery and such proceedings were duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such proceedings are in full force and effect and have not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

3. The Governmental Agency is a duly organized and validly existing political subdivision of the Commonwealth of Kentucky with full power to own its properties, conduct its affairs, enter into the Assistance Agreement and consummate the transactions contemplated thereby.

4. The negotiation, execution and delivery of the Assistance Agreement by the Governmental Agency and the consummation of the transactions contemplated thereby by the Governmental Agency have been duly authorized by all requisite action of the governing body of the Governmental Agency.

5. The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

6. There is no controversy or litigation of any nature pending, or to the knowledge of the Governmental Agency after diligent inquiry, threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under the Assistance Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of the Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of the Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of the

Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with the Assistance Agreement.

7. The authorization and delivery of the Assistance Agreement and the consummation of the transactions contemplated thereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

8. All actions taken by the Governmental Agency in connection with the Assistance Agreement and the loan described therein and the Project, as defined in the Assistance Agreement, have been in full compliance with the provisions of the Kentucky Open Meetings Law, KRS 61.805 to 61.850.

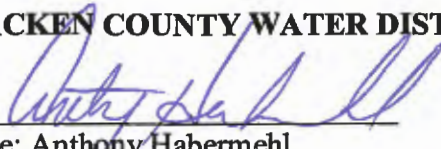
9. The Governmental Agency has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project and to enter into the Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Governmental Agency Project, and has full right, power and authority to perform the acts and things as provided for in the Assistance Agreement.

10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Governmental Agency indicated after their respective names and the signatures subscribed above their names are their genuine signatures.

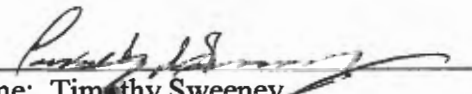
WITNESS our signatures, this 1 day of September, 2015.

GOVERNMENTAL AGENCY:

BRACKEN COUNTY WATER DISTRICT

By: 
Name: Anthony Habermehl
Title: Chairman

ATTEST:

By: 
Name: Timothy Sweeney
Title: Secretary

9874239v1

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND B

PROJECT NUMBER	B15-002
BORROWER:	Bracken County Water District
BORROWER'S ADDRESS	PO Box 201 Brooksville, Kentucky 41004
DATE OF ASSISTANCE AGREEMENT:	September 1, 2015

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Assistance Agreement") by and between the KENTUCKY INFRASTRUCTURE AUTHORITY, a body corporate and politic, constituting a public corporation and governmental agency and instrumentality of the Commonwealth of the Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Assistance Agreement (the "Governmental Agency"):

WITNESSETH

WHEREAS, the General Assembly of the Commonwealth of Kentucky, being the duly and legally constituted legislature of Kentucky at its 1988 Regular Session, enacted House Bill 217 amending Chapter 224A of the Kentucky Revised Statutes (the "Act"), creating the "Kentucky Infrastructure Authority" to serve the public purposes identified in the Act; and

WHEREAS, the Authority has established its Program as hereinafter defined, for the purpose of providing financial assistance to Governmental Agencies, as defined in the Act, in connection with the acquisition and construction of Projects, as defined in the Act, in order to preserve, protect, upgrade, conserve, develop, utilize and manage the resources of the Commonwealth of Kentucky (the "Commonwealth") for the protection and preservation of the health, safety, convenience, and welfare of the Commonwealth and its citizens, and in that respect to assist and cooperate with Governmental Agencies in achieving such purposes; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of September 1, 1989 (the "Indenture") between the Authority and U.S. Bank National Association (successor in interest to F/K/A First Kentucky Trust Company) (the "Trustee") in order to provide funding for its Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to acquire, construct, and finance the Project, as hereinafter defined, and the Authority has determined that the Project is a Project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Authority; and

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the purpose of securing from the Authority the repayable Loan hereinafter identified; and

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained to levy, collect, and enforce and remit adequate Service Charges, as hereinafter defined, for the services provided by the Governmental Agency's System, as hereinafter defined, and to apply the necessary portion of said Service Charges to the repayment of the Loan and the interest thereon, as hereinafter specifically provided; and

WHEREAS, the Authority and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the acquisition, construction, and financing of the Project and the repayment of the Loan and the interest thereon;

NOW, THEREFORE, FOR AN IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

DEFINITIONS

All of the terms utilized in this Assistance Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Assistance Agreement by reference, the same as if set forth hereby verbatim; provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Agency and its Project.

"Act" shall mean Chapter 224A of the Kentucky Revised Statutes, as amended.

"Administrative Fee" means the charge of the Authority for the servicing of the Loan, which is the annual percentage charged against the unpaid principal balance of the Loan as identified in the Project Specifics.

"Assistance Agreement" shall mean this agreement made and entered into by and between a Governmental Agency and the Authority, as authorized by the Act, providing for a Loan to the Governmental Agency by the Authority, and for the repayment thereof to the Authority by the Governmental Agency.

"Authority" shall mean the Kentucky Infrastructure Authority created by the Act, a body corporate and politic, constituting a public corporation and a governmental agency and instrumentality of the Commonwealth of Kentucky, or such other designation as may be effected by future amendments to the Act.

"Bond" or "Bonds" or "Revenue Bonds" shall mean any Kentucky Infrastructure Authority Bond or Bonds, or the issue of such Bonds, as the case may be, authenticated and delivered under the Indenture.

"Business Day" shall mean any day other than a Saturday, Sunday or other legal holiday on which the general offices of the Commonwealth are closed.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and shall include the Regulations of the United States Department of the Treasury promulgated thereunder.

"Commonwealth" shall mean the Commonwealth of Kentucky.

"Construction" shall mean construction as defined in the Act.

"Debt Obligations" shall mean those outstanding obligations of the Governmental Agency identified in the Project Specifics outstanding as of the date of this Assistance Agreement or issued in the future in accordance with the terms hereof, payable from the revenues of the Project.

"Engineers" means the firm of consulting engineers employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"Governmental Agency" shall mean any agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate a Project, including specifically but not by way of limitation, incorporated cities, counties, sanitation districts, water districts, public authorities, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any other agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of the Commonwealth having and possessing such described powers; and for the purposes of this Assistance Agreement shall mean the Governmental Agency identified in the Project Specifics.

"Indenture" shall mean the General Trust Indenture dated as of September 1, 1989 between the Authority and the Trustee.

"Loan" shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency in the principal amount set forth in the Project Specifics, for the purpose of defraying the costs incidental to the Construction of the Project.

"Loan Rate" means the rate of interest identified in the Schedule of Payments.

"Person" shall mean any individual, firm, partnership, association, corporation or Governmental Agency.

"Program" shall mean the program authorized by KRS 224A.112 and the Indenture as the "infrastructure revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"Project" shall mean, when used generally, an infrastructure project as defined in the Act, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

"Project Specifics" means those specific details of the Project identified in Exhibit A hereto, all of which are incorporated by reference in this Assistance Agreement.

"Requisition for Funds" means the form attached hereto as Exhibit B to be utilized by the Governmental Agency in obtaining disbursements of the Loan from the Authority as construction of the Project progresses.

"Schedule of Payments" means the principal and interest requirements of the Loan as set forth in Exhibit F hereto, to be established and agreed to upon or prior to the completion of the Project.

"Schedule of Service Charges" shall mean those revenues identified in Exhibit C from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority prior to the disbursement of any portion of the Loan hereunder.

"Service Charges" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by

the Authority, in respect of the Project which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charge shall be no less than those set forth in the Schedule of Service Charges.

"System" shall mean the utility system of which the Project shall become a part.

[End of Article I]

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Authority. The Authority represents and warrants for the benefit of the Governmental Agency as follows:

(A) The Authority is a body corporate and politic constituting a governmental agency and instrumentality of the Commonwealth, has all necessary power and Authority to enter into, and perform its obligations under, this Assistance Agreement, and has duly authorized the execution and delivery of this Assistance Agreement.

(B) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Authority is now a party or by which the Authority is bound, or constitutes a default under any of the foregoing.

(C) To the knowledge of the Authority, there is no litigation or proceeding pending or threatened against the Authority or any other person affecting the right of the Authority to execute or deliver this Assistance Agreement or to comply with its obligations under this Assistance Agreement. Neither the execution and delivery of this Assistance Agreement by the Authority, nor compliance by the Authority with its obligations under this Assistance Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(D) The authorization, execution and delivery of this Assistance Agreement and all actions of the Authority with respect thereto, are in compliance with the Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of the Governmental Agency. The Governmental Agency hereby represents and warrants for the benefit of the Authority as follows:

(A) The Governmental Agency is a duly organized and validly existing Governmental Agency, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Assistance Agreement and consummate the transactions contemplated hereby.

(B) The negotiation, execution and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Agency.

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(D) There is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the

authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

(E) The authorization and delivery of this Assistance Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Agency or its governing body.

(F) Attached hereto as Exhibit D is a true, accurate and complete copy of the resolution or ordinance of the governing body of the Governmental Agency approving and authorizing the execution and delivery of this Assistance Agreement. Such resolution or ordinance was duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such resolution or ordinance is in full force and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(G) All actions taken by the Governmental Agency in connection with this Assistance Agreement and the Loan described herein and the Project have been in full compliance with the provisions of the Kentucky Open Meeting Law, KRS 61.805 to 61.850.

(H) The Governmental Agency has all licenses, permits and other governmental approvals (including but not limited to all required approvals of the Kentucky Public Service Commission) required to own, occupy, operate and maintain the Project, to charge and collect the Service Charges and to enter into this Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Project, and has full right, power and authority to perform the acts and things as provided for in this Assistance Agreement.

(I) Legal counsel to the Governmental Agency has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit E hereto.

[End of Article II]

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Authority has determined that the Governmental Agency's Project is a Project under the Act and the Governmental Agency is entitled to financial assistance from the Authority in connection with financing the Construction of the Project.

Section 3.2. Principal Amount of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be the Loan Amount as identified in the Project Specifics, subject to such adjustments as may be set forth in the Schedule of Payments. Principal payments shall be made semiannually in the amounts and on the dates to be established by the Schedule of Payments, which Schedule of Payments shall provide for approximately level debt service payments over the Repayment Term set forth in the Project Specifics, commencing with the Amortization Commencement Date set forth in the Project Specifics.

The Loan shall bear interest, payable on the Interest Payment Dates set forth in the Project Specifics, at the Loan Rate identified in the Project Specifics, and after the Amortization Commencement Date, in the amounts (based on such Loan Rate) and on the dates set forth in the Schedule of Payments; provided that, should an Event of Default occur, such payments of interest shall be made on the first day of each month during the continuation of such Event of Default.

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; subject to the requirements set forth in Article IV hereof.

Payments of principal and interest on the Loan shall be made at the principal office of the Authority or the Trustee, as designated by the Authority.

Section 3.3. Governmental Agency's Right to Repay Loan. The Governmental Agency shall have the right to prepay and retire the entire amount of the Loan at any time without penalty upon written notice to the Authority no less than five (5) Business Days in advance of said prepayment.

Notwithstanding the foregoing, upon the determination by the Authority that it intends to issue revenue bonds secured by a pledge of the payments on the Loan, the Authority shall advise the Governmental Agency (i) of its intention to proceed with the authorization of such bonds (ii) of the limitation on prepayments after such bonds are issued and (iii) that the Governmental Agency has thirty (30) days from its receipt of said notice to exercise its option to prepay the Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Loan shall be limited to the terms described in such notice.

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable

from the revenues of the Project outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

[End of Article III]

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Covenants of Governmental Agency and Conditions of Loan. By the execution of this Assistance Agreement, the Governmental Agency agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Agency shall supply the Authority, if requested, appropriate documentation, satisfactory to the Authority, in its sole discretion, indicating the following:

(A) That the Authority and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Agency, to enter upon the Project and to examine and inspect same.

(B) All real estate and interest in real estate and all personal property constituting the Project and the Project sites heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System.

(C) In the event the Governmental Agency is required to provide financing for the Project from sources other than the Authority (as described in the Project Specifics) the Authority shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Agency to finance the costs of Construction of the Project over and above the Loan, prior to the disbursement by the Authority of any portion of the Loan.

(D) The Governmental Agency shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Agency by the Engineers.

(E) Actual construction and installation incident to the Project shall be performed by either the lump-sum (fixed price) or unit price contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Kentucky law.

(F) Unless construction of the Project has already been initiated as of the date of this Assistance Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Agency and furnished to the Authority.

(G) Duly authorized representatives of the Authority and such other agencies of the Commonwealth as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Agency will assure that the contractor or contractors will provide facilities for such access and inspection.

(H) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(I) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Assistance Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(J) Prior to the award of the construction contract and prior to the commencement of construction, the Governmental Agency will arrange and conduct a conference as to the Project said conference to include representatives of the Authority, the Governmental Agency, and any other participating federal or state agency, the Engineers, and all construction contractors. A written brief of said conference summarizing the construction schedule, fund requirements schedule, payment authorizations, responsible parties for approval of all facets of the construction work and payment therefor, and other pertinent matters shall be prepared and distributed to each agency involved, and all construction contractors and Engineers. Provided, however, that in the event construction shall have been initiated as of the date of this Assistance Agreement, this provision may be waived.

(K) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Agency may be readily itemized.

(L) Any change or changes in a construction contract will be promptly submitted to the Authority and any state or federal agencies.

(M) The Construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers to the Governmental Agency and approved by state and federal agencies, but only to the extent such approvals may be required.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority noting the participation of the Authority in the financing of the Project.

(P) Except as otherwise provided in this Assistance Agreement, the Governmental Agency shall have the sole and exclusive charge of all details of the Construction.

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority, acting by and through its duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state grants.

(R) The Governmental Agency shall require that any bid for any portion of the Construction of the Project be accompanied by a bid bond, certified check or other negotiable instrument payable to the Governmental Agency, as assurance that the bidder will, upon acceptance of such bid, execute the necessary contractual documents within the required time.

(S) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and payment bond in an amount at least equal to one hundred percent (100%) of the contract price or the portion of the Project covered by the particular contract as security for the faithful performance of such contract.

(T) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor, shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(U) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the Authority, any involved state or federal agencies, and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

(V) The Governmental Agency shall demonstrate to the satisfaction of the Authority the legal capability of the Governmental Agency to enact, adopt, levy, charge, collect, enforce and remit to the Authority the Service Charges of the Governmental Agency described in the Schedule of Service Charges attached to and made a part of this Assistance Agreement as Exhibit C and submit proof satisfactory to the Authority that the Service Charges are in full force and effect as of the submission of the initial Requisition for Funds.

Section 4.2. Disbursements of Loan; Requisition for Funds. The Governmental Agency may submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) a Requisition for Funds during the first ten days of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance

Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the Project to be obligated by contract or otherwise during the month in question, or already obligated and not included in any previous accounting;

(B) A full and complete accounting of any costs of the Project paid by the Governmental Agency from its own funds with the approval of the Authority and not included in any previous accounting for which it seeks reimbursement;

(C) A full and complete accounting of any costs of the Project paid or requisitioned under any other financing, loan, bond, grant or similar agreement or paid from its own funds for which it does not seek reimbursement and which have not been identified in any previous requisition form.

(D) The contractor's estimate of work performed during the preceding month pursuant to construction contracts for the Project and payment thereunder due, together with the Engineer's and Governmental Agency's approval thereof for payment by the Authority directly to the contractor.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, the Authority may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan.

[End of Article IV]

ARTICLE V

CERTAIN COVENANTS OF THE GOVERNMENTAL AGENCY; PAYMENTS TO BE MADE BY GOVERNMENTAL AGENCY TO THE AUTHORITY

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose the Service Charges set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the per annum rate equal to the Default Rate set forth in the Project Specifics, from the date of the default until the date of the payment thereof.

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments.

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to make the payments at the times and in the amounts set forth in the Schedule of Payments, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". On or before each payment date identified in the Schedule of Payments,

the Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to ten percent (10%) of the amount of such Loan payment until the amount on deposit in such fund is equal to five percent (5%) of the original principal amount of the Loan (the "Required Balance"). Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the costs of replacing worn or obsolete portions of the Project. If amounts are withdrawn from such fund, the Governmental Agency shall again make the periodic deposits hereinabove required until the Required Balance is reinstated.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspection. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

(A) That, as aforesaid, it will at all times impose, prescribed, charge and collect the Service Charges set forth in Exhibit C hereto as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement.

(B) That it will furnish to the Authority not less than annually reports of the operations and income and revenues of the Project, and will permit authorized agents of the Authority to inspect all records, accounts and data of the Project at all reasonable times.

(C) That it will collect, account for and promptly remit to the Authority those specific revenues, funds, income and proceeds derived from Service Charges incident to this Assistance Agreement.

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the Project not less than thirty (30) days prior to the sale of said obligations.

Section 5.7. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

Section 5.8. Mandatory Sewer Connection. In the event that the Project consists of sanitary sewer facilities, the Governmental Agency hereby irrevocably covenants and agrees with the Authority that it will, to the maximum extent permitted by Kentucky law, and by means of ordinance, or other appropriate legislative order or action, mandatorily require the connection to and use of, the sanitary sewers constituting the Project by all persons owning, renting or occupying premises generating pollutants where such sanitary sewers are reasonably available to such premises, and to exhaust, at the expense of the Governmental Agency, all remedies for the collection of Service Charges, including, either directly or indirectly, pursuant to authority granted by Sections 96.930 to 96.943, inclusive, of the Kentucky Revised Statutes, and the Act, causing termination of water services to any premises where the bill for sewer services is delinquent and foreclosure and decretal sale in respect of improvement benefit assessments which are delinquent.

Section 5.9. Termination of Water Services to Delinquent Users. In the event the Project consists of water facilities the Governmental Agency covenants and agrees that it shall, pursuant to applicable provisions of law, to the maximum extent authorized by law, enforce and collect

the Service Charges imposed, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

[End of Article V]

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

Section 6.1. Further Assurance. At any time and all times the Governmental Agency shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Agency may hereafter become bound to pledge or assign.

Section 6.2. Completion of Project. The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the plans, designs and specifications prepared by the Engineers for the Governmental Agency.

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, except for amounts retained by the Authority for costs of the Project not then due and payable, (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

Section 6.4. Commitment to Operate. The Governmental Agency hereby covenants and agrees to commence operation of the Project immediately on completion of construction and not to discontinue operations or dispose of such Project without the approval of the Authority.

Section 6.5. Continue to Operate. The Governmental Agency hereby covenants and agrees to continuously operate and maintain the Project in accordance with applicable provisions of federal and state law and to maintain adequate records relating to said operation; said records to be made available to the Authority upon its request at all reasonable times.

Section 6.6. Tax Covenant. In the event the Authority issues Bonds which are intended to be excludable from gross income for federal income tax purposes to provide the funds for the Loan, the Governmental Agency shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure such exclusion and shall take such actions as may be directed by the Authority in order to accomplish the foregoing. The Governmental Agency shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the System or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Authority. The Governmental Agency will not acquire or pledge any obligations which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code.

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries

shall be made of all its transactions relating to the System, which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principals on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

Section 6.9. General Compliance With All Duties. The Governmental Agency shall faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of the this Assistance Agreement and any other Debt Obligations.

Section 6.10. Project Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities constituting the Project or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 6.11. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

[End of Article VI]

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain Project. The Governmental Agency agrees that during the entire term of this Assistance Agreement, it will keep the Project, including all appurtenances thereto, and the equipment and machinery therein, in good and sound repair and good operating condition at its own cost so that the completed Project will continue to provide the services for which it is designed.

Section 7.2. Additions and Improvements. The Governmental Agency shall have the privilege of making additions, modifications and improvements to the sites of the Project, and to the Project itself from time to time provided that said additions, modifications and improvements do not impair the operation or objectives of the Project. The Cost of such additions, modifications and improvements shall be paid by the Governmental Agency, and the same shall be the property of the Governmental Agency and shall be included under the terms of this Assistance Agreement as part of the site of the Project, or the Project, as the case may be. Nothing herein contained shall be construed as precluding the Authority and the Governmental Agency from entering into one or more supplementary Assistance Agreements providing for an additional Loan or Loans in respect of additional Projects undertaken by the Governmental Agency.

Section 7.3. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.4. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.5. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.6. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

Section 7.7. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.8. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.9. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement, and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.10. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

(A) The restoration of the improvements located on the Project sites to substantially the same condition as prior to the exercise of said power of eminent domain; or

(B) The acquisition of additional property, if necessary, and the acquisition of additional facilities by construction or otherwise, equivalent to the Project facilities, which property and facilities shall be deemed to be a part of the Project sites and a part of the Project facilities and to be substituted for Project facilities so taken by eminent domain, without the payment of any amount other than herein provided, to the same extent as if such property and facilities were specifically described herein.

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.10, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

[End of Article VII]

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

Section 8.1. Events of Default Defined. The following will be "Events of Default" under this Assistance Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Assistance Agreement, any one or more of the following events:

(A) Failure by the Governmental Agency to pay any payments at the times specified herein.

(B) Failure by the Governmental Agency to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (A) of this Section, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Agency by the Authority unless the Authority agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Agency within the applicable period and diligently pursued until such failure is corrected.

(C) The dissolution or liquidation of the Governmental Agency, or the voluntary initiation by the Governmental Agency of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Agency of any such proceeding which will remain undismissed for sixty (60) days, or the entry by the Governmental Agency into an agreement of composition with creditors or the failure generally by the Governmental Agency to pay its debts as they become due.

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing, the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

(A) Declare all payments due hereunder, as set forth in the Schedule of Payments to be immediately due and payable.

(B) Exercise all the rights and remedies of the Authority set forth in the Act.

(C) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights under this Assistance Agreement.

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer;

provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 8.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 8.5. Consent to Powers of Authority Under Act. The Governmental Agency hereby acknowledges to the Authority its understanding of the provisions of the Act, vesting in the Authority certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Agency hereby covenants and agrees that if the Authority should in the future have recourse to said rights and powers, the Governmental Agency shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Assistance Agreement.

Section 8.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the nondefaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

[End of Article VIII]

ARTICLE IX

MISCELLANEOUS PROVISIONS

Section 9.1. Approval not to be Unreasonably Withheld. Any approval of the Authority required by this Assistance Agreement shall not be unreasonably withheld and shall be deemed to have been given on the thirtieth (30th) day following the submission of any matter requiring approval to the Authority, unless disapproved in writing prior to such thirtieth (30th) day. Any provision of this Assistance Agreement requiring the approval of the Authority or the satisfaction or the evidence of satisfaction of the Authority shall be interpreted as requiring action by an authorized officer of the Authority granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise.

Section 9.2. Approval. This Agreement is made subject to, and conditioned upon, the approval of this Assistance Agreement by the Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue to full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, nor assignable by either parties without the written consent of the other party.

Section 9.5. Severability. In the event that any provision of this Assistance Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 9.6. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Section 9.7. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.


Section 9.8. Venue. The parties hereto agree that in the event of a default by the Governmental Agency pursuant to the provisions of Article 8 of this Agreement, the Authority shall, to the extent permitted under the laws of the Commonwealth, have the right to file any necessary actions with respect thereto in Franklin Circuit Court.

Section 9.9. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Assistance Agreement.


[End of Article IX]

IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.


ATTEST:


Title: Secretary

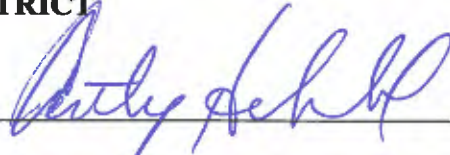
**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: 
Title: Assistant Executive Director


ATTEST:

By: 
Title: Secretary

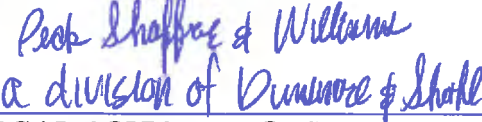
**GOVERNMENTAL AGENCY:
BRACKEN COUNTY WATER
DISTRICT**

By: 
Title: Chairman

APPROVED:


SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:


LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

APPROVED AS TO FORM AND LEGALITY

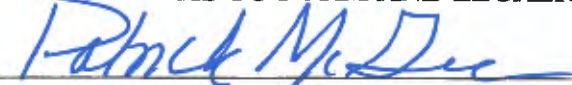

APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
BRACKEN COUNTY WATER DISTRICT
PROJECT SPECIFICS
B15-002

GOVERNMENTAL AGENCY:

Name: Bracken County Water District
PO Box 201
Brooksville, KY 41004

Contact

Person: Anthony Habermehl
Chairman

SYSTEM: Infrastructure

PROJECT:

This project will replace 8,500 feet of asbestos cement lines that were installed in the 1960's with PVC lines. Additionally, a master meter valve pit will be replaced and five flush hydrants will be installed throughout the system.

use this section for the original wording if there is an increase request. The increase section should be in the block above.

PROJECT BUDGET:

	<u>Total</u>
Administrative Expenses	\$ 15,000
Legal Expenses	5,000
Land, Easements	5,000
Relocation Expense & Payments	0
Planning	5,000
Engineering Fees - Design / Const	29,000
Engineering Fees - Inspection	24,000
Engineering Fees - Other	0
Construction	250,000
Equipment	0
Contingency	25,000
Other	0
Total	\$ 358,000

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 358,000	100%
Local Funds	0	0%
Funding Source 2	0	0%

Funding Source 3	0	0%
Funding Source 4	0	0%
Funding Source 5	0	0%
Funding Source 6	0	0%
Funding Source 7	0	0%
Total	\$ 358,000	100%

KIA DEBT SERVICE:

Construction Loan	\$	358,000
Less: Principal Forgiveness (0%)		0
Amortized Loan Amount	\$	358,000
Interest Rate		1.75%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	21,292
Administrative Fee (0.20%)		716
Total Estimated Annual Debt Service	\$	22,008

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/01/15).

Full principal and interest payments will commence within one year of initiation of operation (estimated 06/01/16).

REPLACEMENT RESERVE ACCOUNT:	\$	900	ANNUAL AMOUNT
	\$	9,000	TOTAL AMOUNT

The annual replacement cost is \$0,900. This amount should be added to the replacement account each December 1 until the balance reaches \$9,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.20%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>	<u>Maturity</u>
KIA (F02-10)	\$ 577,624	2024
RD (2004)	888,000	2044
Series 2007D (KRWFC)	2,615,000	2028
KIA (B10-10)	89,669	2032
KIA (C11-01)	621,000	2033
Total	\$ 4,791,293	

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	<u>3,000,000</u>
Death or Personal Injury (per occurrence)	<u>3,000,000</u>
Property Damage on System	<u>3,000,000</u>

**EXHIBIT B
REQUEST FOR PAYMENT AND PROJECT STATUS REPORT**

Borrower: _____

WX/SX Number: _____
Draw Number _____

KIA Loan # _____
Date: _____

The above identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Infrastructure Authority (the "Authority") for the acquisition and construction of facilities described in the Assistance Agreement as the "Project."

Pursuant to the Assistance Agreement, we hereby certify that we have incurred the following expenses in connection with the Project and that the Authority's funding share of these expenses is in the amount so denoted in this request.

Documentation supporting the expenses incurred and identified per this request are attached.

Funds Requested: _____

Project Budget and Expenses

Line Item	Cost	<u>Expenses This Request</u>	<u>Expenses to Date</u>	<u>Project Budget</u>	<u>Balance</u>
1	Administrative				
2	Legal				
3	Land, Appraisals, Easements				
4	Relocation Expense				
5	Planning				
6	Engineering Fees – Design				
7	Engineering Fees - Construction				
8	Engineering Fees – Inspection				
9	Construction				
10	Equipment				
11	Contingency				
12	Other				
	TOTAL				

If expenses to date exceed project budget a revised budget must be submitted to and approved by the Authority before funds will be released.

Project Funding

Funding Agency	<u>Expenses This Request</u>	<u>Expenses to Date</u>	<u>Project Budget</u>	<u>Balance</u>
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
	TOTAL			

We certify that the expenses in this draw request were incurred pursuant to local procurement polices which conform to KRS 45A.

Borrower Signature: _____

Project Administrator: _____

Draw # _____

STATUS REPORT:

PROJECT IS:	On schedule	_____
	Ahead of schedule	_____
	Behind schedule	_____
	If ahead or behind, please explain	_____

PROJECT EXPENSES THIS DRAW REQUEST
(Include Invoices for Expenses Listed Below)

Line Item	Draw #	Vender	Amount
------------------	---------------	---------------	---------------

**Certificate of Consulting Engineers as to
Payment Request**

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request in connection with the "Eligible Project" and that all expenses represented in this request were duly incurred for the Construction of the "Project," that the Authority's funding share of these expenses is accurately represented and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Consultant

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached Rate Schedule

FOR BRACKEN COUNTY WATER DIST

PSC KY NO. 1

28th Revised SHEET NO. 2

BRACKEN COUNTY WATER DISTRICT DIV I & II
(NAME OF UTILITY)

CANCELLING PSC KY NO. 2

27th Revised SHEET NO. 2

RESIDENTIAL, COMMERCIAL AND INDUSTRIAL
(Applicable to all of Bracken County except Augusta and Brooksville)

GALLONAGE BLOCK

First 2,000 gallons and minimum bill	\$25.79	(I)
Next 38,000 gallons	\$ 9.84/1000 gal	↓
Over 40,000 gallons	\$ 7.81/1000 gal	

(Multiple users are billed a minimum of \$25.79 per unit.)

Sales and Utility Tax where applicable.

CONNECTION FEE: \$750.00 on standard meter.

WHOLESALE DIVISION 1 (Applicable to City of Brooksville, and East Pendleton Co Water)

<u>GALLONAGE BLOCK</u>	\$3.74/1000 gal	(I)
------------------------	-----------------	-----

BULK SALES: Loading Station Division 1 \$8.75/1000 gal

FIELD CHARGE \$40.00

DATE OF ISSUE February 26, 2014
MONTH / DATE / YEAR

DATE EFFECTIVE February 26, 2014
MONTH / DATE / YEAR

ISSUED BY /s/ Diana Moran
SIGNATURE OF OFFICER

TITLE Office Manager

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2014-00037 DATED March 5, 2014


KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH 
EFFECTIVE 2/26/2014 PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

EXHIBIT D

RESOLUTION

RESOLUTION OF THE BRACKEN COUNTY WATER DISTRICT
APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT
BETWEEN THE BRACKEN COUNTY WATER DISTRICT AND THE
KENTUCKY INFRASTRUCTURE AUTHORITY

WHEREAS, the Board of Commissioners, ("governing authority") of the Bracken County Water District, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water facilities and improvements to the Water System being maintained and operated by the Governmental Agency (the "Project"); and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an Assistance Agreement with the Authority;

NOW, THEREFORE, BE IT RESOLVED by the Bracken County Water District, as follows:

SECTION 1. That the governing authority hereby approves and authorizes of the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the Project.

SECTION 2. That any officer of the Governmental Agency be and hereby is authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

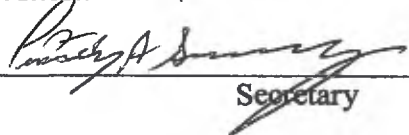
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on Sept 1, 2015



Chairman

Attest:



Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Bracken County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said Agency at a meeting duly held on September 1, 2015; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 1 day of Sept., 2015.


Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and the Bracken County Water District, dated as of September 1, 2015

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Bracken County Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the infrastructure project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement and the plans, designs and specifications prepared by the Engineers for the Governmental Agency with respect to the Project.

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

4) The Service Charges, as defined in the Assistance Agreement, are in full force and effect and have been duly and lawfully adopted by the Governmental Agency.

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefor, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.

7) None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.

8) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
THE BRACKEN COUNTY WATER DISTRICT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

Total Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority \$ _____

Principal and Interest Payable
on Each _____ and

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

9874207v1

RESOLUTION

RESOLUTION OF THE BRACKEN COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE BRACKEN COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners, ("governing authority") of the Bracken County Water District, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water facilities and improvements to the Water System being maintained and operated by the Governmental Agency (the "Project"); and

WHEREAS, the Governmental Agency has made application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an Assistance Agreement with the Authority;

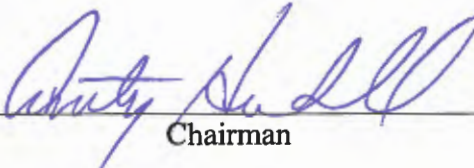
NOW, THEREFORE, BE IT RESOLVED by the Bracken County Water District, as follows:

SECTION 1. That the governing authority hereby approves and authorizes of the Assistance Agreement between the Governmental Agency and the Authority substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the Project.

SECTION 2. That any officer of the Governmental Agency be and hereby is authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on September 1, 2015.


Chairman

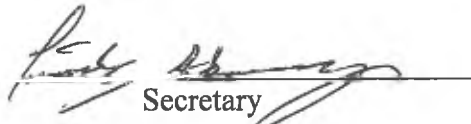
Attest:


Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Bracken County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said Agency at a meeting duly held on September 1, 2015; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 1 day of September, 2015.


Secretary

9874263v1

**BRACKEN COUNTY WATER DISTRICT
SPECIAL MEETING
SEPTEMBER 1, 2015**

COMMISSIONER'S PRESENT

**ANTHONY HABERMEHL
DALE APPELMAN
EDDIE KERN
TIMOTHY SWEENEY**

BRACKEN COUNTY WATER DISTRICT
SPECIAL MEETING
SEPTEMBER 1, 2015

The special meeting of the Bracken County Water District was called to order at 7:00 p.m. on Monday, September 1, 2015.

A copy of the agenda is attached.

Commissioners reviewed the KIA Assistance Agreement for the Ky 10 & 19/MM pit project.

Upon motion of Tim 2nd by Dale, now be it hereby resolved that Bracken County Water District approves and authorizes the execution of the KIA Assistance Agreement for the KY 10 & 19/ MM pit Project and authorizes Chairman, Anthony Habermehl, to execute all necessary documents. Motion carried.

With no further business on the agenda, Tim made a motion to adjourn 2nd by Dale. Motion carried.

Approved by:



Date: 16 Sept 2015

BRACKEN COUNTY WATER DISTRICT
1324 BROOKSVILLE GERMANTOWN RD
P O BOX 201
BROOKSVILLE KY 41004
606-735-3513

9/1/2015 SPECIAL MEETING AGENDA

1. Review of the KIA Assistance Agreement for the KY 10 & 19/MM pit project.
2. Resolution and execution of the KIA Assistance Agreement.

“This institution is an equal opportunity provider and employer”

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **December 4, 2014 – 1:00 p.m.**
 Kentucky Infrastructure Authority
 1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Sam Ruth, Finance and Administration Cabinet
 (proxy for Secretary Lori H. Flanery, FAC)
Ms. Lona Brewer, Energy and Environment Cabinet
 (permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Robert Aldridge, Economic Development Cabinet
 (proxy for Secretary Larry Hayes (EDC)
Mr. Jeff Derouen, Executive Director, Public Service Commission
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities
Ms. Linda C. Bridwell, representing for-profit private water companies

Members absent:

Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Jody Jenkins, Union County Judge Executive, representing the Kentucky Association
 of Counties
Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Guests:

Mr. Shafiq Amawi, Division of Water
Ms. Laura Jefferson, Buffalo Trace Area Development District
Ms. Katherine Halloran, Legislative Research Commission
Ms. Liz Columbia, Office of Financial Management
Mr. John Brady, Office of Financial Management
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Ashley Willoughby, Lincoln Trail Area Development District
Mr. Michael Brothers, Bracken County Water District
Ms. Laura Gilkerson, GRW Engineers, Inc.
Mr. Riley Sumner, Kentucky Engineering Group
Mr. Paul Reynolds, Kentucky Engineering Group
Ms. Rebecca Hall, City of Frankfort
Mr. William Ballard, East Clark County Water District
Ms. Jana Dubree, Monroe County Water District
Mr. Rob Gates, Barren River Area Development District
Mr. Bill Scalf, Frankfort Sewer Department

Mr. Mark Williams, Monroe County Water District
Mr. Ricky Ross, Monroe County Water District
Mr. Tommy Willett, Monroe County Judge-Executive
Mr. Paul Nesbitt, Nesbitt Engineering, Inc.
Mr. John Martin, GRW Engineers, Inc.
Mr. Robert Peterson, City of Frankfort
Mr. Pete Thompson, Lebanon Water Works Company
Mr. John L. Thomas, Lebanon Water Works Company

PROCEEDINGS

Chair Tony Wilder called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Mr. Wilder asked board members and guests to introduce themselves. He confirmed that a quorum was present and that the press had been notified regarding the meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of November 6, 2014

Ms. Linda Bridwell moved to approve the minutes of the November 6, 2014, regular board meeting. Mr. Ron Lovan seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. CONSIDERATION OF THE FISCAL YEAR ENDING JUNE 30, 2014, KENTUCKY INFRASTRUCTURE AUTHORITY AUDIT REPORT

Ms. Denise Pitts, KIA, and Mr. Allen Norvell, Blue & Company, LLC, presented a review of the Kentucky Infrastructure Authority Audit for fiscal year ending June 30, 2014. Mr. Norvell highlighted some of the significant points in the financial statements report, and he told the board that the audit resulted in a clean, unmodified opinion. Mr. Norvell referred to a new accounting standard that was required for this fiscal year, and explained a substantial change from fiscal year 2013 in the investment portfolio. He mentioned a change in relation to the pension plan that will impact all state agencies next year and require reporting by the Authority. In the section for Internal Controls he pointed out a corrected reversed posting for accrual of bond interest, and in the Compliance section he highlighted the statement that there were no issues of noncompliance. He also reviewed the audit communications document. Ms. Linda Bridwell asked if it is common practice for auditors to contact clients, and Mr. Norvell explained that there is usually a select sample to whom confirmations are sent.

2. The board moved on to consideration of an action item for the City of Fleming-Neon, Letcher County, Kentucky

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F1 15-018) IN THE AMOUNT OF \$143,616 TO THE CITY OF FLEMING-NEON, LETCHER COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Fleming-Neon requested \$143,616 in Drinking Water State Revolving Funds (Fund F1) for a Planning and Design loan for the Water Treatment Plant Upgrade project. This project will develop plans and specifications for the water treatment plant improvements discussed below. The construction project will receive a priority funding position in the funding cycle that is subsequent to Division of Water approval of the plans. The proposed project will upgrade the water treatment plant by replacing water process equipment, a chemical feed system, the electrical supply system, a backup generator, lagoon, building roof and windows, and the raw water supply at the plant. The project will also work to reduce high iron content in the water by modifying the current well, drilling a new one, or locating an alternative source of water.

Division of Water felt that this is an urgent project needed to study and plan for improvements necessary to address possible risks to the public health. Mr. Jeff Derouen and Ms. Lona Brewer explained that the study and engineering is necessary to direct planning for this project and an Abandoned Mine Lands funded project to connect to the City of Jenkins. Mr. Jerry Weutcher clarified with Mr. Amawi that this preliminary planning and design is needed in order to prepare for connection and/or making the necessary improvements to the plant.

Ms. Linda Bridwell moved to approve the Fund F Loan F1 15-018 in the amount of \$143,616 to the City of Fleming-Neon with the standard conditions and two special conditions. The first special condition is that the City of Fleming-Neon shall increase water rates by an amount sufficient to generate an additional \$30,000 in cash flow per year effective no later than February 1, 2015. The second special condition is that the city shall increase rates by an amount sufficient to generate an additional \$36,000 in cash flow per year effective no later than July 1, 2016. Ms. Lona Brewer seconded, and the motion was unanimously approved.

3. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A15-026) OF \$36,000,000 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Lexington-Fayette Urban County Government requested \$36,000,000 in Clean Water SRF funds for Phase I of the West Hickman

Wastewater Treatment Plant Wet Weather Storage project The project involves the design and construction of a multi-phase wet weather storage facility at the West Hickman Wastewater Treatment Plant on Ashgrove Pike in Jessamine County. The project will reduce the potential for 23 wet weather sanitary sewer overflow (SSO) locations. The existing sewer system lacks the capacity to meet LFUCG's EPA mandated Capacity Assurance Program. The project is a component of the Remedial Measures Plan that was submitted to the U.S. Environmental Protection Agency to comply with the Consent Decree, entered into on January 3, 2011. A portion of the engineering cost is for the storage tank/WWTP influent pumping station cost, which is infrastructure that meets the needs of the current and future project phases. When all phases are complete, total storage volume will be approximately 40 million gallons with a projected cost in the range of \$120 million.

Ms. Linda Bridwell moved to approve the Fund A Loan A15-026 in the amount of \$36,000,000 to Lexington-Fayette Urban County Government with the standard conditions. Mr. Ron Lovan seconded, and the motion was unanimously approved.

4. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-032) IN THE AMOUNT OF \$3,731,000 TO THE CITY OF FRANKFORT, FRANKLIN COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Frankfort requested a Fund "A" loan in the amount of \$3,731,000 for the West Frankfort Pump Station project. This project will replace an existing failing wet well/dry pit with a larger submersible pump station. The pumping capacity will be increased to eliminate sanitary sewer overflows and to accept future sanitary sewage. The project will be designed to allow for additional capacity to accept potential future customers outside of the city limits. The West Frankfort Pump station currently serves 3,700 homes. The new station will serve the remaining homes as well as an additional 4,940 potential future homes. Completion of the project is a substantial step in the City's ongoing efforts to achieve compliance with the Kentucky Division of Enforcement's Consent Judgment and the EPA Administrative Order. It was confirmed that the interest rate for this loan will be 1.75%. It was noted that rate increases have already been passed for the next five years.

Ms. Linda Bridwell moved to approve the Fund A loan A15-032 in the amount of \$3,731,000 to the City of Frankfort with the standard conditions. Mr. Jeff Derouen seconded, and the motion received all "aye" votes.

5. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A15-046) IN THE AMOUNT OF \$1,420,000 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Brandi Armstrong, KIA, presented the project to the Board. The City of Harrodsburg requested a Fund "A" loan in the amount of \$1,420,000 for the Wastewater Collection System Rehabilitation project. The project will rehabilitate 2,170 linear feet of sewer lines across the Blue Ridge, Cardwell, Green Acres and Brentwood neighborhoods. Repair efforts will include cleaning existing piping, video inspection, manhole and line repairs and pipe lining if necessary. The project will remove existing debris, points of inflow and infiltration, and improve the hydraulics of the system. It is estimated that the City will be required to adjust rates in the future, with specific minimum rates being prescribed by Rural Development.

Mr. Sam Ruth moved to approve the Fund A loan A15-046 in the amount of \$1,420,000 to the City of Harrodsburg with the standard conditions. Ms. Linda Bridwell seconded, and the motion received all "aye" votes.

5. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B15-002) OF \$358,000 TO THE BRACKEN COUNTY WATER DISTRICT, BRACKEN COUNTY, KENTUCKY**

Ms. Jami Johnson presented the project to the Board. The Bracken County Water District (BCWD) requested a \$358,000 Fund "B" loan for the KY 19 Master Meter to Kelly Ridge Project. This project will replace approximately 8,500 feet of 4" asbestos cement (AC) line that was originally installed in the 1960's with the original construction of the system. New eight inch PVC lines will replace the old AC lines from the master meter on KY 19 to Kelly Ridge. The master meter was replaced in 2006 but continued to use the original master meter valve pit. The original master meter valve pit will be replaced. Also, there are not current flush hydrants in this area. Five flush hydrants will be added to the area with the improvements.

Mr. Ron Lovan moved to approve the Infrastructure Revolving Fund B loan B15-002 in the amount of \$358,000 to the Bracken County Water District with the standard conditions. Ms. Linda Bridwell seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

6. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F14-036) OF \$3,230,000 TO THE CITY OF LEBANON F/B/O LEBANON WATER WORKS CO., MARION COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of Lebanon f/b/o Lebanon Water Works Co. (LWWC) is requesting a \$3,230,000 Fund "F" loan for the Marion Taylor Interconnect Project. The project will construct a 50,000 linear foot (LF) 12-inch water main from the Taylor County line (City of Campbellsville) to the Lebanon By-Pass Industrial Park. The proposed route will follow US 68 into Lebanon and connect to an existing 16" main. The connection with Campbellsville will supplement its

supply with approximately 500,000 gallons per day and potentially more during emergencies. A separate loan request to KIA is being submitted to the KIA Board for approval on December 4, 2014 from the City of Campbellsville for their portion (WX21217023) of the proposed project.

Mr. Jeff Derouen asked if the Lebanon Water Works Co. is an eligible government entity. It was explained that the loan will be to the City of Lebanon for the benefit of LWWC, which is wholly owned by the City of Lebanon. In response to a question from Ms. Linda Bridwell, Mr. John Covington replied that the Authority typically makes loans to the city. Mr. Derouen confirmed that this loan to the City of Lebanon and a proposed loan to the City of Campbellsville are connected projects, with each entity building toward each other.

Ms. Linda Bridwell moved to approve the Fund F Loan F14-036 in the amount of \$3,230,000 to the City of Lebanon f/b/o Lebanon Water Works Co. with the standard conditions and the special condition that the City of Lebanon f/b/o of the Lebanon Water Works Co. shall enter into a wholesale purchase agreement with the City of Campbellsville for a minimum water purchase amount that will support debt service and the additional operating expenses that result from the Campbellsville project, F15-013, (approximately \$500,000 per year.) Ms. Lona Brewer seconded, and the motion was unanimously approved.

7. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F15-013) OF \$6,428,000 TO THE CITY OF CAMPBELLVILLE, TAYLOR COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Jami Johnson, KIA, presented the project to the Board. The City of Campbellsville requested a \$6,428,000 Fund "F" loan for the Regional Water System Improvements Project. The project will construct a one million gallon storage tank, 40,000 linear feet (LF) of twelve inch transmission line, and a 700 gallon per minute booster pump station that will permit the City to provide water to the Lebanon Water Works Co. (LWWC). LWWC experiences supply constraints during high use / low rainfall periods while the City of Campbellsville has excess production capacity. A separate loan request is being submitted to the KIA Board for approval on December 4, 2014 from the City of Lebanon f/b/o Lebanon Water Works Co. for their portion (WX21155039) of the proposed project. The City's water treatment plant has a design capacity of 9.0 million gallons per day with average daily production of 3.2 million gallons per day. The significant gap in plant utilization is due to multiple business closures during the late 1990's, particularly Fruit of the Loom, which employed 4,200 at one time and closed in 1998. The proposed project will increase production by 16%, or 500,000 gallons per day. In response to an inquiry from Ms. Linda Bridwell, Mr. John Covington explained the existing excess capacity of the Campbellsville facility.

Mr. Sam Ruth moved to approve the Fund F Loan F15-013 in the amount of \$6,428,000 to the City of Campbellsville with the standard conditions and the special condition that the City of Campbellsville shall enter into a

wholesale purchase agreement with the City of Lebanon f/b/o of the Lebanon Water Works Co. for a minimum water purchase amount that will support debt service and the additional operating expenses that result from the Campbellsville project (approximately \$500,000 per year.) Ms. Linda Bridwell seconded, and the motion was unanimously approved.

8. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN (F15-002) OF \$8,000,000 TO THE MONROE COUNTY WATER DISTRICT, MONROE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Mr. Jeff Abshire, KIA, presented the project to the Board. The Monroe County Water District (“District”) requested an \$8,000,000 Fund “F” loan for the Regional Water Treatment Plant and System Improvements Project. The project will construct a new raw water intake on the Cumberland River, a 600,000 gallon water storage tank, one pump station, transmission lines and a two million gallon per day water treatment plant. Plans and specifications for the water treatment plant are substantially complete and were grant funded as a component of other water system improvements projects. The final plant design will permit a one million gallon per day expansion if demand increases. The District has secured a water withdrawal permit through the Division of Water (DOW) and the Army Corps of Engineers. The project ranked second out of sixty-seven projects by the DOW for the 2015 funding cycle and has consistently ranked high in previous funding cycles. The District has frequently been unable to provide required water demand during peak or drought periods, and has been subject to periodic Notices of Violation from the Division of Water. The District purchases water from the City of Tompkinsville and has unsuccessfully attempted to partner with the city on a regional solution to its issues.

Ms. Linda Bridwell asked if the City of Tompkinsville could be incorporated later if the situation changes. John Covington explained that the Monroe County Water District project was scaled back slightly to reduce costs with no involvement of the City of Tompkinsville, but it was designed so that it can be expanded should a partnership with the city be possible later.

Mr. Ron Lovan moved to approve the Fund F Loan F15-002 in the amount of \$8,000,000 to the Monroe County Water District with the standard conditions and the special condition that the Monroe County Water District will obtain Public Service Commission approval for rates sufficient to fund projected operating expenses and debt service for the District. Ms. Linda Bridwell seconded, and the motion was approved with Mr. Jeff Derouen abstaining.

9. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING AND APPROVING THE ISSUANCE OF OBLIGATIONS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY TO REIMBURSE CAPITAL EXPENDITURES MADE BY GOVERNMENTAL AGENCIES PURSUANT TO LOANS MADE BY THE KENTUCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under this resolution:

APPLICANT	FUND	AMOUNT
Lexington-Fayette Urban County Government	A15-026	\$36,000,000
City of Frankfort	A15-032	\$ 3,731,000
City of Harrodsburg	A15-046	\$ 1,420,000
Bracken County Water District	B15-002	\$ 358,000
City of Lebanon fbo Lebanon Water Works Co, Inc.	F14-036	\$ 3,230,000
City of Campbellsville	F15-013	\$6,428,000
Monroe County Water District	F15-002	\$8,000,000
City of Fleming-Neon	F1 15-018	\$ 143,616
Symsonia Water District (<10% Increase)	B12-07	\$ 329,016

Ms. Linda Bridwell moved to approve the resolution. Mr. David Cartmell seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

In his Executive Director's Report, Mr. John Covington reported on issues discussed at the recent conference of the Council of Infrastructure Financing Authorities. He informed the board that twenty-three Fund A loan applications have been accepted, and three have been approved. Nineteen Fund F loan applications have been accepted, and nine have been approved. Ms. Linda Bridwell asked about situations in which a borrower might incur debt from another source that could impair their ability to repay their loan to Kentucky Infrastructure Authority. John Covington informed her that there is a requirement that the Authority is to be notified if a borrower incurs additional debt. In addition, every borrower is required to submit an annual audit for review by the Authority staff.

III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS

- There will not be a board meeting in the month of January.
- Next scheduled KIA board meeting:
 Tentatively set for Thursday, February 5, 2015
 1024 Capital Center Drive, Suite 340
 Frankfort, Kentucky

There being no further business Mr. Robert Aldridge moved to adjourn. Mr. Ron Lovan seconded and the motion carried unanimously. The November 6, 2014, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

Jeff Abshire

Jeffrey A. Abshire, Secretary
 Kentucky Infrastructure Authority

1-29-15

Date

Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
Phone (502) 573-0260
Fax (502) 573-0157
<http://kia.ky.gov>

John E. Covington III
Executive Director

December 4, 2014

Honorable Anthony Habermehl, Chairman
Bracken County Water District
P.O. Box 201
Brooksville, KY 41004



**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (B15-002)**

Dear Chairman:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On December 4, 2014, the Authority approved your loan for the Kentucky 19 Master Meter to Keely Ridge project, subject to the conditions stated below. The total cost of the project shall not exceed \$358,000 of which the Authority loan shall provide all of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Bracken County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months (December 4, 2015) from the date of this letter will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

The Assistance Agreement and this commitment shall be subject, but not limited to, the following terms:

1. The Authority project loan shall not exceed \$358,000.
2. The loan shall bear interest at the rate of 1.75 percent per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be

less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.

5. Full principal payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

The following is a list of the standard conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.
3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.

Chairman Habermehl

December 4, 2014

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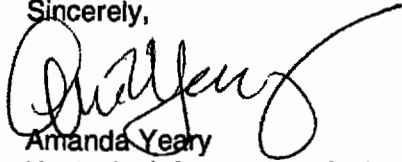
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the State's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached "Authorization for Electronic Deposit of Vendor Payment" Form.
11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.
12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). The recipient shall provide the Authority a digital copy (pdf) of the record drawings from the project within three months of construction completion.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Chairman Habermehl
December 4, 2014
Page 4

Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

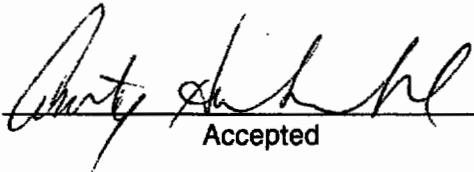
Sincerely,


Amanda Yeary
Kentucky Infrastructure Authority

Attachments

cc: Jeff Reynolds, HMB Professional Engineers, Inc.
Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP
State and Local Debt Office, DLG
Borrower File - Bracken County Water District - B15-002

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Also attach the completed "Authorization for Electronic Deposit of Vendor Payment" Form.


Accepted

12-11-2014
Date

ATTACHMENT A

**Bracken County Water District
B15-002**

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND B, INFRASTRUCTURE REVOLVING LOAN FUND	Reviewer Date KIA Loan Number WRIS Number	Jami Johnson December 4, 2014 B15-002 WX21023045
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BORROWER	BRACKEN COUNTY WATER DISTRICT BRACKEN COUNTY
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BRIEF DESCRIPTION

This project will replace 8,500 feet of asbestos cement lines that were installed in the 1960's with PVC lines. Additionally, a master meter valve pit will be replaced and five flush hydrants will be installed throughout the system.

PROJECT FINANCING		PROJECT BUDGET		RD Fee %	Actual %
Fund B Loan	\$358,000	Administrative Expenses			\$15,000
		Legal Expenses			5,000
		Land, Easements			5,000
		Planning			5,000
		Eng - Design / Const	11.5%	10.5%	29,000
		Eng - Insp	9.2%	8.7%	24,000
		Construction			250,000
		Contingency			25,000
TOTAL	\$358,000	TOTAL			\$358,000

REPAYMENT	Rate	1.75%	Est. Annual Payment	\$22,008
	Term	20 Years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	Engineer Bond Counsel	HMB Professional Engineers, Inc. Peck, Shaffer, & Williams, a division of Dinsmore & Shohl, LLP
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PROJECT SCHEDULE	Bid Opening	Jun-15
	Construction Start	Jul-15
	Construction Stop	Nov-15

DEBT PER CUSTOMER	Existing	\$1,892
	Proposed	\$1,939

OTHER DEBT	See Attached
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached

RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>
	Current	2,413	\$45.47 (for 4,000 gallons)
	Additional	0	\$45.47 (for 4,000 gallons)

REGIONAL COORDINATION 0

CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2012	901,801	428,393	473,408	2.1
Audited 2013	637,803	395,179	242,624	1.6
Projected 2014	628,773	420,010	208,763	1.5
Projected 2015	618,960	419,337	199,623	1.5
Projected 2016	608,051	439,437	168,614	1.4
Projected 2017	597,842	443,289	154,553	1.3
Projected 2018	587,428	441,667	145,761	1.3
Projected 2019	576,806	443,667	133,139	1.3

Reviewer: Jami Johnson
Date: December 4, 2014
Loan Number: B15-002

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")
BRACKEN COUNTY WATER DISTRICT, BRACKEN COUNTY
PROJECT REVIEW
WX21023045**

I. PROJECT DESCRIPTION

The Bracken County Water District (BCWD) is requesting a \$358,000 Fund "B" loan for the KY 19 Master Meter to Kelly Ridge Project. This project will replace approximately 8,500 feet of 4" asbestos cement (AC) line that was originally installed in the 1960's with the original construction of the system. New eight inch PVC lines will replace the old AC lines from the master meter on KY 19 to Kelly Ridge. The master meter was replaced in 2006 but continued to use the original master meter valve pit. The original master meter valve pit will be replaced. Also, there are not current flush hydrants in this area. Therefore, five flush hydrants will be added to the area with the improvements.

The District purchases approximately 165 million gallons (MG) of water from the City of Augusta and sells about 25 MG of water in total to the City of Brooksville and the East Pendleton Water District. Both BCWD and the East Pendleton Water District are regulated by the Public Service Commission.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	\$ 15,000
Legal Expenses	5,000
Land, Easements	5,000
Planning	5,000
Engineering Fees - Design / Const	29,000
Engineering Fees - Inspection	24,000
Construction	250,000
Contingency	25,000
Total	\$ 358,000

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 358,000	100%
Total	\$ 358,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$	358,000
Interest Rate		1.75%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	21,292
Administrative Fee (0.20%)		716
Total Estimated Annual Debt Service	\$	22,008

V. PROJECT SCHEDULE

Bid Opening	June 2015
Construction Start	July 2015
Construction Stop	November 2015

VI. RATE STRUCTURE

A. Customers

Customers	Current
Residential	2,395
Commercial	18
Industrial	0
Total	2,413

B. Rates

	Current	Prior
Date of Last Rate Increase	02/26/14	02/01/12
First 2,000 gallons	\$25.79	\$25.69
Next 38,000 gallons	9.84	9.79
Over 40,000 gallons	7.81	7.76
Cost for 4,000 gallons	\$45.47	\$45.27
Increase %	0.4%	
Affordability Index (Rate/MHI)	1.4%	

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2008-2012, the District's service area population was 6,066 with a Median Household Income (MHI) of \$39,727. The median household income for the Commonwealth is \$42,610. The project will qualify for a 1.75% interest rate.

Year	Population				Unemployment	
	City	% Change	County	% Change	Date	Rate
1980	680		7,738		June 2004	4.9%
1990	670	-1.5%	7,766	0.4%	June 2009	12.2%
2000	589	-12.1%	8,279	6.6%	June 2013	9.5%
2010	642	9.0%	8,488	2.5%	June 2014	7.2%
Current	468	-27.1%	8,488	0.0%		
Cumulative %		-31.2%		9.7%		

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the audited financial statements for the years ended December 31, 2012 and 2013 with the amounts for 2014 being estimated. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts presented.

HISTORY

Revenues decreased 10% from \$1.6 million in 2012 to \$1.5 million in 2014. Operating expenses increased 13% from \$767 thousand to \$866 thousand. The increase is due to an 10% purchased water cost increase and a 16% other operating expense increase (compensation and maintenance increases). The debt coverage ratio was 2.1, 1.6 and 1.5 for 2012 through 2014, respectively.

The balance sheet reflects a current ratio of 2.3, a debt to equity ratio of 0.6 and unrestricted cash equals 8.5 months of operating expenses.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues increase .5% in 2014 increase due to a rate to offset purchased water cost but remain flat thereafter.
- 2) Purchased water expenses increase 2.5% in 2014 then remain flat thereafter.
- 3) Operating expenses increase 2% each year for inflation.
- 4) Debt service coverage is 1.4 in 2016 when principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan.

REPLACEMENT RESERVE

The annual replacement cost is \$900. This amount should be added to the replacement account each December 1 until the balance reaches \$9,000 and maintained for the life

of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA (F02-10)	\$ 577,624	2024
RD (2004)	888,000	2044
Series 2007D (KRWFC)	2,615,000	2028
KIA (B10-10)	89,669	2032
KIA (C11-01)	621,000	2033
Total	\$ 4,791,293	

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

None.

XI. CONTACTS

Legal Applicant	
Name	Bracken County Water District
Address	PO Box 201 Brooksville, KY 41004
County	Bracken
Authorized Official	Anthony Habermehl
Phone	(606) 735-3513
Email	pam.hopkins62@yahoo.com

Project Contact – Applicant / Administrator	
Name	Laura Jefferson
Representing	Buffalo Trace ADD
Address	PO Box 460 Maysville, KY 41056
Phone	(606) 564-6894
Email	ljefferson@btadd.com

Consulting Engineer	
Name	Jeff Reynolds
Firm	HMB Professional Engineers, Inc.
Address	3 HMB Circle Frankfort, KY 40601
Phone	(502) 695-9800
Email	bmeyer@hmbpe.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

**BRACKEN COUNTY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2012</u>	<u>Audited</u> <u>2013</u>	<u>Projected</u> <u>2014</u>	<u>Projected</u> <u>2015</u>	<u>Projected</u> <u>2016</u>	<u>Projected</u> <u>2017</u>	<u>Projected</u> <u>2018</u>	<u>Projected</u> <u>2019</u>
Balances Sheet								
Assets								
Current Assets	950,554	901,197	905,085	905,085	905,085	905,085	905,085	905,085
Other Assets	11,992,711	12,133,366	12,041,951	12,289,396	12,149,782	11,987,157	11,806,790	11,604,851
Total	12,943,265	13,034,563	12,947,036	13,194,481	13,054,867	12,892,242	12,711,875	12,509,936
Liabilities & Equity								
Current Liabilities	339,492	386,529	394,845	402,085	415,491	424,068	436,268	448,468
Long Term Liabilities	4,723,888	4,624,494	4,331,622	4,438,460	4,183,992	3,921,147	3,646,302	3,359,457
Total Liabilities	5,063,380	5,011,023	4,726,467	4,840,545	4,599,483	4,345,215	4,082,570	3,807,925
Net Assets	7,879,885	8,023,540	8,220,569	8,353,936	8,455,384	8,547,027	8,629,305	8,702,011
Cash Flow								
Revenues	1,640,120	1,486,301	1,495,838	1,495,838	1,495,838	1,495,838	1,495,838	1,495,838
Operating Expenses	767,278	866,409	885,665	895,478	906,387	916,596	927,010	937,632
Other Income	28,959	17,911	18,600	18,600	18,600	18,600	18,600	18,600
Cash Flow Before Debt Service	901,801	637,803	628,773	618,960	608,051	597,842	587,428	576,806
Debt Service								
Existing Debt Service	428,393	395,179	420,010	419,337	417,429	421,281	419,659	421,659
Proposed KIA Loan	0	0	0	0	22,008	22,008	22,008	22,008
Total Debt Service	428,393	395,179	420,010	419,337	439,437	443,289	441,667	443,667
Cash Flow After Debt Service	473,408	242,624	208,763	199,623	168,614	154,553	145,761	133,139
Ratios								
Current Ratio	2.8	2.3	2.3	2.3	2.2	2.1	2.1	2.0
Debt to Equity	0.6	0.6	0.6	0.6	0.5	0.5	0.5	0.4
Days Sales in Accounts Receivable	47.9	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Months Operating Expenses in Unrestricted Cash	10.5	8.7	8.5	8.4	8.4	8.3	8.2	8.1
Debt Coverage Ratio	2.1	1.6	1.5	1.5	1.4	1.3	1.3	1.3

Bracken County Water District
Distribution List
B15-002

Receiving original Assistance Agreement

1. **Anthony Habermehl**
Chairman
Bracken County Water District
PO Box 201
Brooksville, KY 41004

Receiving copy of Assistance Agreement

2. **Brandi Armstrong**
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

3. **Buddy Griffin**
Water Infrastructure Branch
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

4. **0**
 0
 0
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 0

Receiving letter only

5. **Jeff Reynolds**
HMB Professional Engineers, Inc.
3 HMB Circle
Frankfort, KY 40601

6. **Laura Jefferson, Infrastructure Development Manager**
Buffalo Trace Area Development District
PO Box 460
Maysville, KY 41056