

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

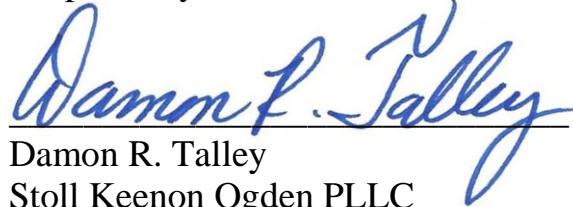
**ELECTRONIC TARIFF FILING OF)
BOONE COUNTY WATER DISTRICT) CASE NO. 2022-00101
TO REMOVE SUBDISTRICT A AND B)
SURCHARGES FROM ITS TARIFF)**

**RESPONSE OF BOONE COUNTY WATER DISTRICT
TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

Boone County Water District submits its Response to the Commission Staff's
First Request for Information.

Dated: May 19, 2022

Respectfully submitted,



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Counsel for Boone County Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, and the Public Service Commission's Order of July 22, 2021 in Case No. 2020-00085, I certify that this document was transmitted to the Public Service Commission on May 19, 2022 and that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding



Counsel for Boone County Water District

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC TARIFF FILING OF)
BOONE COUNTY WATER DISTRICT) **CASE NO. 2022-00101**
TO REMOVE SUBDISTRICT A AND B)
SURCHARGES FROM ITS TARIFF)

RESPONSE OF BOONE COUNTY WATER DISTRICT

TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION

FILED: May 19, 2022

BOONE COUNTY WATER DISTRICT

Response to Commission Staff's First Request for Information Case No. 2022-00101

Question No. 1

Responding Witness: Harry Anness/Legal Counsel

Q-1. Refer to your proposed Tariff, TFS2022-00130. Provide justification for spreading the cost of repayment of the Kentucky Infrastructure Authority (KIA) debt to all ratepayers instead of just Subdistrict B ratepayers by removing the Subdistrict B surcharge.

A-1. Commission Staff's request assumes that Subdistrict B Surcharge currently generates sufficient revenues to service debt payments on the Kentucky Infrastructure Authority ("KIA") Assistance Agreement and that Boone County Water District ("Boone District") and the Public Service Commission intended Subdistrict B customers to be the only source of funds for debt service payments on the Assistance Agreement. The record does not support these assumptions.

As shown in **Table 1**, annual revenues from the Subdistrict B Surcharge have never been sufficient to meet the annual debt service payment on the KIA Assistance Agreement since Boone District assumed legal responsibility for its payment. The annual debt service is approximately \$125,000. The surcharge has never produced annual revenue near that amount. During the twelve years in which Boone District has been responsible for the loan, the surcharge has generated only \$940,036.30 for required debt payments of \$1,500,000. The use of general service revenues has always been necessary to supplement surcharge revenues.

At the time of the surcharge's establishment, all parties were aware that the surcharge was unlikely to provide sufficient funds to support the required debt service payments. When Boone County Fiscal Court applied for a certificate to construct the Subdistrict B facilities and for approval to assess the surcharge, it stated: "It is expected that the rates and the other charges paid by the customers of the Subdistrict B Project area will not be adequate to meet the debt service of the bonds and that the County will need to subsidize the Project in order that there is no default of the bonds.." ¹ The Public Service

¹ Application at ¶ 7 (submitted in *The Application of the County of Boone, Kentucky for (A) Issuance of a Certificate of Public Convenience and Necessity to Construct An Improvements Project to Serve Subdistrict B; (B) Authorization for Project Financing; and (C) Authorization to Adjust Rates*, Case No. 2005-00291 (Ky. PSC tendered July 11, 2005)).

Commission also recognized a subsidy was essential.² For the surcharge to produce the required annual debt service payment of \$125,000, the Subdistrict B facilities would need to serve 417 customers.³ In its Order, the Public Service Commission acknowledged that facilities had a potential to serve only 406 households.⁴ As of December 31, 2021, Subdistrict B had 324 customers.

When the Public Service Commission approved Boone County Fiscal Court's transfer of the Subdistrict B facilities to Boone District and authorized Boone District to continue the assessment of the surcharge four years later, all parties recognized that general revenues would still be needed to finance the operation of those facilities. The Public Service Commission recognized this fact, noting in its Order that the rates assessed to Subdistrict B customers "do not presently generate sufficient revenues to meet the facilities operating expenses and debt service requirements" and that Boone County Fiscal Court had subsidized the facilities' debt service payment with its general funds.⁵

Elimination of the surcharge and reliance upon general service revenues derived from all District customers to meet the KIA Assistance Agreement payments is consistent with the practice that most Commission-regulated water utilities have used to finance extensions to or significant improvements for limited geographical areas. The Public Service Commission has authorized water utilities to issue evidences of indebtedness to finance those expansions or improvements and to recover the cost associated with payment of that debt through general service revenues – in effect requiring all ratepayers to bear a small portion of the cost of the expansion or improvement.

² *The Application of the County of Boone, Kentucky for (A) Issuance of a Certificate of Public Convenience and Necessity to Construct An Improvements Project to Serve Subdistrict B; (B) Authorization for Project Financing; and (C) Authorization to Adjust Rates*, Case No. 2005-00291 (Ky. PSC Feb. 1, 2006) Order at 6 (noting that "[t]he proposed rates will require a subsidy from the County's general funds.") The PSC further calculated the total revenue shortfall expected to result from the construction and operation of the facilities.

³ $\$125,000 \text{ per year} \div 12 \text{ months} \div \$25 \text{ per customer} = 416.67 \text{ customers}$

⁴ Case No. 2005-00291, Order at 4. The Public Service Commission's Order approving the surcharge also contained a detailed calculation of the revenue shortfall likely to result from the construction and operation of the Subdistrict B facilities. See Appendix C of the Order.

⁵ *The Application of Boone County Fiscal Court and Boone County Water District for Transfer of Control of Water System; To Terminate an Existing Operation and Maintenance Agreement Between the Applicants; and Approval of Agreements Between the Boone County Fiscal Court and Boone County Water District and Kentucky Infrastructure Authority and Boone County Water District as Debt Instruments*, Case No. 2010-00065 (Ky. PSC May 11, 2010) Order at 6.

For example, in Case No. 2020-00399,⁶ the Public Service Commission authorized a water district to enter an Assistance Agreement with KIA to borrow \$3,224,500 to expand its sewer collection system to serve 305 customers. In Case No. 2021-00452,⁷ it authorized the same water district to enter an Assistance Agreement with KIA to borrow \$270,000 to extend its water distribution system to serve nine households. In each instance, no surcharge was proposed to finance debt service on the proposed loan nor did the Public Service Commission require the assessment of a surcharge on customers benefitting from the extension in lieu of funding debt service through general revenues.⁸

While the Public Service Commission has permitted water utilities to impose surcharges on limited geographical area to finance an extension of service to that area, it has often considered such surcharges as “contrary to the notion of uniform system-wide rates” by requiring surcharge customers who receive the same service as other customers to “pay a higher rate for that service.”⁹ In Case No. 2012-00520, in which it rejected an intervening party’s arguments

⁶ *Electronic Application of McCreary County Water District For Authorization To Execute An Assistance Agreement With the Kentucky Infrastructure Authority and For A Certificate of Public Convenience and Necessity To Construct the Sanitary Sewer Collection System Expansion Phase 1 Project*, Case No. 2020-00399 (Ky. PSC Mar. 11, 2021).

⁷ *Electronic Application of McCreary County Water District For Authorization to Enter An Assistance Agreement With the Kentucky Infrastructure Authority to Borrow \$270,000 to Finance the Construction of the Catron/Needle Road Water Line Project and A Declaration That Project Does Not Require A Certificate of Public Convenience and Necessity*, Case No. 2021-00452 (Ky. PSC Feb. 1, 2022).

⁸ *See also Application of Whitley County Water District No. 1 For Approval of Financing and Issuance of A Certificate of Convenience and Necessity*, Case No. 2017-00068 (Ky. PSC Mar. 8, 2017) (authorizing loan to finance the replacement of undersized and leaking water lines serving 233 existing customers at a cost of \$581,000); *Application of Cumberland Falls Highway Water District No. 1 For Approval of Financing and Issuance of A Certificate of Convenience and Necessity* Case No. 2017-00268 (Ky. PSC Aug. 14, 2017) (authorizing loan for which a portion of proceeds used to finance construction of water lines to serve 15 new customers and replacement of lines serving 245 existing customers at a cost of \$779,544); *Electronic Application of Cannonsburg Water District To Issue Securities Pursuant To KRS 278.300*, Case No. 2018-00247 (Ky. PSC Aug. 15, 2018) (authorizing loan to finance construction of water lines to serve six new customers and improve service to 12 existing customers at a cost of \$85,000); *Electronic Application of the Northeast Woodford County Water District For A Certificate of Public Convenience and Necessity For Proposed Waterworks Improvements and For Authorization To Execute An Assistance Agreement With the Kentucky Infrastructure Authority To Finance Those Improvements*, Case No. 2018-00351 (Ky. PSC Nov. 6, 2018) (authorizing loan to finance the construction of water lines to serve two new customers and to replace water lines serving 50 existing customers at a cost of \$251,155); *Application of the Green-Taylor Water District For The Issuance of A Certificate of Public Convenience and Necessity To Construct and Finance A Water System Improvements Project Pursuant To The Provisions of KRS 278.020, KRS 278.300 and 807 KAR 5:001*, Case No. 2018-00368 (Ky. PSC Dec. 18, 2018) (authorizing loan to finance the construction of water lines to serve 42 new customers and to improve service to 42 existing customers at a cost of \$1,515,197).

⁹ *Kenton County Water District No. 1: An Investigation into the Monthly Surcharge on Sub-District A Customers*, Case No. 92-482 (Ky. PSC Nov. 24, 1992) Order at 2.

that a surcharge be imposed upon customers in a geographical area to finance the construction of a water main to allow the water utility to directly serve the area, the Public Service Commission noted its support of a unified rate structure and single tariff pricing and found recovery of the construction costs through general rates was more reasonable as it avoided imposing a significant monthly surcharge on a limited number of customers by imposing a very modest increase in rates on all customers.¹⁰ The Public Service Commission has recently affirmed this position.¹¹

The Public Service Commission has previously permitted the elimination of surcharges similar to the Subdistrict B Surcharge and allowed the costs originally intended to be recovered through surcharge revenues to be recovered through general service revenues. For example, in Case No. 2010-00128, it approved the elimination of a surcharge assessed by a water district to finance construction of an extension to serve 150 customers based upon the finding a proposed rate adjustment to general service rates would produce sufficient revenues to allow for the elimination of the surcharge and result in uniform rates for all customers.¹²

Elimination of Subdistrict B Surcharge will not impose an unreasonable burden on Boone District's ratepayers. As of December 31, 2020, Boone District had a total customer base of 27,109 customers. Currently, the average Boone District residential ratepayer uses 5,000 gallons of water monthly and pays a monthly bill of \$30.55. Of that amount, approximately one nickel (\$0.05) of that customer's monthly bill goes toward debt service on the KIA Assistance Agreement.¹³ If the surcharge is terminated, approximately 23 cents (\$0.23) of that customer's bill would go towards debt service on the KIA

¹⁰ *Application of Kentucky-American Water Company for An Adjustment of Rates Supported By A Fully Forecasted Test Year*, Case No. 2012-00520 (Ky. PSC Oct. 25, 2013) Order at 70-71.

¹¹ *Electronic Application of Kentucky-American Water Company for An Adjustment of Rates*, Case No. 2018-00358 (Ky.PSC June 27, 2019) Order at 72.

¹² *Application of Sharpsburg Water District for An Adjustment of Water Rates*, Case No. 2010-00128 (Ky. PSC May 6, 2010). See also Staff Report on Sharpsburg Water District at 2 (Apr. 23, 2010) (filed in Case No. 2010-00128).

¹³ $[\$125,464.83 \text{ (Debt Service for 2022)} - \$97,200 \text{ [Revenue from Surcharge Assuming 326 customers]}] \div 2,705,545,000 \text{ gallons (Total Water Sales for FY2020)} = \$0.01044 \text{ per 1,000 gallons [Debt Service Contribution per 1,000 gallons]}. \$0.01044 \text{ per 1,000 gallons} \times 5,000 \text{ gallons per month} = \$0.05 \text{ per month}.$

Assistance Agreement.¹⁴ Given Boone District’s current financial condition¹⁵ and the steady growth in its customer base,¹⁶ **the elimination of the Subdistrict will not result in any increase in the rates of any Boone District customer.**

All residents within Boone District’s territory have benefited from the absorption of Subdistrict B into Boone District. As the Public Service Commission noted in its Order of May 11, 2010 in Case No. 2010-00065, the acquisition of those facilities enhanced Boone District’s ability to expand water service in the rural areas of Boone County” that had very limited sources of potable water.¹⁷ It has also enabled the development of previously undeveloped portions of western Boone County. The economic benefits that result from this development, including increased tax receipts, job growth, and faster economic development, inure to all Boone County residents.

Elimination of the Subdistrict B Surcharge will also facilitate Boone District’s efforts to obtain additional public funding for significant system expansion to meet Boone District’s statutory obligation to make reasonable service extensions within its territory. Boone District is currently in discussions with Boone County Fiscal Court for a contribution of public funds in excess of \$10 million for water infrastructure improvements to expand water service to unserved portions of western Boone County. Although Boone County Fiscal Court has not conditioned any public funding upon the Subdistrict B Surcharge’s elimination – it has suggested that the surcharge be ended concurrently with the termination of the Subdistrict A Surcharge, Boone

¹⁴ $\$125,464.83$ (Debt Service for 2022) \div 2,705,545,000 gallons (Total Water Sales for FY2020) = $\$0.04637$ per 1,000 gallons [Debt Service Contribution per 1,000 gallons]. $\$0.04637$ per 1,000 gallons x 5,000 gallons per month = $\$0.23$ per month.

¹⁵ For the fiscal year ending December 31, 2020, Boone District had Total Operating Income (excluding depreciation) of \$1,168,100 and Net Income Before Contributions (excluding depreciation) of \$1,205,081.

¹⁶ Between 2010 and 2020, Boone District’s customer base increased 15.5 percent and Boone District’s average annual customer growth was 1.46 percent. During the same period, its water sales increased 11.83 percent and its average annual water sales increased 1.27 percent. See **Table 2**. The Kentucky State Data Center projects that the population of Boone County, Kentucky will increase by 63,381 persons or approximately 49 percent in the period from 2015 to 2040. Matt Ruther, Tom Sawyer, and Sarah Ehresman, *Projections of Populations and Households: State of Kentucky, Kentucky Counties and Area Development Districts 2015-2040 (Vintage 2016)* 7 (Kentucky State Data Center Oct. 2016).

¹⁷ *The Application of Boone County Fiscal Court and Boone County Water District for Transfer of Control of Water System; To Terminate an Existing Operation and Maintenance Agreement Between The Applicants; and Approval of Agreements Between the Boone County Fiscal Court and Boone County Water District and Kentucky Infrastructure Authority and Boone County Water District As Debt Instruments*, Case No. 2010-00065 (Ky. PSC May 11, 2010) Order at 8.

District believes that the Surcharge's elimination will increase the support of the public and elected officials' support for committing public tax dollars for these improvements. All Boone District ratepayers will benefit directly and indirectly from these planned infrastructure improvements.

Boone District's elimination of the Subdistrict B Surcharge should not be interpreted as Boone District's rejection of the use of surcharges to finance expansions of water distribution facilities to serve limited geographic areas. Boone District continues to view surcharges as a useful tool to equitably balance the cost of system expansions among its customers. However, it believes that, having paid the Subdistrict B Surcharge for more than 16 years, Subdistrict B customers have adequately borne their fair share of the expansion costs and that the remaining costs of the expansion can be borne by all ratepayers with little or no effect on all ratepayer bills.

Table 1

Year	Surcharge Revenue
2010	\$34,625.00
2011	\$66,400.00
2012	\$73,900.00
2013	\$78,850.00
2014	\$78,350.00
2015	\$79,450.00
2016	\$82,425.00
2017	\$84,475.00
2018	\$86,211.30
2019	\$88,725.00
2020	\$91,350.00
2021	\$95,275.00
Total	\$940,036.30

Table 2				
Year	Customers	Annual Increase (%)	Water Sales (1,000 gals)	Annual Increase
2010	23,460		2,419,232	
2011	23,715	0.995	2,268,279	-6.240
2012	23,951	1.202	2,506,191	10.489
2013	24,239	1.679	2,295,665	-8.400
2014	24,646	1.554	2,439,515	6.266
2015	25,029	1.502	2,433,558	-0.244
2016	25,405	1.669	2,464,771	1.283
2017	25,829	1.742	2,447,492	-0.701
2018	26,279	1.473	2,561,634	4.664
2019	26,666	1.661	2,687,573	4.916
2020	27,109	1.087	2,705,545	0.669
Average		1.457		1.270

BOONE COUNTY WATER DISTRICT

Response to Commission Staff's First Request for Information Case No. 2022-00101

Question No. 2

Responding Witness: Harry Anness

- Q-2. Provide a copy of the original KIA loan note creating the indebtedness recovered under the Subdistrict B surcharge.**
- Q-2. A copy of the original Assistance Agreement between the Kentucky Infrastructure Authority and Boone County Fiscal Court is attached to this response.

RECEIVED

2007 MAY 11 P 2:02

KENTUCKY INFRASTRUCTURE
AUTHORITY

ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
COUNTY OF BOONE, KENTUCKY

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and County of Boone, Kentucky (the "Governmental Agency"), dated as of May 1, 2006

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 Fiscal Court adopting Resolution authorizing Assistance Agreement.
6. Extract of Minutes of the Authority authorizing the Assistance Agreement.
7. Commitment Letter

DISTRIBUTION LIST

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Judge/Executive
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COMMONWEALTH OF KENTUCKY
OFFICE OF THE BOONE COUNTY ATTORNEY

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May 24, 2006

Kentucky Infrastructure Authority
1024 Capital Center Drive
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Frankfort, Kentucky 40601

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and the County of Boone, Kentucky, dated as of May 1, 2006

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 County of Boone, Kentucky, 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 therefore, (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,



James R. Schrand
Boone County Attorney

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and County of Boone, Kentucky (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 24th day of May, 2006.

GOVERNMENTAL AGENCY:

COUNTY OF BOONE, KENTUCKY

By: Gary W. Moore
Name: Gary W. Moore
Title: Judge/Executive

ATTEST:

By: Louis Kelly
Name: Louis Kelly
Title: Fiscal Court Clerk

KENTUCKY INFRASTRUCTURE AUTHORITY

RECEIVED

ASSISTANCE AGREEMENT

2006 MAY 10 A 11:02

FUND B

RECEIVED

RECEIVED
JUN 08 2006
OFFICE OF THE SECRETARY

KENTUCKY INFRASTRUCTURE AUTHORITY

JUN 09 2006

LEGAL & LEGISLATIVE SERVICES

15119

RECEIVED

PROJECT NUMBER

B05-02

JUN 15 2006

BORROWER:

County of Boone, Kentucky

LEGAL & LEGISLATIVE SERVICES

BORROWER'S ADDRESS

P.O. Box 900
Burlington, Kentucky 41005

DATE OF ASSISTANCE AGREEMENT: May 1, 2006

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 National City Bank of Kentucky (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 inquiry, 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]

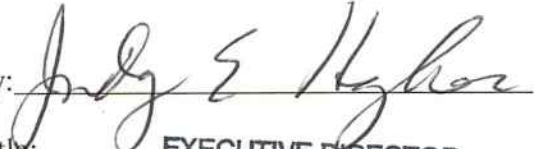
IN WITNESS WHEREOF, the parties hereto have caused this Assistance Agreement to be executed by their respective duly authorized officers as of the day and year above written.

ATTEST:



Title: SECRETARY

KENTUCKY INFRASTRUCTURE
AUTHORITY

By: 

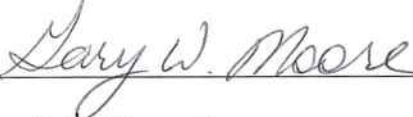
Title: EXECUTIVE DIRECTOR

ATTEST:

By: 

Title: Fiscal Court Clerk

GOVERNMENTAL AGENCY:
COUNTY OF BOONE, KENTUCKY

By: 

Title: Judge/Executive

APPROVED:



SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:



LEGAL COUNSEL TO THE KENTUCKY
INFRASTRUCTURE AUTHORITY

EXECUTIVE DIRECTOR

SECRETARY

Exhibit A
Project Specifics
B05-02

Name: Boone County Fiscal Court Phase II Rural Water Project

Contact Person: Honorable Gary W. Moore
Boone County Judge/Executive
P.O. Box
Burlington, KY 41005

Engineer: Tetra Tech

Liability Insurance Coverage: Death or Personal Injury (per person) \$5,000,000.00
Death or Personal Injury (per occurrence) \$5,000,000.00
Property Damage on System \$3,500,000.00

Administrative Fee: .20%
Default Rate: 10%

Project Cost Breakdown: Construction: \$2,548,148
Total \$2,548,148

Service Charge
Payment Period: Monthly

Payment Dates: The December 1 or June 1 succeeding the project
Completion date which is at least three months, but no
More than nine months, after the project completion date.

Loan Rate: 2.71%
Loan Amount: \$2,548,148
Final Loan Term: 30 years

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED MAY 1, 2006

Request No. _____

Dated _____

ORIGINAL SENT TO: Kentucky Infrastructure Authority
 1024 Capital Center Drive
 Suite 340
 Frankfort, Kentucky 40601

COPY SENT TO: Ms. Nancy Sanders
 Director, Community Programs
 Governor's Office for Local Development
 1024 Capitol Center Drive
 Frankfort, Kentucky 40601

FROM: County of Boone, Kentucky ("Governmental Agency")

Gentlemen:

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 totaling \$_____.

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

ELIGIBLE PROJECT EXPENSES INCURRED

<u>Contractor</u>	Expenses this <u>Request</u>	Expenses to <u>Date</u>
-------------------	---------------------------------	----------------------------

Total

ALLOCATION OF FUNDING FOR EXPENSES

<u>Portion of Funding Source Totals</u>	<u>Portion of Expenses Expenses this Request</u>	<u>Total to Date</u>
---	--	----------------------

The Governmental Agency certifies it has also paid Project expenses or has submitted requisitions to the applicable funding sources for Project expenses, which have not been identified in any previous Request or Payment, as follows:

<u>Funding Source</u>	<u>Amount of Payment or Requisition</u>	<u>Date of Payment or Requisition</u>
-----------------------	---	---

Respectfully submitted,

Governmental Agency

By: _____

Title: _____

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

The Service Charges consist of a \$25 per month surcharge levied on water usage bills of customers to be serviced by the Project.

EXHIBIT D

RESOLUTION

RESOLUTION OF THE COUNTY OF BOONE, KENTUCKY APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE COUNTY OF BOONE, KENTUCKY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Fiscal Court, ("governing authority") of the County of Boone, Kentucky, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water facilities and improvements to the Governmental Agency's Water Service System (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 County of Boone, Kentucky, 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 _____, 2006.

Judge/Executive Gary W. Moore

Attest:

Title: Fiscal Court Clerk

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Fiscal Court Clerk of the County of Boone, Kentucky; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said County at a meeting duly held on _____, 2006; 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 _____ day of _____, 2006.

Recording Officer

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 County of Boone, Kentucky, dated as of May 1, 2006

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 County of Boone, Kentucky, 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 COUNTY OF BOONE, KENTUCKY
("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

It is understood and agreed by the parties to this Assistance Agreement that this Exhibit F is an integral part of the Assistance Agreement between the Governmental Agency and the Kentucky Infrastructure Authority.

IN WITNESS WHEREOF, the parties have caused this Exhibit F to Assistance Agreement to be executed by their respective duly authorized officers as of the date of said Assistance Agreement.

KENTUCKY INFRASTRUCTURE AUTHORITY

By: _____

Title: _____

COUNTY OF BOONE, KENTUCKY
GOVERNMENTAL AGENCY

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

33664.1

RESOLUTION

RECEIVED

RESOLUTION OF THE COUNTY OF BOONE, KENTUCKY APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE COUNTY OF BOONE, KENTUCKY AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

MAY 23 11:18 AM
KENTUCKY INFRASTRUCTURE AUTHORITY

WHEREAS, the Fiscal Court, ("governing authority") of the County of Boone, Kentucky, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water facilities and improvements to the Governmental Agency's Water Service System (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 County of Boone, Kentucky, 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 May 23, 2006.

Gary W. Moore
Gary W. Moore, Judge/Executive

Attest:

[Signature]
Title: Fiscal Court Clerk

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Fiscal Court Clerk of the County of Boone, Kentucky; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said County at a meeting duly held on May 23, 2006; 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 23rd day of May, 2006.



Fiscal Court Clerk

33667.1

MINUTES
BOONE COUNTY FISCAL COURT
Boone County Administration Building
Fiscal Courtroom #203 (2nd Floor)
Burlington, Kentucky
Tuesday, May 23, 2006
5:30 P.M.

ITEM I.

CALL TO ORDER

Judge Gary W. Moore called to order the meeting of the Boone County Fiscal Court.

Present: Gary W. Moore, County Judge/Executive
Cathy H. Flaig, Commissioner, District 1
Charles E. Kenner, Commissioner, District 2
Terri Moore, Commissioner, District 3
J.R. Schrand, County Attorney
Jeff Smith, Assistant County Attorney

Staff: Lisa Buerkley, County Treasurer
Robin Curry, Assistant County Administrator
Col. Les Hill, Sheriff's Department
Melanie M. Morris, Executive Assistant
James E. Parsons
Louis Kelly, Fiscal Court Clerk
Greg Sketch, County Engineer

ITEM II.

APPROVAL OF MINUTES

Commissioner Flaig moved, seconded by Commissioner Moore, to approve the Minutes from the meeting of May 2, 2006. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit II A)

ITEM III.

DELEGATIONS

There were no delegations at this meeting

ITEM IV.

PERSONNEL MATTERS

Commissioner Kenner moved, seconded by Commissioner Flaig to approve Resolution 06-71, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT AUTHORIZING GARY W. MOORE, COUNTY JUDGE/EXECUTIVE, TO APPOINT STEVEN WIRTH TO THE POSITION OF PART TIME MECHANIC I IN THE PUBLIC WORKS DEPARTMENT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit IV A)

Commissioner Moore moved, seconded by Commissioner Flaig to approve Resolution 06-72, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT APPOINTING MONESQUE DEREK THOMAS TO A SEASONAL PARK LABORER POSITION IN THE BOONE COUNTY PARKS DEPARTMENT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit IV B)

Commissioner Kenner moved, seconded by Commissioner Flaig to approve Resolution 06-73, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT APPOINTING ERIC ROBERT MAY TO THE PART-TIME SEASONAL POSITION OF ARBORETUM INTERN IN THE BOONE COUNTY PARKS DEPARTMENT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit IV C)

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Commissioner Moore moved, seconded by Commissioner Flaig to approve Resolution 06-74, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT AUTHORIZING VARIOUS SEASONAL APPOINTMENTS AT THE GOLF COURSES. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit IV D)

ITEM V.

ORDINANCES

Commissioner Kenner moved, seconded by Commissioner Moore to approve Ordinance 06-04, an Ordinance of the Boone County Fiscal Court approving, with conditions, a request of Toebben Ltd. (applicant) for Toebben Ltd. (Owner) for a zoning map amendment, such zoning map amendment being a zone change from Agricultural Estate (A-2) to Rural Suburban (RS), and variances to allow the front and rear setbacks for certain proposed flag lots to be reduced from 40 feet to 10 feet, both for a 55.966 acre site located at 2188 Rice Pike, Boone County, Kentucky. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0).

Commissioner Flaig moved, seconded by Commissioner Moore to approve Ordinance 06-05, AN ORDINANCE OF THE FISCAL COURT OF BOONE COUNTY, KENTUCKY PROVIDING FOR A CREDIT OF ITS OCCUPATIONAL LICENSE FEE FOR NEW EMPLOYEES AS PART OF AN ECONOMIC DEVELOPMENT PROJECT BY NuVo TECHNOLOGIES LLC UNDER THE KENTUCKY JOBS DEVELOPMENT ACT (KRS 154.24.010-.160, KRS 141.120, KRS 141.350 and KRS 141.407). Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0).

Commissioner Kenner moved, seconded by Commissioner Moore to approve Ordinance 06-06, AN ORDINANCE OF THE FISCAL COURT OF BOONE COUNTY, KENTUCKY PROVIDING FOR A CREDIT OF ITS OCCUPATIONAL LICENSE FEE FOR NEW EMPLOYEES AS PART OF AN ECONOMIC DEVELOPMENT PROJECT BY DAVITT AND HANSER MUSIC CO. INC. UNDER THE KENTUCKY JOBS DEVELOPMENT ACT (KRS 154.24.010-.160, KRS 141.120, KRS 141.350 and KRS 141.407). Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0).

Mitch Light gave a presentation and a first reading was given for the Planning Commission's recommendation for AN ORDINANCE OF THE BOONE COUNTY FISCAL COURT APPROVING, WITH CONDITIONS, FOR A REQUEST OF JAMES W. BERLING (APPLICANT) FOR CAMP ERNST ROAD LLC (OWNER) FOR A ZONING MAP AMENDMENT, SUCH ZONING MAP AMENDMENT BEING A ZONE CHANGE FROM AGRICULTURAL ESTATE (A-2) TO SUBURBAN RESIDENTIAL ONE (SR-1) FOR A 53.6235 ACRE SITE LOCATED AT 2976 LONGBRANCH ROAD, BOONE COUNTY, KENTUCKY. No date was set for the second reading.

Patty Bachman gave a presentation and a first reading was given for the Planning Commission's recommendation for AN ORDINANCE OF THE BOONE COUNTY FISCAL COURT APPROVING, WITH CONDITIONS, A REQUEST OF ERPENBECK CONSULTING ENGINEERS, INC. (APPLICANT) FOR WAGSTAFF, INC. (OWNER) FOR A CHANGE IN AN APPROVED CONCEPT DEVELOPMENT PLAN IN AN INDUSTRIAL ONE/PLANNED DEVELOPMENT (I-1/PD) ZONE FOR A 14.33 ACRE SITE LOCATED AT 4657 NORTH BEND ROAD, BOONE COUNTY, KENTUCKY. No date was set for the second reading.

ITEM VI.

JUDGE'S REPORT

Judge Moore signed a proclamation declaring May 2006 as "Older Americans and Elder Abuse Awareness Month".

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Judge Moore signed a proclamation declaring May 2006 as "Boone County Arboretum Month".

Commissioner Flaig moved, seconded by Commissioner Kenner to approve Resolution 06-75, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT APPROVING THE ACTION OF GARY W. MOORE, COUNTY JUDGE/EXECUTIVE, RE-APPOINTING ED DIVINE TO THE POINT PLEASANT FIRE PROTECTION DISTRICT BOARD. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VI C)

ITEM VII.

OLD BUSINESS

There was no old business at this meeting.

ITEM VIII.

ADMINISTRATIVE MATTERS

Commissioner Flaig moved, seconded by Commissioner Kenner to approve Resolution 06-76, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT ADOPTING THE FINDINGS OF THE ENVIRONMENTAL ASSESSMENT PREPARED BY KENTUCKY HOUSING CORPORATION FOR THE BRIGHTON RECOVERY CENTER RECOVERY KENTUCKY PROJECT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII A)

Commissioner Kenner moved, seconded by Commissioner Moore to approve Resolution 06-77, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT AGREEING TO THE GUIDEFORM RESIDENTIAL ANTIDISPLACEMENT PLAN UNDER SECTION 104 (d) OF THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974, AS AMENDED FOR THE BRIGHTON RECOVERY CENTER RECOVERY KENTUCKY PROJECT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII B)

Commissioner Flaig moved, seconded by Commissioner Kenner to approve Resolution 06-78, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT ACKNOWLEDGING RECEIPT OF STATE CLEARINGHOUSE COMMENTS FOR THE BRIGHTON RECOVERY CENTER RECOVERY KENTUCKY PROJECT AND COMMITTING THE BOONE COUNTY FISCAL COURT TO FOLLOW ALL COMMENTS SO RECEIVED IN THE IMPLEMENTATION OF THIS PROJECT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII C)

Commissioner Kenner moved, seconded by Commissioner Moore to approve Resolution 06-79, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT AUTHORIZING GARY W. MOORE, COUNTY JUDGE/EXECUTIVE TO EXECUTE AN AGREEMENT BETWEEN BRIGHTON RECOVERY CENTER LIMITED PARTNERSHIP AND BOONE COUNTY FISCAL COURT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII D)

Commissioner Flaig moved, seconded by Commissioner Kenner to approve Resolution 06-80, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT AUTHORIZING GARY W. MOORE, COUNTY JUDGE/EXECUTIVE, TO EXECUTE ANY AND ALL DOCUMENTS RELATED TO CDBG FUNDS AWARDED TO THE BOONE COUNTY FISCAL COURT FOR THE BRIGHTON RECOVERY CENTER RECOVERY KENTUCKY PROJECT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII E)

Commissioner Flaig moved, seconded by Commissioner Moore to approve Resolution 06-85, a Resolution adopting and approving the execution of a County Road Aid Coop Program Contract between

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the Fiscal Court and the Commonwealth of Kentucky, Transportation Cabinet, Department of Intergovernmental Programs, for the fiscal year beginning July 1, 2006, as provided in the Kentucky Revised Statutes and accepting all roads and streets referred to therein as being a part of the County Road System. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII F)

Commissioner Kenner moved, seconded by Commissioner Flaig to approve Resolution 06-86, a Resolution adopting and approving the execution of a Municipal Aid Coop Program Contract between the Fiscal Court of said county acting for the Unincorporated Urban Place and the Commonwealth of Kentucky, Transportation Cabinet, Department of Intergovernmental Programs for the fiscal year beginning July 1, 2006, as provided in the Kentucky Revised Statutes and accepting all of the roads referred to therein as being urban roads which are part of the Unincorporated Urban Place. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII G)

Commissioner Flaig moved, seconded by Commissioner Moore to approve Resolution 06-87, a Resolution adopting and approving the execution of a Municipal Aid Coop Program Contract between the Fiscal Court of said county acting for the Unincorporated Urban Place and the Commonwealth of Kentucky, Transportation Cabinet, Department of Intergovernmental Programs for the fiscal year beginning July 1, 2006, as provided in the Kentucky Revised Statutes and accepting all of the roads referred to therein as being urban roads which are part of the Unincorporated Urban Place. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII H)

Commissioner Moore moved, seconded by Commissioner Kenner to approve Resolution 06-88, a Resolution adopting and approving the execution of a Municipal Aid Coop Program Contract between the Fiscal Court of said county acting for the Unincorporated Urban Place and the Commonwealth of Kentucky, Transportation Cabinet, Department of Intergovernmental Programs for the fiscal year beginning July 1, 2006, as provided in the Kentucky Revised Statutes and accepting all of the roads referred to therein as being urban roads which are part of the Unincorporated Urban Place. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII I)

Commissioner Flaig moved, seconded by Commissioner Kenner to approve Resolution 06-89, a Resolution of the County of Boone, Kentucky approving and authorizing an agreement between the County of Boone, Kentucky and the Kentucky Infrastructure Authority. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII J)

Commissioner Kenner moved, seconded by Commissioner Moore to approve Resolution 06-81, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT ACCEPTING A GRANT FROM THE HEALTH FOUNDATION OF GREATER CINCINNATI. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII K)

Commissioner Flaig moved, seconded by Commissioner Moore to approve Resolution 06-82, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT ACKNOWLEDGING THE ANNUAL AUDIT OF THE ASSISTED HOUSING DEPARTMENT. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII L)

Commissioner Flaig moved, seconded by Commissioner Kenner to approve Resolution 06-83, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT AWARDING THE BIDS FOR CUSTODIAL SUPPLIES. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII M)

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Commissioner Kenner moved, seconded by Commissioner Moore to table Exhibit VIII N for the next fiscal court meeting.

Commissioner Moore moved, seconded by Commissioner Flaig to approve Resolution 06-84, A RESOLUTION OF THE BOONE COUNTY FISCAL COURT AWARDING THE BIDS FOR HARDWARE. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit VIII O)

A Public Hearing was conducted regarding the proposed use of County Road Aid and Local Government Economic Assistance Funds.

ITEM IX.

NEW BUSINESS

Boone County resident John Smarr addressed the Court to discuss issues over water line expansion to the Petersburg area. Judge Moore and Jim Parsons explained the County's procedure on expanding water lines.

ITEM X.

FISCAL MATTERS

Commissioner Kenner moved, seconded by Commissioner Moore, to approve an invoice report dated 05-19-06 and prepaid invoice reports dated 05-05-06 and 5-12-06. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibits XA, A1, A2)

Commissioner Moore moved, seconded by Commissioner Kenner to approve an annual standing order to pre-approve certain recurring expenses. Judge Moore called for a vote on the motion, ALL PRESENT VOTING AYE (4-0). (Exhibit X B)

Commissioner Flaig moved, seconded by Commissioner Moore to approve Court Order #8, an order of the Boone County Fiscal Court authorizing transfers in the amount of \$69,450 within the adopted fiscal year 2005-2006 budget.

ITEM XI.

ADJOURNMENT

Commissioner Moore moved, seconded by Commissioner Kenner, to adjourn the meeting, ALL PRESENT VOTING AYE (4-0). The meeting was adjourned at 7:05p.m.

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CLERK CERTIFICATION

I, _____, having been appointed to the office of Fiscal Court Clerk, do hereby certify that this is a true and accurate record of the actions taken by the Boone County Fiscal Court at the meeting of May 16, 2006.

Fiscal Court Clerk

Date: _____

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: 1:30 p.m. on June 2, 2005
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. John Farris, Deputy Secretary, Finance and Administration Cabinet
(proxy for Secretary R. B. Rudolph, Jr., FAC)
Secretary LaJuana Wilcher, Environmental and Public Protection Cabinet
Ms. Holland B. Spade, Esq., Executive Director, Office of Legal Services, Cabinet for Economic Development
(proxy for Secretary Gene Strong, EDC)
Commissioner Ellen Williams, Governor's Office for Local Development
Mr. Robert A. Amato, Deputy Executive Director, Public Service Commission
(proxy for Ms. Beth O'Donnell, Executive Director, PSC)
Mr. Damon Talley, representing the Kentucky Rural Water Association

Members absent:

Mr. Gregory Heitzman, representing the American Water Works Association
Mr. Lyn Bailey, Mayor, City of Cadiz, representing the Kentucky League of Cities
Mr. Larry B. Whitaker, McLean County Judge/Executive, representing the Kentucky Association of Counties
Ms. Linda Bridwell, representing the for-profit water companies

Guests:

Ms. Kelli Rice, Division of Water, Environmental and Public Protection Cabinet
Ms. Terri Fugate, Office of Financial Management
Mr. Kerry Odle, CMW
Ms. Holly Nicholas, O'Brien & Gere
Ms. Jan Routt, Kentucky-American Water
Ms. Freda Prather, City of Owenton
Mayor David Wotier, City of Owenton
Mr. Larry Cann, Cann-Tech, LLC
Mr. Richard Bragg, Northern Kentucky Area Development District
Mr. Tony Harover, Strand Associations
Mr. Troy Desholv, City of Lancaster
Mr. Tom Williams, Kentucky-American Water
Ms. Pam Dalhey, City of Booneville
Mr. Charles E. Long, City of Bonneville
Ms. Lora R. Woods, HMB Professional Engineers
Mr. John Foster, Legislative Research Commission
Mr. Jim Guinn, Legislative Research Commission
Mr. Jim Reynolds, Legislative Research Commission
Ms. Donna Marlin, EPPC, Division of Water, Drinking Water Branch
Mr. Glenn Morrison, East Daviess Water Association
Mr. Edwin Payne, East Daviess Water
Mr. Jimmy Moberly, Lancaster Water Utilities
Mr. David Hawes, Regional Water Resource Agency
Mr. Dean Beltnke, Regional Water Resource Agency

PROCEEDINGS

Mr. Damon Talley chaired the board meeting. Acting Chair Talley called a meeting of the Kentucky Infrastructure Authority (KIA) Board to order and asked all board attendees and guests to introduce themselves. Acting Chair Talley noted 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 Full Board Meeting of May 5, 2005

Mr. John Farris moved to approve the minutes. Mr. Robert Amato seconded and the motion carried.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL TO CORRECT THE INTEREST RATE OF A FUND A LOAN FOR THE REGIONAL WATER RESOURCE AGENCY (RWRA) TO 1.0%

Ms. Sandy Williams, KIA, presented the request from the Regional Water Resource Agency (RWRA) for an interest rate correction for its existing Fund A (A99-04) loan. This loan was originally approved on December 10, 1999 and based on the census information at that time this loan qualified for the standard rate. Since then, RWRA has broken the project down by individual census track information. The project was originally looked at by the county as a whole, but has now been broken down project-by-project and track-by-track.

The median household income for the service area is below the state median household income and it has been concluded that RWRA qualifies for the hardship rate of 1.0%. This rate will reduce RWRA's annual debt service payments by approximately \$430,000.

Ms. Williams noted that at the national level the wastewater plant that was financed through KIA funding was highlighted in the Environmental Protection Agency (EPA) Annual Report as a model for regional plants.

Mr. Bob Amato made a motion to allow the interest rate correction of 1.0% and Mr. John Farris seconded.

During further Board discussion, it was noted that the state median household income is \$33,672. There are five (5) service areas for the RWRA project: 1) \$27,836.74, 2) \$28,868.80, 3) \$32,361.70, 4) \$31,263, and 5) was determined by LMI eligibility which is 56% low-to-moderate income.

Acting Chair Talley noting a motion had been made and seconded, called for a vote and motion carried.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A FUND B LOAN FOR THE BOONE COUNTY FISCAL COURT IN THE AMOUNT OF \$3,548,148

Ms. Suzanne Anderson, KIA, presented the project for board consideration.

The Boone County Fiscal Court (the County) is requesting a loan from the Fund B Infrastructure Loan program for \$3,548,148. This is to construct Phase II of their rural water program. The proposed project consists of installation of 9.52 miles of 8" waterlines and 4.03 miles of 12" waterlines. The project will initially serve over 400 families, with the intent to serve many more as the area continues to develop. The Boone County Fiscal Court (the County) has executed a management agreement with the Boone County Water District (the Water District), designating that the Water District will provide the water service and maintain the lines for the County, as was the case with Phase I.

The thirty (30) year loan would have a rate of 2.7% with an estimated annual payment of \$173,550.

Since the initial request for funding the County has received a \$1 million grant from this legislative session's budget that may be used for the construction of this project. However, the County wishes to seek approval for the initial loan request amount of \$3,548,148 to ensure that there is adequate funding to complete this phase of the project.

The County prepares its financial statements on an accounting basis that demonstrates compliance with a modified cash basis, which is a method of accounting other than those accounting principles generally accepted. The revenues and expenditures of the Fiscal Court's General Fund were examined for Fiscal years 2001-2003, and the latest budget approved by the State Local Debt Office.

The debt service will be covered by a \$25 per month surcharge that will be added to the water usage bill of the new customers. The County is currently preparing their application to the Public Service Commission (PSC) for approval.

KIA staff recommended approval of the requested loan amount with the following conditions:

1. The Boone County Fiscal Court will schedule a Debt Hearing with the State Local Debt Office and gain approval to take on the \$3,548,148 in debt, and fulfill any obligations as set forth by that office.
2. In addition to financial statements, the Fiscal Court will submit to the Authority each annual budget as approved by the State Local Debt Office.
3. The Fiscal Court must submit final approval of the surcharge by the Public Service Commission to the Authority.

The project is expected to go to bid September 1, 2005, and will begin construction in October 2005 and complete construction in December 2006.

During Board discussion, Secretary Wilcher expressed concern regarding loaning the full funding request of \$3,548,148 since the County has received a grant in the amount of \$1 million. It was noted that if the full amount were not approved, KIA staff would be able to justify a 10% contingency (\$280,000) without Board approval. The County may then come back to the Board to request additional funding if need be shown.

Secretary LaJuana Wilcher made a motion to adopt a resolution in the amount of \$2,548,148. Mr. Farris seconded and the motion carried.

Mr. Amato abstained from voting because an application will be presented before the PSC regarding a \$25 per month surcharge to be added to the water usage bill that may or may not be approved by the PSC.

3. RESOLUTION OF THE BOARD OF DIRECTORS AUTHORIZING ISSUANCE OF THE CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FUND C LOAN (CITY OF JUNCTION CITY, C88-06) TO THE CITY OF DANVILLE

Mr. John Covington, KIA, noted that the City of Danville has acquired the Junction City's utility services. Junction City provided both water and sewer services to its residences.

Junction City as a current Fund C loan with a balance of \$775,000 with an interest rate ranging from 3% to 5.25% with a maturity of June 1, 2014, and an annual debt service payment of \$106,003. The City of Danville is requesting permission from the Authority to assume that loan. The original Fund C loan to Junction City refinanced a Farmers Home loan.

The analysis of the impact on rates of the Danville assumption of the loan shows that Junction City has both inside and outside city customers. The effect on the ratepayers will be combined bill savings on an average 3820 gallons for the inside city customers or \$14.72 and \$19.50 for the outside customers.

The financial outlook for the City of Danville appears to be very strong and financial projections indicate that combined systems will produce better than anticipated results.

KIA staff believe the assumption will be an improvement for the ratepayers of Junction City and recommends Board approval of this assumption.

Ms. Hollie Spade made a motion to adopt the resolution. Secretary Wilcher seconded and the motion carried.

4. **RESOLUTION OF THE KENTUCKY INFRASTRUCTURE AUTHORITY 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**

Mr. John Covington, KIA, noted this routine resolution allows KIA to reimburse expenses that are paid out of the Authority's funds with bond proceeds. The projects listed below are covered under the resolution. It is noted that the City of Booneville's initial funding request of \$3,548,148 was changed to \$2,548,148 and reflected below.

APPLICANT	FUND	AMOUNT
City of Booneville	B	\$2,548,148

Mr. Amato made motion to approve the resolution. Commissioner Ellen Williams seconded and the motion carried.

5. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING ACTION TO BE TAKEN ON INFRASTRUCTURE GRANTS THROUGH THE 2020 PROGRAM AND/OR INFRASTRUCTURE REVOLVING FUND (FUND B) PROGRAM WHOSE PROJECTS ARE NOT UNDER CONSTRUCTION**

Ms. Anderson, KIA, noted that the 2020/Fund B grants were given an initial start date deadline of December 2003. In October 2004 there were several that had not met that deadline and came before the Board seeking extensions and were granted extensions. There are now five (5) of the 2020 grantees remaining that have not started construction due to difficulties and are requesting an additional extension.

City of Hardinsburg Breckenridge Co. WX21027001 \$ 225,000

The City of Hardinsburg Water Company ("the Water Company") is proposing to construct a 3.3 mgd regional water treatment plant that will utilize groundwater from wells near the Ohio River. The project will also include the construction of approximately twenty (20) miles of transmission line. In October 2004 the grant project was given an extension to May 1, 2005 to begin construction.

Ms. Holly Nicholas, Tetra Tech, stated that the City of Hardinsburg (the City) is 45-60 days away from bidding the job. There are two items still not complete at this point both involving the Corp of Engineers (the Corp).

1. There has been Phase I and Phase II archeological surveys done on the project. As a result of the Phase II survey, a report went to the State Historic Preservation Office (the SHPO), they in turn asked the Corp to review the report thinking the Corp may decide that they had jurisdiction. The Corp has decided that they do not have jurisdiction but want to participate in the further mitigation efforts that are going to be required.

The Corp and the State Historic Preservation Office (SHPO) drafted a Memorandum of Agreement (the MOA) that spells out all the mitigation efforts that have to be undertaken during construction. The MOA has been signed off by the SHPO but is still currently going through the channels at the Corp.

The City of Hardinsburg is a regional water supplier, selling water within the City of Hardinsburg, the City of Irvington and Breckinridge County. Most of the customers are outside the City limits of Hardinsburg.

2. Another item with the Corp deals with wetlands. The project crosses the backwaters of the Ohio River that is a wetland area. The Corp was notified over a year ago requesting determination of the jurisdiction of the wetlands but received no reply until just recently. The Corp decided that the area was a jurisdiction of wetlands and the City was assured a nation-wide permit covered the wetlands. In order for the City to be allowed to cross the wetlands, the City is required to prepare a report for the Corps' review and approval. It is anticipated that the report would take thirty (30) days to be prepared and sent to the Corp.

The Division of Water has approved the plans and all funding is in place. It is determined that once the issues with the Corp have been resolved the project will be ready to begin construction.

City of Lancaster Garrard Co. WX21079002 \$ 100,000

This project will construct new transmission/distribution mains in the Lancaster system to improve reliability, maintenance capability and flow capacity, alleviate water quality problems with severely tubercolated mains and improve pressures and flow to area residents and the Garrard County Water Association.

Mr. Scott Taylor, Mayes Sudderth and Etheridge Engineers, noted that the City of Lancaster (the City) is currently in the process of acquiring easements for the project. No one has waived their right for an appraisal and many properties have been appraised. All documentation has been turned in to Rural Development and the City is awaiting permission to advertise for bids. It is anticipated that the City would be ready to bid the project by the end of June 2005 and begin construction within ninety (90) days of the bid.

E. Daviess Co. Wtr. Assoc. Hancock Co. WX21059007 \$ 100,000

This project involves the construction of 300,000-gallon storage tank at Yelvington. This project also involves the extension of a 10-inch reinforcing main from the end of an existing 10-inch main in Pellville running east along KY144 to KY69 and south along KY69 to the new storage tank.

Mr. Glenn Morrison, Johnson, Depp and Quisenberry, noted that the Division of Water approved the plans and specifications. All the preliminary engineering reports had been submitted to Rural Development and the environmental review is complete. All legal paperwork is anticipated to be completed and turned in by the week of June 6, 2005. At that point, the City will request authorization to bid the project by the end of June 2005.

There have been restrictions placed on the project as far as being able to remove trees for water lines. The City anticipates starting construction by the beginning of fall 2005. All funding is in place in the total of approximately \$1.3 million.

City of Owenton **Owen Co.** **WX21187207** **\$ 100,000**

This project will construct a new intake on the Kentucky River, replacing the current Severn Creek intake. It will improve water quality and allow for increased flow.

Mayor David Wotier, City of Owenton (“the City”), noted the City had received an extension to May 31, 2005. Mr. Richard Bragg, Northern Kentucky Area Development District, stated that the intake project is designed to move the fresh water intake from Severn Creek to a much more reliable source on the Kentucky River.

When this project was first funded by a State and Tribal Grant (STAG) it was consolidated into three (3) projects. The Environmental Protection Agency (EPA) could not process the project until the project was separated. Therefore, it was necessary to wait for another fiscal year to redo the language, separate the project and start the application procedure in October 2004. Subsequently, the City has prepared the application and the environmental assessment and submitted it to the Division of Water and EPA.

The Environmental Protection Agency would not process the application until the environmental assessment was approved and returned the application to the City. The Finding of No Significant Impact (FNSI) has been issued and the application should be forthcoming within June 2005.

The Division of Water has approved plans and specifications. At this point the City is going through the Uniform Acquisition Act to resolve purchase of property issues. The project is anticipated to be ready to advertise by July 15, 2005 and bid by early fall 2005.

City of Booneville **Owsley Co.** **WX21189001** **\$ 481,035**

This project includes water line extensions of 42 miles to serve 175 new customers. Areas to be served include Buffalo, Stay, Fish Creek/Winkler, Brushy Creek, Greenhall, 1071, Chadwell/847, White Oak, Highway 11/Sexton Creek, Anglin Creek, Allen Road and Doe.

Mr. Kerry Odle, CMW, Inc., noted that 98-99% of all Owsley County (the County) would be served with water. The County originally applied for a CDBG grant but could not meet the density requirements. Obtaining additional funding for the 2020 project from Rural Development had previously delayed the project from moving forward due to the requirement of waiting until the new fiscal year 2005-2006. The County has received funding in the amount of \$1.1 million from the 2005 budget. Also in the state budget, was an additional \$600,000 to the County for additional water and sewer lines of which the County has agreed to use approximately \$200,000 to cover the amount that the Rural Development loan will be. All the funding is currently in place. The County is now awaiting correspondence from Rural Development and the Kentucky Infrastructure Authority approving the above mentioned funding. The County must obtain property acquisition of six (6) to eight (8) easements and anticipates advertising in sixty (60) days and another forty-five (45) days to award. The total project cost is \$2,189,500.

Ms. Anderson noted that the KIA staff made the recommendation that the 2020 projects be given until the end of the 2005 calendar year to begin construction.

Commissioner Williams made a motion to allow all the five (5) entities grant applications to be extended to December 31, 2005, in which to commence construction. Ms. Spade seconded and the motion carried.

II. INFORMATION ITEMS

A. SUMMARY OF KIA INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Robert Potter, KIA, presented the results from the Independent Audit Report, conducted by Cotton & Allen, CPA and Consultants on the KIA loan files, and the plan of action to accomplish changes suggested by the report. The purpose of the audit was to get an accurate evaluation of current record inventory and to improve the operations of KIA. The review encompassed the appraisal of the completeness of the files and documentation required.

The KIA loan funds are: Funds A, B, C, E, and F. Fund A has a total of 121 loans and Fund C has 104 loans. The pre-1990 loans make up 27% of the 335 loans audited and the post-1990 made up 73%.

The attributes reviewed for each loan file were: loan application, audited financial statement, credit analysis/project review, board approval, commitment letter, assistance agreement, request for payment, draw request, and bank statement. Of the 335 loans, 266 audited local governmental agencies' financial statements were missing and 123 KIA bank statements were missing. The majority of the exceptions were on pre-1990 loans.

The corrective action plan decided upon by input from Cotton & Allen, CPA and Consultants and the KIA staff is as follows:

- Verify the results of the audit
 - analysts were given a report in order to eliminate exceptions, report findings and update checklist
 - this is an ongoing process
- Conduct annual evaluations of files
 - to be conducted annually on July 15 to evaluate project files for possible archival, review for duplicate files and verify checklist
- Create a checklist for each file
 - place the checklist in each file showing what is missing, etc.
 - this checklist can be updated as needed
- Develop an internal audit procedure and schedule
 - loan file audit schedule was divided by fund and number of files in each fund
- Implement a check in/out system
 - created place holders and placed sign out sheet in holder
 - notes date file was pulled, name of person, which file, dated returned

- Generate letters to borrowers
 - 228 letters have been mailed to borrowers requesting their latest audited financial statements
 - to date 76 audits have been received, 22 audits for June 30, 2004, are not available at this time due to implementation of GASB 34, and 130 entities have not responded

Deputy Secretary John Farris stated the importance of the audit when doing a refunding and commended the KIA staff for participating in the audit. Mr. Potter noted that KIA staff would keep the Board comprised of future accomplishments of the audit.

B. REPORT ON KIA PROPOSED LOAN PROCESS CHANGES AND REGULATION CHANGES

Dr. John Tapp, KIA, presented the Board with proposed State Revolving Loan Process and Regulation Changes. KIA, in coordination with the Division of Water (DOW), has been streamlining the timeline on the availability of State Revolving Loan Fund money for Funds A and F. Part of the process of the streamlining will require KIA to modify its regulations as well as DOW modifying its Wastewater Planning regulations. A copy of the draft regulations will be available to the Board and stakeholders in the near future for review and comment.

III. STATUS REPORTS FOR FUNDS

- A. 2003 Coal/Tobacco Development Funds Grants
- B. 2020 Account/Fund B Grants
- C. 2003 Coal Severance Grants
- D. Fund A, A1, B, B1, C, E, F, F1

- Acting Chair Talley noted that a copy of the above mentioned status reports are included in the board book for information purposes.
- Mr. Jody Hughes noted that the legislature had approved a total of five hundred (500) tobacco and coal grants in the amount of approximately \$200 million for the 2005-2006 fiscal year. Ms. Suzanne Anderson will administer the three hundred (300) tobacco grants and Mr. John Covington will administer the two hundred (200) coal grants. The approval letters have been mailed to the entities receiving the grants requesting that a project administrator be identified for each grant project.
- The Authority is in the process of obtaining assistance for the financial analysts and Ms. Denise Pitts and also anticipate filling a vacant position for a data program analyst.
- Mr. Hughes noted a change of responsibilities for Dr. John Tapp, Executive Assistant, who has been serving as outreach staff for the western portion of the Commonwealth to better assist Area Development Districts and local officials. Dr. Tapp will take on statewide planning initiative encompassing cooperation and connectivity between governmental agencies.

- Mr. Jim Quinn, Legislative Research Commission (LRC), noted that the LRC Program Review and Investigations Committee has requested a study of water and sewer planning in Kentucky as compared to the six year highway plan. Senate Bill 409 from the 2000 session basically set up KIA for long range planning, promoting regionalization and consolidation of services. The committee wishes to see how well SB409 has been implemented. Mr. John Foster, intern for LRC, has also been assigned to the project.

IV. ANNOUNCEMENTS/NOTIFICATIONS

The next scheduled KIA Board Meeting is for:

Thursday, July 7, 2005

Kentucky Infrastructure Authority

Governor's Office for Local Development (GOLD)

1024 Capital Center Drive, Suite 340, Frankfort

There being no further business, Mr. Amato moved to adjourn. Commissioner Williams seconded and the motion carried. The Kentucky Infrastructure Authority Board meeting adjourn at 3:15 p.m.

Submitted by:

M. Denise Pitts, CPA, Secretary
Kentucky Infrastructure Authority

Date



KENTUCKY INFRASTRUCTURE AUTHORITY

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

Ernie Fletcher
Governor

Jody E. Hughes
Executive Director

June 10, 2005

The Honorable Gary W. Moore
Boone County Judge/Executive
Boone County Fiscal Court
P.O. Box 900
Burlington, Kentucky 41005

KENTUCKY INFRASTRUCTURE AUTHORITY INFRASTRUCTURE REVOLVING LOAN FUND CONDITIONAL LOAN COMMITMENT

Dear Judge Moore:

The Kentucky Infrastructure Authority ("KIA") commends your efforts towards improved public service facilities in your community. KIA at its board meeting of March 3, 2005 approved your loan application for a Fund B project in the amount of \$2,548,148.

A loan agreement will be executed between KIA and the ^{Boone} Hart County Fiscal Court upon satisfactory performance of the conditions set forth in this letter. A period of eleven (11) months from the date of this letter will be allowed for you to meet the conditions and enter the loan agreement. A one-time extension of six months may be granted with acceptable justification. Funds will be available for disbursement only after execution of the loan agreement.

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

1. The KIA construction loan shall not exceed \$2,548,148.
2. The loan shall bear interest at the rate of 2.71% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period of 30 years from the date this 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 initial 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 two-tenths of one percent of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Annual revenues equaling ten percent of the annual debt service on this loan shall be set aside in a repair and maintenance fund until such fund has a balance equal to five percent of the original loan amount.
8. Loan funds will be disbursed after execution of the loan agreement as project cost is incurred.
9. The final loan 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 loan agreement or incorporated in the loan agreement. Any required documentation must be submitted to the Authority.

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 shall be provided to the Authority prior to the pre-closing of the Authority loan and disbursement of the loan moneys. Rejections of any anticipated project funding or any new sources or funding shall be immediately reported to the Authority and 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.

5. Any required adjustment in utility service rates shall be adopted by ordinance or resolution by the appropriate governing board. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
6. All easements or purchases of land shall be completed prior to commencement of construction and prior to execution of the loan agreement. Certification of said acquisitions shall be provided to the Authority.

The following are the special conditions to be satisfied prior to execution of the loan agreement or incorporated in the loan agreement.

1. The Fiscal Court is subject to a Debt Hearing with the State Local Debt Office, and shall comply with its findings relative to the KIA loan.
2. The Fiscal Court shall submit a copy of its budget annually to the Authority upon approval by the State Local Debt Office.

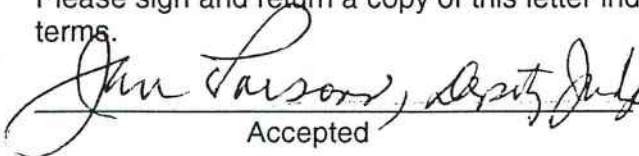
Please inform the Authority of any changes in your financing plan as soon as possible. We will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project, which will benefit both your community and the Commonwealth as a whole.

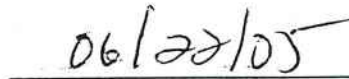
Sincerely,


Jody E. Hughes
Executive Director

c: State Local Debt Officer, Governor's Office for Local Development

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms.


Accepted


Date

PROJECT NUMBER: B05-02
GOVERNMENTAL AGENCY: COUNTY OF BOONE,
KENTUCKY
GOVERNMENTAL AGENCY'S ADDRESS: P.O. Box 900
Burlington, Kentucky 41005
DATE OF ASSISTANCE AGREEMENT: May 1, 2006
DATE OF SUPPLEMENTAL ASSISTANCE AGREEMENT: August 1, 2010

ASSUMPTION AND SUPPLEMENTAL ASSISTANCE AGREEMENT

This Assumption and Supplemental Assistance Agreement made and entered into as of the date set forth on the cover page hereof (the "Supplemental 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 Kentucky (the "Authority") and the Governmental Agency identified on the cover of this Supplemental Agreement (the "Governmental Agency"):

WITNESSETH

WHEREAS, the County of Boone (the "Prior Governmental Agency") heretofore entered into that certain assistance agreement dated as of May 1, 2006 (the "Original Assistance Agreement") with the Authority, pursuant to which the Authority loans certain funds (the "Loan") to the Prior Governmental Agency to finance improvements (the "Project") to the Prior Governmental Agency's utility system (the "Prior Governmental Agency System"); and

WHEREAS, the current outstanding principal amount of the Loan is \$2,336,205.51; and

WHEREAS, pursuant to a Purchase and Lease Agreement dated as of August 1, 2009 (the "Acquisition Agreement") between the Prior Governmental Agency and the Governmental Agency, the Governmental Agency agreed to acquire and assume all assets and liabilities of the Prior Governmental Agency's System, including the

Loan; and

WHEREAS, in connection with the Agreement, the Governmental Agency and the Authority desire to provide for a formal assumption by the Governmental Agency of all the rights and obligations of the Prior Governmental Agency with respect to the Original Assistance Agreement, including, without limitation, the payment obligations set forth in the Original Assistance Agreement; and

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL COVENANTS CONTAINED HEREIN AND IN THE ORIGINAL ASSISTANCE AGREEMENT, AND OTHER GOOD AND VALUABLE CONSIDERATION, THE PARTIES HERETO COVENANT, AGREE AND BIND THEMSELVES AS FOLLOWS:

ARTICLE I

ASSUMPTION OF ORIGINAL ASSISTANCE AGREEMENT

Section 1.1. In consideration of the conveyance of the properties described in the Acquisition Agreement herein described between the Governmental Agency and the Prior Governmental Agency and the benefits accruing to the Governmental Agency from the Project financed by the Loan, the Governmental Agency does hereby agree to assume the obligations of the Prior Governmental Agency to make pay the payments under the Original Assistance Agreement and to keep and perform all the promises, covenants and conditions set forth and contained in the Original Assistance Agreement securing the payments under the Original Assistance Agreement, as debtor, and to fulfill any other covenant and condition contained in the Original Assistance Agreement in the manner and form as therein set forth.

ARTICLE II

EFFECT OF SUPPLEMENTAL AGREEMENT

Section 2.1. From and after the time of taking effect of this Supplemental Agreement, the Original Assistance Agreement shall be, and be deemed to be, modified and amended in accordance herewith, and the respective rights, duties and obligations under the Original Assistance Agreement of the Authority and the Governmental Agency thereunder shall be determined, exercised and enforced thereunder subject in all respects to the provisions of this Supplemental Agreement, and all provisions hereof shall be deemed to be part of the terms and conditions of the Original Assistance Agreement for any and all purposes.

ARTICLE III

EFFECTIVE DATE; MISCELLANEOUS PROVISIONS

Section 3.1. Time of taking effect. This Supplemental Agreement shall be

effective as of the day and year written on the cover page hereof.

Section 3.2. Invalidity of any provision. In case any one or more of the provisions contained herein shall be adjudicated by any court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be effected or impaired thereby.

Section 3.3. Execution in counterparts. This Supplemental Agreement may be simultaneously executed and delivered in any number of counterparts, each of which when so executed and delivered shall be deemed to be an original, but such counterparts shall together constitute but one and the same instrument.

[Signatures begin on the following page.]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be executed by their respective duly authorized officers as of the day and year stated on the cover page hereof.

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: 
Title:

Attest:

Secretary

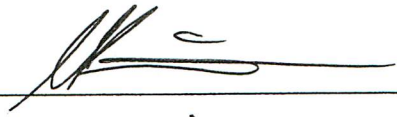

**COUNTY OF BOONE, KENTUCKY, Prior
Governmental Agency**

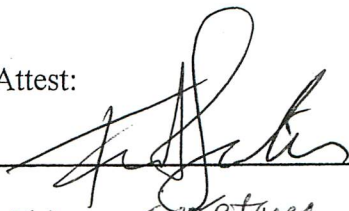
By: 
Judge/Executive

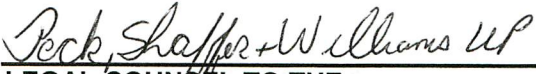
Attest:

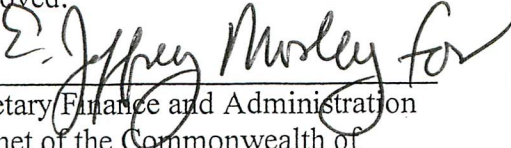
Fiscal Court Clerk

**BOONE COUNTY WATER DISTRICT,
Governmental Agency**

By: 
Title: 

Attest:

Title: secretary

EXAMINED:

**LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE AUTHORITY**

Approved:

Secretary Finance and Administration
Cabinet of the Commonwealth of
Kentucky

Examined:

**APPROVED AS TO FORM AND LEGALITY BY THE
FINANCE AND ADMINISTRATION CABINET**

RESOLUTION

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

WHEREAS, the Boone County Water District (the "Governmental Agency") intends to acquire the utility system of the County of Boone, Kentucky (the "County") pursuant to the order of the Kentucky Public Service Commission dated May 11, 2010 in Case Number 2010-00065; and

WHEREAS, prior to the acquisition of County's utility system by the Governmental Agency, the County had determined that it was in the public interest to acquire and construct certain infrastructure improvements for the benefit of the residents of County (collectively, the "Project") and

WHEREAS, the County had made an application to the Kentucky Infrastructure Authority (the "Authority") for the purpose of providing monies to permanently finance the costs of the Project; and

WHEREAS, in order to obtain such monies, the Authority sold its revenue or revenue refunding bonds (the "Bonds") and used a portion of the proceeds thereof to permanently finance a loan (collectively, the "Loan") to the District evidenced by the Assistance Agreement dated as of May 1, 2006 between the District and the Authority; and

WHEREAS, in conjunction with the acquisition of the County's utility system by the Governmental Agency, the Governmental Agency assumed the obligations of the County payable from the revenues of such utility system, including the obligations under the Loan; and

WHEREAS, in connection with the assumption of the Loan it is necessary and desirable that the Governmental Agency enter into Assumption and Supplemental Assistance Agreement with the Authority to formally assume the Loan; and


NOW, THEREFORE, BE IT RESOLVED BY THE BOONE COUNTY WATER DISTRICT AS FOLLOWS:

SECTION 1. That the Board of Commissioners of the Governmental Agency hereby approves and authorizes the Assumption and Supplemental Assistance Agreement between the Governmental Agency and the Authority, substantially in the form on file with the Governmental Agency, for the purpose of assuming the Loan.

SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are authorized, directed and empowered to execute the Assumption and Supplemental Assistance Agreement and any other necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such assumption.

SECTION 3. That this resolution shall take effect upon adoption as provided by law.

ADOPTED on JUNE 14, 2010.

By: 
Chairman

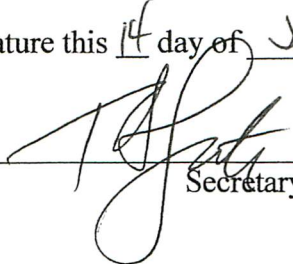
Attest:

Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Boone County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said District at a meeting duly held on JUNE 14, 2010; that said official action appears as a matter of public record in the official records or journal of the Board; 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 14 day of JUNE, 2010.



Secretary

48087.1

PURCHASE AND LEASE AGREEMENT

JSE
AUGUST 1, 2009 PWI

THIS PURCHASE AND LEASE AGREEMENT (the "Lease"), dated as of ~~July 1, 2010~~, by and between the COUNTY OF BOONE, KENTUCKY, (hereinafter called the "County"), as lessor, and the BOONE COUNTY WATER DISTRICT, a special district created pursuant to Chapter 74 of the Kentucky Revised Statutes (hereinafter called the "District"), as lessee;

WITNESSETH

WHEREAS, the County has heretofore issued its General Obligation Public Project Bonds, Series 2002B (the "Bonds") and used the proceeds thereof, in part, to construct and install certain water lines and appurtenant facilities, as more fully described in Exhibit A attached hereto (the "Subdistrict A Project") for the purpose of establishing a water distribution system (the "County System") for the purpose of providing potable water to certain residents of the County; and

WHEREAS, the County entered into an Assistance Agreement dated as of May 1, 2006 with the Kentucky Infrastructure Authority (the "Assistance Agreement") and used the proceeds of the loan provided thereby to construct the "Project," as defined in the Assistance Agreement (the "Subdistrict B Project" and together with the Subdistrict A Project, the "Project"), which Subdistrict B Project is a part of the County System; and

WHEREAS, in order to provide for the operation and maintenance of the Project, the County entered into an Operation and Maintenance Agreement (the "Agreement") dated as of August 1, 2002 with the Boone County Water District, a water district created pursuant to Chapter 74 of the Kentucky Revised Statutes (the "District") under which the District has been operating and maintaining the County System; and

WHEREAS, the County has determined to terminate the County System and to transfer ownership of the Project to the District to become a part of the District's water system (the "District System"); and

WHEREAS, in order to (i) continue the provision of potable water to certain residents of the County, (ii) provide for the continued operation and maintenance of the Subdistrict A Project, and (iii) provide for the payment of a portion of the debt service on the outstanding Bonds from a source other than the County's general fund, the District has agreed to operate and maintain the Subdistrict A Project as a part of the District System and to make lease payments to the County as set forth herein; and

WHEREAS, in order to continue the provision of potable water to certain residents of the County, the District has agreed to purchase the Subdistrict B Project to be a part of the District System and to assume the obligations of the County under the Assistance Agreement; and

WHEREAS, the Public Service Commission of Kentucky, by Order in Case No. 2010-00065, has approved this Lease and the transfer of the Project to the District, as herein provided.

NOW, THEREFORE, IT IS AGREED BETWEEN THE PARTIES HERETO AS FOLLOWS:

Section 1. The District agrees to lease and rent the Subdistrict A Project from the County and the County hereby lets to the District, the Subdistrict A Project, to be used only for public purposes as a part of the District System from the period commencing with the date of this Lease and ending on the August 1, 2037 (the "Termination Date") or such earlier date as hereinafter provided. Simultaneously with the commencement of this Lease, the Operation and Maintenance Agreement dated as of August 1, 2002 between the County and the District shall be deemed terminated and to no longer have any force or effect.

Legal title to the Subdistrict A Project and all fixtures, appurtenances and other permanent accessories thereto and all interests therein will be held by the District, subject to the County's rights under this Lease. The County and the District agree that this Lease or any other appropriate documents may be filed or recorded to evidence the parties' respective interests in the Subdistrict A Project and the Lease.

The District agrees to pay the Lease Payments specified in Exhibit B (the "Lease Payments"). Each payment shall be applied first to payment of the interest component of the respective Lease Payment; provided, however, the District may make advance payments of principal components of Lease Payments.

Notwithstanding that this Lease is between the District and the County, all payments due hereunder shall, if so requested by the County in writing, be made directly to the paying agent bank for the Bonds (the "Paying Agent") for deposit in the Bond Payment Fund established in the Ordinance authorizing the Bonds.

In order to secure all of its obligations hereunder, the District hereby (i) grants to the County a first and prior security interest in any and all right, title and interest of the District in the portions of the Subdistrict A Project that constitute personal property and in all additions, attachments, accessions, and substitutions thereto, and on any proceeds therefrom, (ii) agrees that this Lease may be filed as a financing statement evidencing such security interest, and (iii) agrees to execute and deliver all financing statements, certificates of title and other instruments necessary or appropriate to evidence such security interest.

The County's interest shall terminate upon (a) the District's exercise of the purchase option granted herein, or (b) the complete payment of all Lease Payments and performance by the District of all of its obligations hereunder; provided, however, that title shall immediately and without any action by the District vest in the County and the District shall immediately surrender possession of the Subdistrict A Project to the County upon (i) any termination of this Lease without the District exercising its option to purchase pursuant to this Lease or (ii) the occurrence of an Event of Default, as hereinafter defined. In any of such cases, the District agrees to execute such instruments and do such things as the County reasonably requests and as may be required by law in order to effectuate transfer of any and all of the District's right, title and interest in the Subdistrict A Project, as is, to the County. It is hereby acknowledged by the County and the District that the District intends to purchase the Subdistrict A Project on the terms set forth in this Lease.

Section 2. The Subdistrict A Project referred to in this Lease is located in Boone County, Kentucky, and is more particularly described in Exhibit A attached hereto.

Section 3. The District represents and warrants that:

(a) It is a water district duly organized, validly existing, and in good standing under the laws of the Commonwealth of Kentucky.

(b) It has the power and has been duly authorized to enter into this Lease and perform all of its obligations hereunder.

(c) The District is not subject to any contractual or other limitation or provision of any nature whatsoever which in any way limits, restricts or prevents the District from entering into this Lease, or performing any of its obligations hereunder or thereunder; and the execution and delivery of this Lease, the consummation of the transactions contemplated hereby, and the fulfillment of or compliance with the terms and conditions of this Lease will not conflict with or result in a breach of the terms, conditions or provisions of any restriction, agreement or instrument to which the District is a party or by which it is bound, or constitute a default under any of the foregoing, and will not violate any provision of law or regulation applicable to the District or any court or administrative order or decree, including, but not limited to any regulations of the Public Service Commission of Kentucky.

Section 4. The County represents and covenants that it has full power to execute and perform this Lease and the covenants and promises contained herein.

Section 5. The District hereby accepts the Subdistrict A Project, as is, and the County makes no warranty or representation, either express or implied, as to the value, design, condition, fitness for particular purpose or fitness for use of any of the Subdistrict A Project. The County hereby transfers and assigns to the District, all of its right, title and interest it may have with respect to any warranties or representations, either express or implied, as to the value, design, condition, fitness for particular purpose or fitness for use of any of the Subdistrict A Project.

Section 6. The District will operate and maintain the Subdistrict A Project in a manner substantially consistent with the laws of the Commonwealth of Kentucky regarding water distribution projects and in a manner which will substantially effectuate the public purposes of Chapters 74 and 96 of the Kentucky Revised Statutes.

Section 7. The District covenants and agrees with the County that the District shall during the term of this Lease keep and maintain the Subdistrict A Project and all parts thereof in good condition and repair, ordinary wear and tear excepted, including, but not limited to, the furnishing of all parts, mechanisms and devices required to keep the Subdistrict A Project in good mechanical and working order. The District shall keep the Subdistrict A Project in substantial compliance with all applicable governmental regulations and requirements, and in each case the District shall make all replacements and repairs necessary in connection therewith.

Section 8. The District shall have and is hereby given the right, at its sole cost and expense, to make such additions, improvements, changes and alterations in and to any part of the Subdistrict A Project as the District from time to time may deem necessary or advisable; provided, however, that the District shall not make any addition, change or alteration which would change the character of the Subdistrict A Project as a water distribution Subdistrict A Project. All additions, changes and alterations made by the District pursuant to the authority of

this Section shall (a) be made in a workmanlike manner and in substantial compliance with all laws and ordinances or resolutions applicable thereto, (b) when commenced, be prosecuted to completion with due diligence without delay or abatement in the District's payment of rent due hereunder, and (c) when completed, be deemed a part of the District System.

Section 9. The District shall neither do nor permit others under its control to do any work in or about the Subdistrict A Project or related to any repair, rebuilding, restoration, replacement, alteration of or addition to the Subdistrict A Project, or any part thereof, unless District shall have first procured and paid for all requisite municipal and other governmental permits and authorizations. All such work shall be done in a good and workmanlike manner and in substantial compliance with all applicable building, zoning, and other laws, ordinances, governmental regulations and requirements and in accordance with the requirements, rules and regulations of all insurers under the policies required to be carried under Section 13 hereof.

Section 10. The District shall be responsible for establishing fees and charges (including any surcharges to customers of the District using the Subdistrict A Project) for the use by the public of the District System (including the Subdistrict A Project), subject to any limitations provided by law.

Section 11. Notwithstanding anything herein to the contrary, the District, for the benefit of the County and each holder of the Bonds, hereby represents that it has not taken, or permitted to be taken on its behalf, and agrees that it will not take or permit to be taken on its behalf, any action which would adversely affect the excludability from gross income of the interest on the Bonds for federal income tax purposes, and that it will make and take, or require to be made and taken, such acts and filings as may from time to time be required under the Internal Revenue Code of 1986, as amended, to maintain such excludability from gross income.

Section 12. The County shall have reasonable access and the right to inspect, examine and make copies of the books, records, accounts, tax returns and other such financial information of the District.

Section 13. The District shall obtain insurance with respect to the Subdistrict A Project issued by an insurer or insurers and on policy forms in such amounts which are customary with the District for facilities which are similar to the Subdistrict A Project, against loss or damage from theft, fire, vandalism and other events covered by uniform standard extended coverage endorsements approved by the insurance regulatory authority in the Commonwealth of Kentucky. The District may alternatively insure such property under a blanket insurance policy or policies which cover not only such property but other properties.

Each insurance policy provided for in the preceding and following paragraphs shall contain a provision to the effect that the insurance company shall not cancel the same without first giving written notice thereof to the County at least thirty (30) days in advance of such cancellation.

The District shall also carry public liability insurance with reference to the Subdistrict A Project with one or more reputable insurance companies duly qualified to do business in Kentucky, for death or bodily injury and property damage in amounts which are customarily

carried for water districts which are similar to the District. The County shall be made an additional insured under such policies. Such public liability insurance may be by blanket insurance policy or policies.

The parties hereto recognize that continued inflation, the emergence of new risks, and various other factors foreseeable or unforeseeable may at some future time cause the insurance coverages required by this Lease to become inadequate in face amount or the type of risks insured against. The District hereby covenants with the County that throughout the life of this Lease the District shall keep the Subdistrict A Project continuously insured against such risks as are customarily insured against by the District, and in such amounts as would be customarily maintained, by businesses of like size and type.

Section 14. If the Subdistrict A Project is destroyed (in whole or in part) or is damaged by fire or other casualty, the District shall promptly replace, repair, rebuild or restore the property damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and modifications including the substitution and addition of other property as may be desired by the District and as will not impair the operation of the Subdistrict A Project or change its character and the District will apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for losses, under the insurance policies required to be carried herein, resulting from such damage.

Section 15. The County and its duly authorized representatives and agents, reserve the right to enter the Subdistrict A Project at all reasonable times during the term of this Lease for the purpose of (a) examining and inspecting the same, including the construction, installation and equipping thereof and (b) performing such work in and about the Subdistrict A Project made necessary by reason of the District's default under any of the provisions of this Lease. The County shall also have the right at all reasonable times to examine the books and records of the District.

Section 16. This Lease is made on condition that if (each of the following events being deemed an "Event of Default" under the provisions of this Lease):

- (a) the District fails to punctually pay all Lease Payments as the same become due; or
- (b) the District fails to observe, keep or perform any other covenant or obligation herein contained on the District's part to be observed, kept or performed, and the District fails to remedy the same within thirty (30) days after the County has given the District written notice specifying such failure and requesting that it be remedied; or
- (c) the District vacates or abandons the Subdistrict A Project; or
- (d) any representation or warranty by the District contained in this Lease or in any certificate or instrument delivered by the District pursuant to this Lease is false or misleading in any material respect;

then the County may at its election then or at any time thereafter, and while such default shall continue, give the District written notice of intention to terminate this Lease on a date specified therein, which date shall not be earlier than ten (10) days after such notice is given, and, if all defaults have not then been cured, on the date so specified, the District's rights to operation of the Subdistrict A Project shall cease and this Lease shall thereupon be terminated, and the County may re-enter and take possession of the Subdistrict A Project.

Section 17. If the District shall fail to keep or perform any of its obligations as provided in this Lease in respect of (a) maintenance of insurance, (b) payments of rent required hereunder, (c) repairs and maintenance of the Subdistrict A Project, (d) substantial compliance with legal or insurance requirements hereunder, (e) keeping the Subdistrict A Project lien free, or in the making of any other payment or performance of any other obligation so to do, upon the continuance of such failure on the District's part for thirty (30) days after written notice of such failure is given to the District by the County and without waiving or releasing the District from any obligation hereunder, as an additional but not exclusive remedy, the County may make any such payment or perform any such obligation, and all sums so paid by the County and all necessary incidental costs and expenses incurred by the County in performing such obligation shall be deemed additional rent due and payable by the District and shall be paid to the County, and if not so paid by the District, the County shall have the same rights and remedies as provided for in the case of default by the District in the payment of Lease Payments due under Section 1 hereof.

Section 18. The District shall indemnify and hold the County, its officers, directors, agents and employees harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on the Subdistrict A Project during the term of this Lease, and against and from all claims arising during the term of this Lease from (a) any condition of the Subdistrict A Project caused by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Lease, (c) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees, and (d) any act of negligence of any agents, contractors, servants, employees or licensees of the District in connection with the construction, installation, furnishing, equipping, management or operation of the Subdistrict A Project during the term of this Lease. Any indemnified party seeking to enforce the above indemnity shall give the District written notice of and the opportunity to defend any claims with respect to which indemnity is sought to be enforced hereunder, in which event the District shall either (i) employ counsel reasonably acceptable to such party to defend such claims and pay all costs and expenses in connection with such defense, or (ii) permit such party to defend such claims itself through counsel of its own choosing in which event the District shall indemnify and hold such party harmless from and against all reasonable costs and expenses incurred in or in connection with any action or proceeding brought with respect to such claims. Upon notice from such party in any such action or proceeding, if the District fails or refuses to proceed under option (i) above, the District shall be deemed to have agreed that such party may proceed under option (ii) above.

Section 19. On the Termination Date, so long as no event of default by the District hereunder has occurred and is continuing, the County will immediately transfer all of its right, title and interest in and to the Subdistrict A Project to the District and provide any documents of instruments to the District for such purpose that the District may reasonably request.

The District may, in its discretion, prepay in full its Lease Payments under the Lease by paying to the County the Optional Prepayment Price with respect to the Lease. Upon payment of the Optional Prepayment Price, the County will transfer and convey the Subdistrict A Project to the District as provided in the preceding paragraph.

As used in this Section, "Optional Prepayment Price" means the amount equal to the unpaid principal component of Lease Payments increased by the sum of (a) the amount of any due or past due Lease Payments together with interest (at the interest rate on the Bonds) on such past due Lease Payments to the date of such prepayment in full and (b) the unpaid accrued interest on the outstanding principal component of the Lease Payments to the next date on which the related Bonds can be redeemed; provided that such amount may be paid in the form of cash or noncallable United States Treasury Obligations which, together with the interest income thereon, will be sufficient to pay such amounts to the date the prepayment will be used to redeem Bonds.

Section 20. The District agrees to purchase the Subdistrict B Project from the County and the County hereby sells to the District, the Subdistrict B Project, to be used only for public purposes as a part of the District System. In consideration for the sale of the Subdistrict B Project to the District, the District agrees to assume all of the County's obligations under the Assistance Agreement in accordance with the terms of the Assumption and Supplemental Assistance Agreement dated as of August 1, 2010 among the District, the County and the Kentucky Infrastructure Authority.

The District hereby accepts the Subdistrict B Project, as is, and the County makes no warranty or representation, either express or implied, as to the value, design, condition, fitness for particular purpose or fitness for use of any of the Subdistrict B Project. The County hereby transfers and assigns to the District, all of its right, title and interest it may have with respect to any warranties or representations, either express or implied, as to the value, design, condition, fitness for particular purpose or fitness for use of any of the Subdistrict B Project.

The County agrees to execute such instruments and do such things as the District reasonably requests and as may be required by law in order to effectuate transfer of any and all of the County's right, title and interest in the Subdistrict B Project, as is, to the District. The District agrees to execute such instruments and do such things as the County reasonably requests and as may be required by law in order to effectuate assumption by the District of any and all of the County's obligations under the Assistance Agreement. The County and the District agree that any appropriate documents may be filed or recorded to evidence the sale of the County's interest in the Subdistrict B Project to the District and the assumption by the District of the Assistance Agreement.

The District shall indemnify and hold the County, its officers, directors, agents and employees harmless against and from all claims by or on behalf of any person, firm or corporation arising from the conduct or management of, or from any work or thing done on the Subdistrict B Project in the same manner as set forth in Section 18 with respect to the Subdistrict A Project.

IN TESTIMONY WHEREOF, the District has caused this instrument to be executed for and on its behalf by its Chairman and attested by its Secretary and the County has caused this instrument to be executed for an on its behalf by its Judge/Executive and attested by its Fiscal Court Clerk, as of the date first above written.

BOONE COUNTY, KENTUCKY

By: Gary W. Moore
Judge/Executive

Attest:

Daphne Kornblum
Fiscal Court Clerk

BOONE COUNTY WATER DISTRICT

By: [Signature]
Chairman

Attest:

[Signature]
Secretary

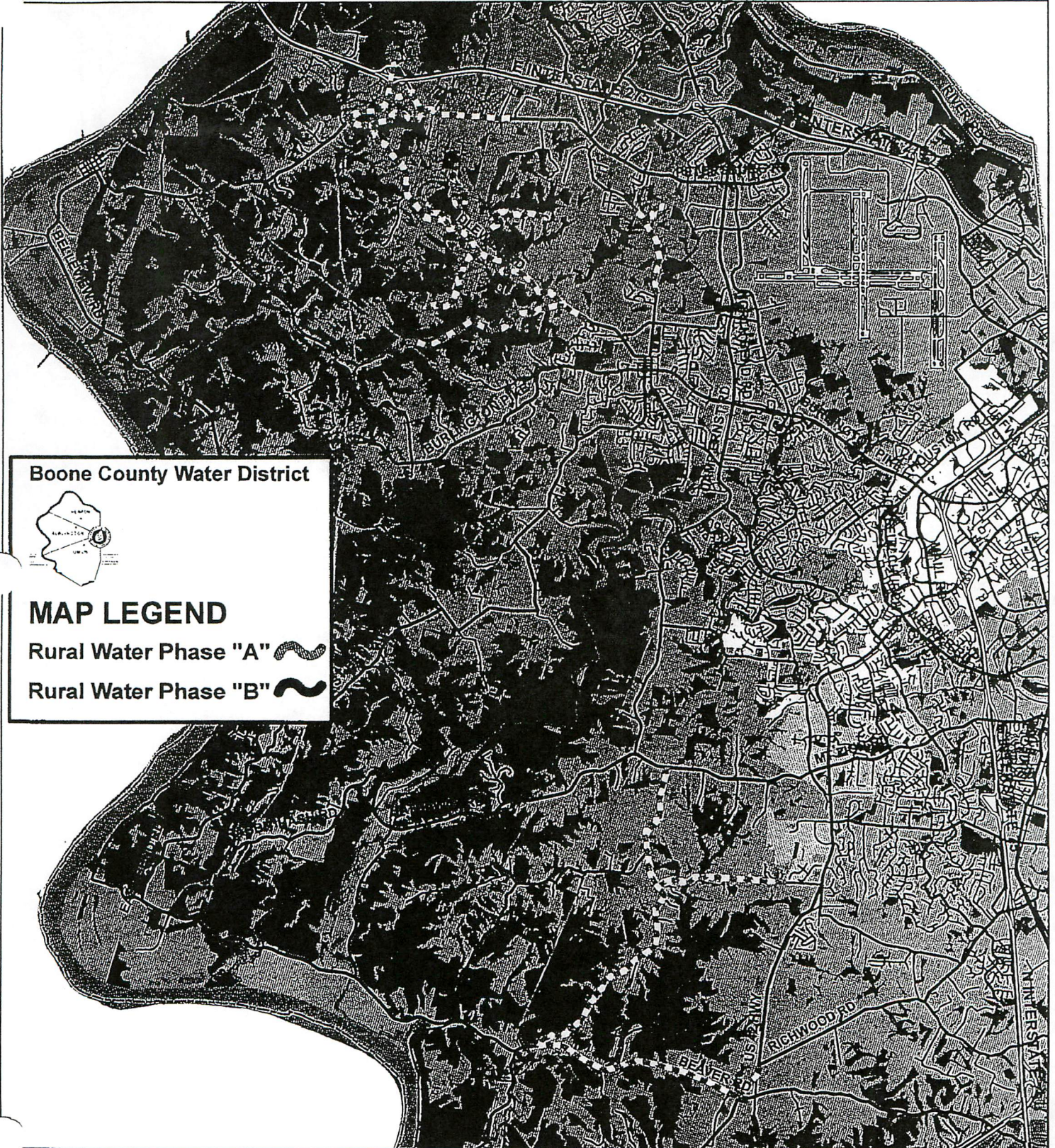
EXHIBIT A

Subdistrict A Project

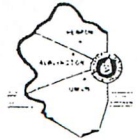
[Insert Exhibit A from the Maintenance Agreement]

Rural Water Phase "A"

www.boonecountygis.com



Boone County Water District



MAP LEGEND

Rural Water Phase "A" 

Rural Water Phase "B" 

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1 inch = 10,000 feet



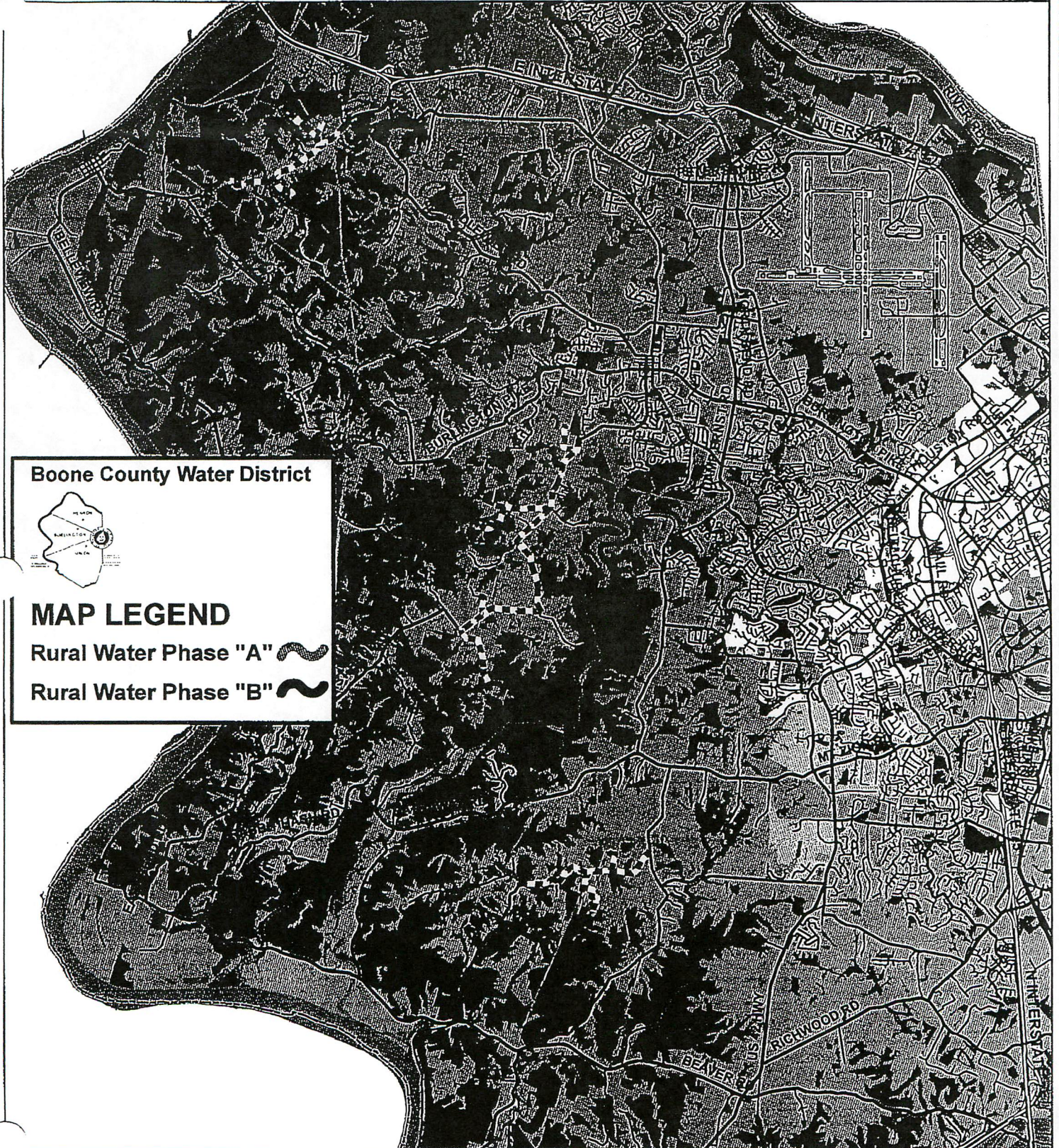
Boone County GIS - Putting Northern Kentucky on the Map

Map Created: 01/07/2010

Archives Document Y:\workspaces\10101010104_BCW\Documents\GIS\BooneCountyWater_Ph1.mxd

Rural Water Phase "B"

www.boonecountygis.com



Boone County Water District



MAP LEGEND

Rural Water Phase "A" 

Rural Water Phase "B" 

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1 inch = 10,000 feet



Boone County GIS - Putting Northern Kentucky on the Map

ArchMap Document: Y:\workspace\m\2010\04\BCWD\runwater\areas\BCWD_RuralWater_811.mxd

BOONE COUNTY FISCAL COURT
RURAL WATER SURCHARGE (\$25.00) PROGRAM

SUB DISTRICT A

BOOK 300

BIG BONE RD
BEAVER RD (3421 AND BELOW)
RICE PIKE (NO REGULATORS)
US 42
UNION RESERVE NORTH RD (NO REGULATORS)
WOOD RUN RD (NO REGULATORS)
BIG OAK RD (1) HOUSE
CROUCH RD (1) HOUSE
BIAS HOLLOW (NO REGULATORS)
ROYAL CASTLE WAY (NO REGULATORS)
 RED STONE VILLAGE SUBDIVISION
ZACHARY CT (NO REGULATORS)
CRAYTON WAY (NO REGULATORS)
TWIN HILLS CT. (NO REGULATORS)
THREE TREES LN (NO REGULATORS)
JACOBS RUN (NO REGULATORS)
LUCY CT. (NO REGULATORS)

BOOK 302

BULLITTSVILLE CHURCH RD
IDLEWILD RD
IDLEWILD BYPASS
***KY 20 (ADDY FROM 2139-4498)
BLACKBERRY HILL DR
RASPBERRY CT
IDLEBROOK RD
BROOKVIEW LN
DEERFIELD LN
AKIN LN
HAPPY JACK HOLLOW (1 HOUSE)
JORDAN LN
EASTON LN
FEELEY RD

BOOK 303

FAWN LN (NO REGULATORS)
BULLITTSVILLE RD (NO REGULATORS)

SUB DISTRICT B

BOOK 310

BIG BONE CHURCH RD (11284 AND BELOW)
MICHELLE DR
BRIAN CT
KIRBY LN
FOREST VIEW DR

BOOK 311

EAST BEND RD
EMERALD DR
KIRBY DR
WOLFE RD
LOCUST GROVE RD
HOWE RD (1) HOUSE
SNOW RD (1) HOUSE
POSSUM PATH

BOOK 312

KY 20 (ADDY FROM 4701-5413) **5447**
ANSON LN
BREWER LN
CARIBOU DR

SUB DISTRICT C (NOT RURAL WATER**)**

***** USE REGULATORS*****

BOOK 320

BIG BONE CHURCH RD (11288 AND UP)
BEAVER RD (3422 AND UP)

BOOK 321

KY 20 (ADDY FROM 5473-6496)
BELLEVIEW RD (ADDY FROM 3131-3503)

ACCOUNT NUMBERS

300-309 C00-C09
310-319 C10-C19

320-329 C20-C29

SUB DISTRICT A
SUB DISTRICT B

OUR PROJECT
SUB DISTRICT C

EXHIBIT B

Lease Payments

<u>Date</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Lease Payment</u>
August 1, 2009	\$54,563	\$119,437	\$174,000
February 1, 2010	52,175	121,175	173,350
August 1, 2010	49,751	123,599	173,350
February 1, 2011	47,279	73,071	120,350
August 1, 2011	45,818	74,532	120,350
February 1, 2012	44,327	23,863	68,190
August 1, 2012	43,850	24,340	68,190
February 1, 2013	43,363	24,827	68,190
August 1, 2013	42,866	25,324	68,190
February 1, 2014	42,360	25,830	68,190
August 1, 2014	41,843	26,347	68,190
February 1, 2015	41,316	26,874	68,190
August 1, 2015	40,779	27,411	68,190
February 1, 2016	40,231	27,959	68,190
August 1, 2016	39,672	28,518	68,190
February 1, 2017	39,101	29,089	68,190
August 1, 2017	38,519	29,671	68,190
February 1, 2018	37,926	30,264	68,190
August 1, 2018	37,321	30,869	68,190
February 1, 2019	36,703	31,487	68,190
August 1, 2019	36,074	32,116	68,190
February 1, 2020	35,431	32,759	68,190
August 1, 2020	34,776	33,414	68,190
February 1, 2021	34,108	34,082	68,190
August 1, 2021	33,426	34,764	68,190
February 1, 2022	32,731	35,459	68,190
August 1, 2022	32,022	36,168	68,190
February 1, 2023	31,298	36,892	68,190
August 1, 2023	30,561	37,629	68,190
February 1, 2024	29,808	38,382	68,190
August 1, 2024	29,040	39,150	68,190
February 1, 2025	28,257	39,933	68,190
August 1, 2025	27,459	40,731	68,190
February 1, 2026	26,644	41,546	68,190
August 1, 2026	25,813	42,377	68,190
February 1, 2027	24,966	43,224	68,190
August 1, 2027	24,101	44,089	68,190

<u>Date</u>	<u>Interest Component</u>	<u>Principal Component</u>	<u>Lease Payment</u>
February 1, 2028	\$23,219	\$44,971	68,190
August 1, 2028	22,320	45,870	68,190
February 1, 2029	21,403	46,787	68,190
August 1, 2029	20,467	47,723	68,190
February 1, 2030	19,512	48,678	68,190
August 1, 2030	18,539	49,651	68,190
February 1, 2031	17,546	50,644	68,190
August 1, 2031	16,533	51,657	68,190
February 1, 2032	15,500	52,690	68,190
August 1, 2032	14,446	53,744	68,190
February 1, 2033	13,371	54,819	68,190
August 1, 2033	12,275	55,915	68,190
February 1, 2034	11,156	57,034	68,190
August 1, 2034	10,015	58,175	68,190
February 1, 2035	8,852	59,338	68,190
August 1, 2035	7,665	60,525	68,190
February 1, 2036	6,455	61,735	68,190
August 1, 2036	5,220	62,970	68,190
February 1, 2037	3,961	98,039	102,000
August 1, 2037	2,000	100,000	102,000

20538V4.DOC

Resolution Of The Boone County Fiscal Court

Resolution No. 10-98

A RESOLUTION RELATING TO THE BOONE COUNTY FISCAL COURT AUTHORIZING JUDGE/EXECUTIVE GARY W. MOORE TO EXECUTE DOCUMENTS RELATING TO THE TRANSFER OF THE RURAL WATER PROGRAM FROM THE BOONE COUNTY FISCAL COURT TO THE BOONE COUNTY WATER DISTRICT.

NOW, THEREFORE, BE IT RESOLVED BY THE FISCAL COURT OF COUNTY OF BOONE, COMMONWEALTH OF KENTUCKY:

SECTION I

That the Boone County Fiscal Court hereby authorizes Judge/Executive Gary W. Moore to execute the following documents associated with the proposed transfer of the Rural Water Program from the Boone County Fiscal Court to the Boone County Water District:

1. Purchase and Lease Agreement between the Boone County Fiscal Court and Boone County Water District marked as Exhibit "1".
2. Assumption and Supplemental Assistance Agreement between the Boone County Fiscal Court, Boone County Water District, and Kentucky Infrastructure Authority marked as Exhibit "2".
3. A written acknowledgment that the Rural Water Operation and Maintenance Agreement between the Boone County Fiscal Court and Boone County Water Department, dated August 1, 2002, is terminated upon the inception of the Purchase and Lease Agreement.

SECTION II

That said transfer of the Rural Water Program, via the Purchase and Lease Agreement, will occur on or about July 1, 2010.

SECTION III

That this Resolution is hereby approved and adopted in Open Session of the Boone County Fiscal Court this 22nd day of June, 2010.

Gary W. Moore
Gary W. Moore, Judge/Executive
Boone County Fiscal Court

Attest:

Daphne Kornblum
Daphne Kornblum
Fiscal Court Clerk