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**APPLICATION FOR RATE ADJUSTMENT
BEFORE THE PUBLIC SERVICE COMMISSION**

For Small Utilities Pursuant to 807 KAR 5:076
(Alternative Rate Filing)

Breathitt County Water District

(Name of Utility)

1137 Main Street Suite 305

(Business Mailing Address - Number and Street, or P.O. Box)

Jackson, Kentucky 41339

(Business Mailing Address - City, State, and Zip)

(606) 666-3800 Ext. 250

(Telephone Number)

BASIC INFORMATION

NAME, TITLE, ADDRESS, TELEPHONE NUMBER and E-MAIL ADDRESS of the person to whom correspondence or communications concerning this application should be directed:

Bob Thorpe

(Name)

1137 Main St. Suite 305

(Address - Number and Street or P.O. Box)

Jackson, Ky. 41339

(Address - City, State, Zip)

(606) 666-3800 Ext. 250

(Telephone Number)

breathittwater@yahoo.com

(Email Address)

(For each statement below, the Applicant should check either "YES", "NO", or
"NOT APPLICABLE" (N/A))

YES NO N/A

- | | | | | | |
|----|----|--|-------------------------------------|-------------------------------------|--|
| 1. | a. | In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| | b. | Applicant operates two or more divisions that provide different types of utility service. In its immediate past calendar year of operation, Applicant had \$5,000,000 or less in gross annual revenue from the division for which a rate adjustment is sought. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| 2. | a. | Applicant has filed an annual report with the Public Service Commission for the past year. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| | b. | Applicant has filed an annual report with the Public Service Commission for the two previous years. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 3. | | Applicant's records are kept separate from other commonly-owned enterprises. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

YES NO N/A

4. a. Applicant is a corporation that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- b. Applicant is a limited liability company that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- c. Applicant is a limited partnership that is organized under the laws of the state of _____, is authorized to operate in, and is in good standing in the state of Kentucky.
- d. Applicant is a sole proprietorship or partnership.
- e. Applicant is a water district organized pursuant to KRS Chapter 74.
- f. Applicant is a water association organized pursuant to KRS Chapter 273.
5. a. A paper copy of this application has been mailed to Office of Rate Intervention, Office of Attorney General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204.
- b. An electronic copy of this application has been electronically mailed to Office of Rate Intervention, Office of Attorney General at rateintervention@ag.ky.gov.
6. a. Applicant has 20 or fewer customers and has mailed written notice of the proposed rate adjustment to each of its customers no later than the date this application was filed with the Public Service Commission. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- b. Applicant has more than 20 customers and has included written notice of the proposed rate adjustment with customer bills that were mailed by the date on which the application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
- c. Applicant has more than 20 customers and has made arrangements to publish notice once a week for three (3) consecutive weeks in a prominent manner in a newspaper of general circulation in its service area, the first publication having been made by the date on which this Application was filed. A copy of this notice is attached to this application. **(Attach a copy of customer notice.)**
7. Applicant requires a rate adjustment for the reasons set forth in the attachment entitled "Reasons for Application." **(Attach completed "Reasons for Application" Attachment.)**


YES NO N/A

8. Applicant proposes to charge the rates that are set forth in the attachment entitled "Current and Proposed Rates." **(Attach completed "Current and Proposed Rates" Attachment.)**
9. Applicant proposes to use its annual report for the immediate past year as the test period to determine the reasonableness of its proposed rates. This annual report is for the 12 months ending December 31, 2020.
10. Applicant has reason to believe that some of the revenue and expense items set forth in its most recent annual report have or will change and proposes to adjust the test period amount of these items to reflect these changes. A statement of the test period amount, expected changes, and reasons for each expected change is set forth in the attachment "Statement of Adjusted Operations." **(Attach a completed copy of appropriate "Statement of Adjusted Operations" Attachment and any invoices, letters, contracts, receipts or other documents that support the expected change in costs.)**
11. Based upon test period operations, and considering any known and measurable adjustments, Applicant requires additional revenues of \$ 664,136 and total revenues from service rates of \$ 1,816,001. The manner in which these amounts were calculated is set forth in "Revenue Requirement Calculation" Attachment. **(Attach a completed "Revenue Requirement Calculation" Attachment.)**
12. As of the **date of the filing of this application**, Applicant had 1,900 +/- customers.
13. A billing analysis of Applicant's current and proposed rates is attached to this application. **(Attach a completed "Billing Analysis" Attachment.)**
14. Applicant's depreciation schedule of utility plant in service is attached. **(Attach a schedule that shows per account group: the asset's original cost, accumulated depreciation balance as of the end of the test period, the useful lives assigned to each asset and resulting depreciation expense.)**
15. a. Applicant has outstanding evidences of indebtedness, such as mortgage agreements, promissory notes, or bonds.
- b. Applicant has attached to this application a copy of each outstanding evidence of indebtedness (e.g., mortgage agreement, promissory note, bond resolution).
- c. Applicant has attached an amortization schedule for each outstanding evidence of indebtedness.

- | | YES | NO | N/A |
|--|-------------------------------------|-------------------------------------|-------------------------------------|
| 16. a. Applicant is not required to file state and federal tax returns. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| b. Applicant is required to file state and federal tax returns. | <input type="checkbox"/> | <input checked="" type="checkbox"/> | |
| c. Applicant's most recent state and federal tax returns are attached to this Application. (Attach a copy of returns.) | <input type="checkbox"/> | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 17. Approximately _____ ⁰ (Insert dollar amount or percentage of total utility plant) of Applicant's total utility plant was recovered through the sale of real estate lots or other contributions. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |
| 18. Applicant has attached a completed Statement of Disclosure of Related Party Transactions for each person who 807 KAR 5:076, §4(h) requires to complete such form. | <input checked="" type="checkbox"/> | <input type="checkbox"/> | |

By submitting this application, the Applicant consents to the procedures set forth in 807 KAR 5:076 and waives any right to place its proposed rates into effect earlier than six months from the date on which the application is accepted by the Public Service Commission for filing.

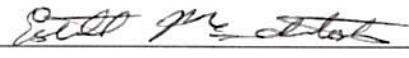
I am authorized by the Applicant to sign and file this application on the Applicant's behalf, have read and completed this application, and to the best of my knowledge all the information contained in this application and its attachments is true and correct.

Signed 
 Officer of the Company/Authorized Representative
 Title Chairman BCWD
 Date 6/9/2022

COMMONWEALTH OF KENTUCKY

COUNTY OF Breathitt

Before me appeared Bob Thorpe, who after being duly sworn, stated that he/she had read and completed this application, that he/she is authorized to sign and file this application on behalf of the Applicant, and that to the best of his/her knowledge all the information contained in this application and its attachments is true and correct.


 Notary Public
 My commission expires: 12-28-2022

LIST OF ATTACHMENTS
(Indicate all documents submitted by checking box)

- Customer Notice of Proposed Rate Adjustment
- "Reasons for Application" Attachment"
- Current and Proposed Rates" Attachment
- "Statement of Adjusted Operations" Attachment
- "Revenue Requirements Calculation" Attachment
- Attachment Billing Analysis" Attachment
- Depreciation Schedules
- Outstanding Debt Instruments (i.e., Bond Resolutions, Mortgages, Promissory Notes, Amortization Schedules.)
- State Tax Return
- Federal Tax Return
- Statement of Disclosure of Related Party Transactions - ARF Form 3

LIST OF ATTACHMENTS
BREATHITT COUNTY WATER DISTRICT

1. Customer Notice of Proposed Rates Adjustments.
2. Wholesale Customer Notice.
3. Reasons for Application (Attachment SR – Reasons for Application).
4. Current and Proposed Rates.
5. Statement of Adjusted Operations (Attachment SAO-W – Schedule of Adjusted Operations).
6. Revenue Requirements Calculation (Attachment RR-DC – Revenue Requirement Calculation Form – Debt Coverage).
7. Billing Analysis (Attachment BA_DB – Billing Analysis Form – Declining Block Rates).
8. Depreciation Schedule.
9. Outstanding Debt Instruments
10. Statement of Disclosure of Related Party Transactions (ARF FORM-3).

Attachment #1

CUSTOMER NOTICE

Notice is hereby given that the Breathitt County Water District expects to file an application with the Kentucky Public Service Commission on or about May 27, 2022, seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

MONTHLY WATER RATES

Minimum Bills Based on Meter Size

<u>Meter Size</u>	<u>Gals. Incl'd. in Minimum</u>	<u>Minimum Bills</u>		<u>Dollar Increase</u>	<u>Percent Increase</u>
		<u>Current</u>	<u>Proposed</u>		
5/8 x 3/4 inch	2,000	\$ 29.65	\$ 46.75	\$ 17.10	57.66%

Rates for Water Usage in Addition to Minimum

<u>No. of Gallons per Month</u>	<u>Charge per 1,000 Gals.</u>		<u>Dollar Increase</u>	<u>Percent Increase</u>
	<u>Current</u>	<u>Proposed</u>		
First 2,000 Gallons	\$ 29.65	\$ 46.75	\$ 17.10	57.66%
Over 2,000	14.83	23.38	8.55	57.66%

If the Public Service Commission approves the proposed water rates, then the monthly bill for a residential customer using an average of 3,000 gallons per month will increase from \$44.48 to \$70.13. This is an increase of \$25.65 or 57.66%.

The rates contained in this notice are the rates proposed by Breathitt County Water District. However, the Public Service Commission may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates shown in this notice.

Breathitt County Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the Districts office located at 1137 Main Street, Suite 305 Jackson, Ky 41339. You may contact the office at 606-666-3800 (Ext. 250).

A person may also examine the application at the Public Service Commission's offices located at 211 Sower Boulevard, Frankfort, Ky, 40601, Monday through Friday, 8:00 a.m. to 4:30 p.m., or through the Public Service Commission's website at <http://psc.ky.gov>. Comments regarding the application may be submitted to the Public Service Commission through its website or by mail to Public Service Commission, PO Box 615, Frankfort, Kentucky, 40602. You may contact the Public Service Commission at 502-564-3940.

A person may submit a timely written request for intervention to the Public Service Commission, PO Box 615, Frankfort, Ky, 40602, establishing the grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication of this notice, the Public Service Commission may take final action on the application.

Attachment #2

WHOLESALE CUSTOMER NOTICE

Notice is hereby given that the Breathitt County Water District expects to file an application with the Kentucky Public Service Commission on or about May 27, 2022, seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

MONTHLY WATER RATES

Wholesale Rate for All Wholesale Customers

<u>Wholesale</u>	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Village of Buckhorn	\$6.03 per 1,000 Gallons	\$9.51 per 1,000 Gallons	\$3.48	57.66%
Kentucky Mountain Bible College				
First 10,000 Gallons	\$148.26 Minimum Bill	\$233.74 Minimum Bill	\$85.48	57.66%
Next 190,000 Gallons	8.96 Per 1,000 Gallons	14.13 Per 1,000 Gallons	5.17	57.66%
Over 200,000 Gallons	7.57 Per 1,000 Gallons	11.93 Per 1,000 Gallons	4.36	57.66%

If the Public Service Commission approves the proposed rates, then the monthly bill for Kentucky Mountain Bible College will increase from \$148.26 to \$233.74 for each 10,000 gallons purchased. This is an increase of \$85.48 per ten thousand gallons or 57.66%.

The rates contained in this notice are the rates proposed by Breathitt County Water District. However, the Public Service Commission may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates shown in this notice.

Breathitt County Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the Districts office located at 1137 Main Street, Suite 305 Jackson, Ky 41339. You may contact the office at 606-666-3800 (Ext. 250).

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A person may submit a timely written request for intervention to the Public Service Commission, PO Box 615, Frankfort, Ky, 40602, establishing the grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication of this notice, the Public Service Commission may take final action on the application.

WHOLESALE CUSTOMER NOTICE

Notice is hereby given that the Breathitt County Water District expects to file an application with the Kentucky Public Service Commission on or about May 27, 2022, seeking approval of a proposed adjustment to its water rates. The proposed rates shall not become effective until the Public Service Commission has issued an order approving these rates.

MONTHLY WATER RATES

Wholesale Rate for All Wholesale Customers

<u>Wholesale</u>	<u>Current Rates</u>	<u>Proposed Rates</u>	<u>Dollar Increase</u>	<u>Percent Increase</u>
Village of Buckhorn	\$6.03 per 1,000 Gallons	\$9.51 per 1,000 Gallons	\$3.48	57.66%
Kentucky Mountain Bible College				
First 10,000 Gallons	\$148.26 Minimum Bill	\$233.74 Minimum Bill	\$85.48	57.66%
Next 190,000 Gallons	8.96 Per 1,000 Gallons	14.13 Per 1,000 Gallons	5.17	57.66%
Over 200,000 Gallons	7.57 Per 1,000 Gallons	11.93 Per 1,000 Gallons	4.36	57.66%

If the Public Service Commission approves the proposed rates, then the monthly bill for Village of Buckhorn will increase from \$6.03 to \$9.51 for each 1,000 gallons purchased. This is an increase of \$3.48 per thousand gallons or 57.66%.

The rates contained in this notice are the rates proposed by Breathitt County Water District. However, the Public Service Commission may order rates to be charged that differ from the proposed rates. Such action may result in rates for consumers other than the rates shown in this notice.

Breathitt County Water District has available for inspection at its office the application which it submitted to the Public Service Commission. A person may examine this application at the Districts office located at 1137 Main Street, Suite 305 Jackson, Ky 41339. You may contact the office at 606-666-3800 (Ext. 250).

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A person may submit a timely written request for intervention to the Public Service Commission, PO Box 615, Frankfort, Ky, 40602, establishing the grounds for the request including the status and interest of the party. If the Public Service Commission does not receive a written request for intervention within thirty (30) days of the initial publication of this notice, the Public Service Commission may take final action on the application.

Attachment #3

REASONS FOR APPLICATION

(In the space below list all reasons why the Applicant requires a rate adjustment. Describe any event or occurrence of significance that may affect the Applicant's present or future financial condition, including but not limited to excessive water line losses, regulatory changes, major repairs, planned construction, and increases in wholesale water costs.)

Breathitt County Water District files this application to comply with the Kentucky Public Service Commission's Order of November 5, 2020 in Case No. 2020-00218, which directed it to file an application for rate adjustment within one year.

Attachment #4

CURRENT AND PROPOSED RATES
Breathitt County Water District

Current Monthly Rates as of 7/2/2020

Proposed Monthly Rates with Increase

5/8" x 3/4" Meter

First	2,000	Gallons	\$ 29.65	Minimum Bill
Over	2,000	Gallons	14.83	Per 1,000 Gallons

5/8" x 3/4" Meter

First	2,000	Gallons	\$ 46.75	Minimum Bill
Over	2,000	Gallons	23.38	Per 1,000 Gallons

Wholesale Water Rates

Village of Buckhorn	\$ 6.03	Per 1,000 Gallons
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Wholesale Water Rates

Village of Buckhorn	\$ 9.51	Per 1,000 Gallons
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Kentucky Mountain Bible College

First	10,000	Gallons	\$ 148.26	Minimum Bill
Next	190,000	Gallons	8.96	Per 1,000 Gallons
Over	200,000	Gallons	7.57	Per 1,000 Gallons

Kentucky Mountain Bible College

First	10,000	Gallons	\$ 233.74	Minimum Bill
Next	190,000	Gallons	14.13	Per 1,000 Gallons
Over	200,000	Gallons	11.93	Per 1,000 Gallons

Attachment #5

SCHEDULE OF ADJUSTED OPERATIONS - WATER UTILITY

TYE 12/31/20 20

	Test Year	Adjustment	Ref.	Pro Forma
<u>Operating Revenues</u>				
Sales of Water				
Unmetered Water Sales				0.00
Metered Water Sales	1,107,245.00	44,621.00	(A)	1,151,866.00
Bulk Loading Stations				0.00
Fire Protection Revenue				0.00
Sales for Resale				0.00
Total Sales of Water	1,107,245.00	44,621.00		1,151,866.00
Other Water Revenues				
Forfeited Discounts				0.00
Miscellaneous Service Revenues				0.00
Rents from Water Property				0.00
Other Water Revenues	35,928.00	-35,928.00		0.00
Total Other Water Revenues	35,928.00	-35,928.00	(B)	0.00
Total Operating Revenues	1,143,173.00	8,693.00		1,151,866.00
<u>Operating Expenses</u>				
Operation and Maintenance Expenses				
Salaries and Wages - Employees	182,694.00	5,469.00	(C)	188,163.00
Salaries and Wages - Officers	18,000.00			18,000.00
Employee Pensions and Benefits	177,858.00	-81,554.00	(D)	96,304.00
Purchased Water	339,425.00	-4,140.00	(E)	335,285.00
Purchased Power	105,908.00			105,908.00
Fuel for Power Production				0.00
Chemicals				0.00
Materials and Supplies	79,381.00	-17,964.00	(C)	61,417.00
Contractual Services	25,790.00			25,790.00
Water Testing	7,709.00			7,709.00
Rents	4,200.00			4,200.00
Transportation Expenses	33,198.00			33,198.00
Insurance	22,389.00			22,389.00
Regulatory Commission Expenses				0.00
Bad Debt Expense	15.00			15.00

Miscellaneous Expenses	14,043.00			14,043.00
Total Operation and Maintenance Expenses	1,010,610.00	-98,189.00		912,421.00
Depreciation Expense	1,115,021.00	-396,818.00	(F)	718,203.00
Amortization Expense				0.00
Taxes Other Than Income	45,539.00	1,793.00	(C)	47,332.00
Income Tax Expense				0.00
Total Operating Expenses	2,171,170.00	-493,214.00		1,677,956.00
Utility Operating Income	-1,027,997.00	501,907.00		-526,090.00

References

(A) The Current Billing Analysis results in Pro Forma metered water sales revenue of \$1,151,866. This reflects a full year at their increased rates that were effective on July 1, 2020.

(B) During the test-year, Breathitt Water District received \$35,928 for new taps. Breathitt Water District reported this amount to Other Water Revenues. To comply with USoA requirements those expenses have been removed from Other Water Revenues. Its treatment is discussed in Adjustment (D).

(C) Since the test-year there was a staffing change and a pay increase implemented. One employee quit subsequent to the test-year and has not been replaced. Since the test-year all employees have received raises. Based on the hours worked during the test-year and the current staffing level and pay rates, an increase of \$23,433 will be realized. Additionally, as a result of an increase in Salaries Expense, an increase in payroll taxes of \$1,793 is required. Additionally, as discussed in Adjustment (B), Breathitt District collected \$35,928 in new tap fees during the test year that was reported to Other Water Revenues. Breathitt District removed that amount from Other Water Revenues. Since these costs should be capitalized as Utility Plant in Service Breathitt District made provisions to include those costs in its depreciation expense. For simplicity Breathitt District removed one-half of the expense (\$17,964) from test-year wages and materials and supplies expense. A net adjustment to Salaries & Wages of \$5,469. Additionally, as a result of an increase in Salaries Expense, an increase in payroll taxes of \$1,793 is required.

(D) Due to GASB requirements for liabilities, the reported expense for retirement is \$61,584 more than the actual amount paid to CERS. This amount was deducted from salaries based on the current wages and CERS contribution rate. The District pays 100 percent of its employee health insurance premiums. Applying the PSC's typical requirement that expenses with this level of employer-funded premiums be adjusted to be consistent with the Bureau of Labor Statistics average for an employer's share of health insurance premiums, results in a reduction in benefits of \$19,970. These adjustments result in a total adjustment to Employee Pensions and Benefits of \$(81,554).

(E) Based on gallons purchased reported during the test year, an adjustment of -\$4,140 is necessary for Purchased Water expense.

(F) The PSC requires adjustments to depreciation expense when asset lives fall outside of ranges recommended by NARUC in its "Depreciation Practices for Small Utilities". As a result, adjustments of \$396,818 is necessary to bring live to the midpoint of recommended ranges.

Attachment #6

REVENUE REQUIREMENT CALCULATION - DEBT COVERAGE METHOD

(This method is used commonly by non-profits that have long-term debts outstanding.)

Pro forma Operating Expenses	\$1,677,956.00
Plus: Average Annual Debt Principal and Interest Payments*	115,403.00
Debt Coverage Requirement**	23,081.00
Total Revenue Requirement	1,816,440.00
Less: Other Operating Revenue	
Non-operating Revenue	
Interest Income	-439.00
Revenue Required from Rates	1,816,001.00
Less: Revenue from Sales at Present Rates	-1,151,866.00
Required Revenue Increase	\$664,135.00

Required Revenue Increase stated as a Percentage of Revenue at Present Rates	57.66%
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* This should be a 3 year average calculated using the debt principal and interest payments for the three years following the test year.

** This amount is calculated by multiplying the average annual debt principal and interest payments by the debt service requirement of the utility's lending agency.

Attachment #7

**CURRENT BILLING ANALYSIS - 2020 USAGE AND EXISTING RATES
BREATHIT COUNTY WATER DISTRICT**

SUMMARY

	No. of Bills	Gallons Sold	Revenue
5/8" x 3/4" Meters	22,940	65,462,000	\$ 1,124,077
Wholesale	12	3,240,000	\$ 27,788.32

Pro Forma Retail Sales Revenue \$ 1,151,866

5/8" X 3/4" METERS

	Usage	Bills	Gallons	First 2,000	Over 2,000	Total
First	2,000	12,696	15,041,000	15,041,000		15,041,000
Over	2,000	10,244	50,421,000	20,488,000	29,933,000	50,421,000
Totals		22,940	65,462,000	35,529,000	29,933,000	65,462,000

5/8" X 3/4" METERS REVENUE BY RATE INCREMENT

	Usage	Bills	Gallons	Rates	Revenue
First	2,000	22,940	35,529,000	\$ 29.65	\$ 680,171
Over	2,000		29,933,000	14.83	443,906
Totals		22,940	65,462,000		\$ 1,124,077

Wholesale

	Usage	Bills	Gallons	First 10,000	Over 190,000	Over 200,000	Total
First	10,000	0	0				-
Next	190,000	9	1,240,000	90,000	1,150,000		1,240,000
Over	200,000	3	74,269,000	30,000	570,000	1,400,000	2,000,000
Totals		12	75,509,000	120,000	1,720,000	1,400,000	3,240,000

WHOLESALE REVENUE BY RATE INCREMENT

	Usage	Bills	Gallons	Rate	Revenue
First	10,000	12	120,000	\$ 148.26	\$ 1,779.12
Next	190,000		1,720,000	8.96	15,411
Over	200,000		1,400,000	7.57	10,598
Totals			3,240,000		\$ 27,788.32

**CURRENT BILLING ANALYSIS - 2020 USAGE AND PROPOSED RATES
BREATHIT COUNTY WATER DISTRICT**

SUMMARY

	No. of Bills	Gallons Sold	Revenue
5/8" x 3/4" Meters	22,940	65,462,000	\$ 1,772,191
Wholesale	12	3,240,000	\$ 43,810.34

Pro Forma Retail Sales Revenue \$ 1,816,001

5/8" X 3/4" METERS

	Usage	Bills	Gallons	First 2,000	Over 2,000	Total
First	2,000	12,696	15,041,000	15,041,000		15,041,000
Over	2,000	10,244	50,421,000	20,488,000	29,933,000	50,421,000
Totals		22,940	65,462,000	35,529,000	29,933,000	65,462,000

5/8" X 3/4" METERS REVENUE BY RATE INCREMENT

	Usage	Bills	Gallons	Rates	Revenue
First	2,000	22,940	35,529,000	\$ 46.75	\$ 1,072,340
Over	2,000		29,933,000	23.38	699,851
Totals		22,940	65,462,000		\$ 1,772,191

Wholesale

	Usage	Bills	Gallons	First 10,000	Over 190,000	Over 200,000	Total
First	10,000	0	0				-
Next	190,000	9	1,240,000	90,000	1,150,000		1,240,000
Over	200,000	3	74,269,000	30,000	570,000	1,400,000	2,000,000
Totals		12	75,509,000	120,000	1,720,000	1,400,000	3,240,000

WHOLESALE REVENUE BY RATE INCREMENT

	Usage	Bills	Gallons	Rate	Revenue
First	10,000	12	120,000	\$ 233.74	\$ 2,804.91
Next	190,000		1,720,000	14.13	24,297
Over	200,000		1,400,000	11.93	16,709
Totals			3,240,000		\$ 43,810.34

Attachment #8

Book Asset Detail 1/01/20 - 12/31/20

FYE: 12/31/2020

Asset Id	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: Land											
33	Tank site	10/31/07	4,000.00	0.00	0.00	0.00	0.00	0.00	4,000.00	Land	0.00
45	Land 476 Tank and pump station	1/18/11	1,500.00	0.00	0.00	0.00	0.00	0.00	1,500.00	Land	0.00
83	Land and land rights	3/01/05	40,081.00	0.00	0.00	0.00	0.00	0.00	40,081.00	Land	0.00
144	Land	12/31/14	2,000.00	0.00	0.00	0.00	0.00	0.00	2,000.00	Land	0.00
	Land		47,581.00	0.00c	0.00	0.00	0.00	0.00	47,581.00		
Group: Meters											
43	Meters and Meter Boxes	7/01/10	81,646.08	0.00	0.00	38,781.85	4,082.30	42,864.15	38,781.93	S/L	20.00
89	Bethany	12/31/13	4,393.75	0.00	0.00	659.04	109.84	768.88	3,624.87	S/L	40.00
	Meters		86,039.83	0.00c	0.00	39,440.89	4,192.14	43,633.03	42,406.80		
Group: Office Equipment											
24	Computer	1/19/05	1,842.00	0.00	0.00	1,842.00	0.00	1,842.00	0.00	S/L	5.00
25	Computer	7/01/06	1,769.00	0.00	0.00	1,769.00	0.00	1,769.00	0.00	S/L	5.00
44	Computer	11/14/11	1,084.97	0.00	0.00	1,084.97	0.00	1,084.97	0.00	S/L	5.00
54	Computer	10/31/12	845.88	0.00	0.00	845.88	0.00	845.88	0.00	S/L	3.00
202	COMPUTER	1/07/16	792.38	0.00	0.00	633.92	158.46	792.38	0.00	S/L	5.00
205	LEXMARK PRINTER M27DE	9/26/16	2,365.00	0.00	0.00	1,537.25	473.00	2,010.25	354.75	S/L	5.00
243	COMPUTER	3/14/18	1,409.14	0.00	0.00	861.14	469.71	1,330.85	78.29	S/L	3.00
251	COMPUTER	12/11/19	1,313.34	0.00	0.00	21.89	262.67	284.56	1,028.78	S/L	5.00
	Office Equipment		11,421.71	0.00c	0.00	8,596.05	1,363.84	9,959.89	1,461.82		
Group: Other Equipment											
12	Hammer Head	9/24/10	4,126.00	0.00	0.00	4,126.00	0.00	4,126.00	0.00	S/L	7.00
26	Subsurface Leak Detector	7/01/06	2,995.00	0.00	0.00	2,995.00	0.00	2,995.00	0.00	S/L	7.00
27	Reed Universal Drill	7/01/06	2,142.00	0.00	0.00	2,142.00	0.00	2,142.00	0.00	S/L	7.00
28	Impuse Generator	7/01/06	1,862.00	0.00	0.00	1,862.00	0.00	1,862.00	0.00	S/L	7.00
34	Air compressor	3/19/08	11,473.00	0.00	0.00	11,473.00	0.00	11,473.00	0.00	S/L	5.00
35	Hydraulic Hammer	1/31/08	7,850.00	0.00	0.00	7,850.00	0.00	7,850.00	0.00	S/L	5.00
36	Mini Excavators	1/23/08	55,000.00	0.00	0.00	55,000.00	0.00	55,000.00	0.00	S/L	7.00
55	Leak Detector	4/23/12	5,850.00	0.00	0.00	5,850.00	0.00	5,850.00	0.00	S/L	7.00
58	LT Pony Mower	3/19/12	1,025.00	0.00	0.00	1,025.00	0.00	1,025.00	0.00	S/L	7.00
59	Impact wrench	3/20/12	599.95	0.00	0.00	599.95	0.00	599.95	0.00	S/L	7.00
60	Various hand tools	3/20/12	1,920.40	0.00	0.00	1,920.40	0.00	1,920.40	0.00	S/L	7.00
61	Generator	3/20/12	1,699.99	0.00	0.00	1,699.99	0.00	1,699.99	0.00	S/L	7.00
146	HD 75 PLOW	12/07/15	4,478.00	0.00	0.00	2,612.15	639.71	3,251.86	1,226.14	S/L	7.00
201	2 RUBBER TRACK & INSTALL	1/06/16	6,727.00	0.00	0.00	3,844.00	961.00	4,805.00	1,922.00	S/L	7.00
203	18Volts Gun & Socket Set	1/06/16	869.00	0.00	0.00	695.20	173.80	869.00	0.00	S/L	5.00
204	MICROLOGIX 1100	8/05/16	1,615.00	0.00	0.00	1,103.58	323.00	1,426.58	188.42	S/L	5.00
242	FOOTAGE U215-2	8/14/18	3,850.00	0.00	0.00	1,090.83	770.00	1,860.83	1,989.17	S/L	5.00
	Other Equipment		114,082.34	0.00c	0.00	105,889.10	2,867.51	108,756.61	5,325.73		

Book Asset Detail 1/01/20 - 12/31/20

FYE: 12/31/2020

Asset Id	Vehicle	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
11	2011 Chevy Silverado		11/04/10	24,641.00	0.00	0.00	24,641.00	0.00	24,641.00	0.00	S/L	5.00
29	Pickup Truck		7/01/06	28,479.00	0.00	0.00	28,479.00	0.00	28,479.00	0.00	S/L	5.00
37	Pickup Silverado		3/13/08	32,314.00	0.00	0.00	32,314.00	0.00	32,314.00	0.00	S/L	5.00
38	Pickup Silverado		5/01/08	36,170.00	0.00	0.00	36,170.00	0.00	36,170.00	0.00	S/L	5.00
56	Gator Made 5X10 Trailer		3/29/12	1,100.00	0.00	0.00	1,100.00	0.00	1,100.00	0.00	S/L	7.00
57	83X20 Car Hauler		3/19/12	3,040.00	0.00	0.00	3,040.00	0.00	3,040.00	0.00	S/L	7.00
145	2015 Chevy Silverado		7/29/15	33,541.00	0.00	0.00	29,627.88	3,913.12	33,541.00	0.00	S/L	5.00
Vehicle				159,285.00	0.00c	0.00	155,371.88	3,913.12	159,285.00	0.00		
Group: Water Lines												
13	KY Hwy 1110		7/01/10	547,053.02	0.00	0.00	129,925.13	13,676.33	143,601.46	403,451.56	S/L	40.00
14	30 East		7/01/10	520,359.48	0.00	0.00	123,585.40	13,008.99	136,594.39	383,765.09	S/L	40.00
15	30 West		7/01/10	536,189.69	0.00	0.00	127,345.03	13,404.74	140,749.77	395,439.92	S/L	40.00
16	Canoe Project		7/01/10	408,664.62	0.00	0.00	97,057.89	10,216.62	107,274.51	301,390.11	S/L	40.00
17	KY 1812		7/01/10	55,753.94	0.00	0.00	13,241.57	1,393.85	14,635.42	41,118.52	S/L	40.00
18	Turners Creek		7/01/10	68,077.10	0.00	0.00	16,168.33	1,701.93	17,870.26	50,206.84	S/L	40.00
19	Panbowl		7/01/10	693,437.36	0.00	0.00	164,691.34	17,335.93	182,027.27	511,410.09	S/L	40.00
21	Hwy 476		7/01/10	32,590.00	0.00	0.00	5,703.25	814.75	6,518.00	26,072.00	S/L	40.00
22	Duckhollow		1/01/15	112,649.87	0.00	0.00	14,081.25	2,816.25	16,897.50	95,752.37	S/L	40.00
23	Southfork		1/01/15	66,359.50	0.00	0.00	8,294.95	1,658.99	9,953.94	56,405.56	S/L	40.00
30	Water lines		3/01/05	2,644,325.00	0.00	0.00	1,018,169.60	66,108.13	1,084,277.73	1,560,047.27	S/L	40.00
31	Water lines		7/01/06	3,293,740.00	0.00	0.00	1,111,639.00	82,343.50	1,193,982.50	2,099,757.50	S/L	40.00
32	2007 Construction		7/01/07	2,949,574.00	0.00	0.00	848,003.50	73,739.35	921,742.85	2,027,831.15	S/L	40.00
39	2008 Additions		7/01/08	4,409,760.00	0.00	0.00	1,212,684.00	110,244.00	1,322,928.00	3,086,832.00	S/L	40.00
40	2009 Additions		7/01/09	5,981,877.00	0.00	0.00	1,570,241.30	149,546.93	1,719,788.23	4,262,088.77	S/L	40.00
41	Additions		7/31/10	36,092.13	0.00	0.00	8,496.66	902.30	9,398.96	26,693.17	S/L	40.00
46	Hwy 1933 cip put into service		1/01/11	433,957.27	0.00	0.00	97,640.37	10,848.93	108,489.30	325,467.97	S/L	40.00
47	2011 HWY 476		12/31/11	2,256,076.32	0.00	0.00	394,813.37	56,401.91	451,215.28	1,804,861.04	S/L	40.00
48	2011 Duckhollow		1/01/15	10,375.00	0.00	0.00	1,296.90	259.38	1,556.28	8,818.72	S/L	40.00
49	2011 Southfork		1/01/15	30,770.00	0.00	0.00	3,846.25	769.25	4,615.50	26,154.50	S/L	40.00
50	2011 Panbowl		12/31/11	21,419.46	0.00	0.00	3,748.43	535.49	4,283.92	17,135.54	S/L	40.00
51	2011 Frozen		1/01/15	182,000.00	0.00	0.00	22,750.00	4,550.00	27,300.00	154,700.00	S/L	40.00
52	2011 Houston		12/31/11	25,297.13	0.00	0.00	4,427.01	632.43	5,059.44	20,237.69	S/L	40.00
53	2011 Canoe		1/01/15	16,487.73	0.00	0.00	2,060.95	412.19	2,473.14	14,014.59	S/L	40.00
62	Houston		12/31/12	55,000.00	0.00	0.00	9,625.00	1,375.00	11,000.00	44,000.00	S/L	40.00
63	Houston		12/31/12	173,058.75	0.00	0.00	30,285.29	4,326.47	34,611.76	138,446.99	S/L	40.00
64	Houston		12/31/12	23,600.00	0.00	0.00	4,130.00	590.00	4,720.00	18,880.00	S/L	40.00
65	Houston		12/31/12	13,800.00	0.00	0.00	2,415.00	345.00	2,760.00	11,040.00	S/L	40.00
66	Houston		12/31/12	41,032.52	0.00	0.00	7,180.67	1,025.81	8,206.48	32,826.04	S/L	40.00
67	Southfork		1/01/15	127,096.00	0.00	0.00	15,887.00	3,177.40	19,064.40	108,031.60	S/L	40.00
68	SOUTHFORK		1/01/15	1,317,981.68	0.00	0.00	164,747.70	32,949.54	197,697.24	1,120,284.44	S/L	40.00
69	SOUTHFORK		1/01/15	204,386.72	0.00	0.00	25,548.35	5,109.67	30,658.02	173,728.70	S/L	40.00
70	SOUTHFORK		1/01/15	101,537.02	0.00	0.00	12,692.15	2,538.43	15,230.58	86,306.44	S/L	40.00
71	SOUTHFORK		1/01/15	293,125.21	0.00	0.00	36,640.65	7,328.13	43,968.78	249,156.43	S/L	40.00
72	FROZEN		1/01/15	65,095.90	0.00	0.00	8,137.00	1,627.40	9,764.40	55,331.50	S/L	40.00
73	CANOE		1/01/15	115,740.18	0.00	0.00	14,467.50	2,893.50	17,361.00	98,379.18	S/L	40.00
75	DUCKHOLLOW		1/01/15	155,839.00	0.00	0.00	19,479.90	3,895.98	23,375.88	132,463.12	S/L	40.00

Book Asset Detail 1/01/20 - 12/31/20

FYE: 12/31/2020

Asset	d t	Property Description	Date In Service	Book Cost	Book Sec 179 Exp c	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: Water Lines (continued)												
76		DUCKHOLLOW	1/01/15	205,685.00	0.00	0.00	25,710.65	5,142.13	30,852.78	174,832.22	S/L	40.00
77		DUCKHOLLOW	1/01/15	848,602.19	0.00	0.00	106,075.25	21,215.05	127,290.30	721,311.89	S/L	40.00
78		DUCKHOLLOW	1/01/15	73,351.75	0.00	0.00	9,168.95	1,833.79	11,002.74	62,349.01	S/L	40.00
79		DUCKHOLLOW	1/01/15	38,186.24	0.00	0.00	4,773.30	954.66	5,727.96	32,458.28	S/L	40.00
80		DUCKHOLLOW	1/01/15	173,535.64	0.00	0.00	21,691.95	4,338.39	26,030.34	147,505.30	S/L	40.00
81		HWY 476	12/31/12	128,848.63	0.00	0.00	22,548.54	3,221.22	25,769.76	103,078.87	S/L	40.00
82		HWY 476	12/31/12	19,357.79	0.00	0.00	3,387.58	483.94	3,871.52	15,486.27	S/L	40.00
84		Distribution reservoirs	12/31/05	245,019.00	0.00	0.00	71,910.84	6,125.48	78,036.32	166,982.68	S/L	40.00
85		Hydrants	12/31/05	20,836.00	0.00	0.00	6,115.20	520.90	6,636.10	14,199.90	S/L	40.00
86		Bethany	12/31/13	43,938.45	0.00	0.00	6,590.76	1,098.46	7,689.22	36,249.23	S/L	40.00
88		Bethany	12/31/13	50,105.06	0.00	0.00	7,515.78	1,252.63	8,768.41	41,336.65	S/L	40.00
90		Bethany	12/31/13	3,736.96	0.00	0.00	560.52	93.42	653.94	3,083.02	S/L	40.00
91		Southfork	1/01/15	109,911.02	0.00	0.00	13,738.90	2,747.78	16,486.68	93,424.34	S/L	40.00
92		Southfork	1/01/15	6,614.67	0.00	0.00	826.85	165.37	992.22	5,622.45	S/L	40.00
93		Southfork	1/01/15	28,059.09	0.00	0.00	3,507.40	701.48	4,208.88	23,850.21	S/L	40.00
94		Southfork	1/01/15	16,931.50	0.00	0.00	2,116.45	423.29	2,539.74	14,391.76	S/L	40.00
95		Southfork	1/01/15	1,837.08	0.00	0.00	229.65	45.93	275.58	1,561.50	S/L	40.00
96		Multicounty project	1/01/15	25,673.32	0.00	0.00	3,209.15	641.83	3,850.98	21,822.34	S/L	40.00
97		Multicounty	1/01/15	680,087.45	0.00	0.00	85,010.95	17,002.19	102,013.14	578,074.31	S/L	40.00
98		Multicounty	1/01/15	134,614.07	0.00	0.00	16,826.75	3,365.35	20,192.10	114,421.97	S/L	40.00
99		Multicounty	1/01/15	27,534.04	0.00	0.00	3,441.75	688.35	4,130.10	23,403.94	S/L	40.00
100		Multicounty	1/01/15	33,008.57	0.00	0.00	4,126.05	825.21	4,951.26	28,057.31	S/L	40.00
101		Canoe	1/01/15	39,800.90	0.00	0.00	4,975.10	995.02	5,970.12	33,830.78	S/L	40.00
102		Canoe	1/01/15	1,024,487.45	0.00	0.00	128,060.95	25,612.19	153,673.14	870,814.31	S/L	40.00
103		Canoe	1/01/15	116,399.15	0.00	0.00	14,549.90	2,909.98	17,459.88	98,939.27	S/L	40.00
104		Canoe	1/01/15	56,972.25	0.00	0.00	7,121.55	1,424.31	8,545.86	48,426.39	S/L	40.00
105		Canoe	1/01/15	54,511.39	0.00	0.00	6,813.90	1,362.78	8,176.68	46,334.71	S/L	40.00
106		Duckhollow	1/01/15	114,837.04	0.00	0.00	14,354.65	2,870.93	17,225.58	97,611.46	S/L	40.00
107		Duckhollow	1/01/15	41,749.80	0.00	0.00	5,218.75	1,043.75	6,262.50	35,487.30	S/L	40.00
108		Duckhollow	1/01/15	38,208.72	0.00	0.00	4,776.10	955.22	5,731.32	32,477.40	S/L	40.00
109		Duckhollow	1/01/15	21,507.87	0.00	0.00	2,688.50	537.70	3,226.20	18,281.67	S/L	40.00
110		Duckhollow	1/01/15	7,925.77	0.00	0.00	990.70	198.14	1,188.84	6,736.93	S/L	40.00
111		Hwy 476	12/31/13	11,862.11	0.00	0.00	1,779.30	296.55	2,075.85	9,786.26	S/L	40.00
112		Hwy 476	12/31/13	21,428.07	0.00	0.00	3,214.20	535.70	3,749.90	17,678.17	S/L	40.00
113		Hwy 476	12/31/13	1,923.50	0.00	0.00	288.54	48.09	336.63	1,586.87	S/L	40.00
114		Hwy 476	12/31/13	1,865.98	0.00	0.00	279.90	46.65	326.55	1,539.43	S/L	40.00
115		Houston	12/31/13	47,636.70	0.00	0.00	7,145.52	1,190.92	8,336.44	39,300.26	S/L	40.00
116		Houston	12/31/13	149,889.94	0.00	0.00	22,483.50	3,747.25	26,230.75	123,659.19	S/L	40.00
117		Houston	12/31/13	76,571.68	0.00	0.00	11,485.74	1,914.29	13,400.03	63,171.65	S/L	40.00
118		Houston	12/31/13	20,440.47	0.00	0.00	3,066.06	511.01	3,577.07	16,863.40	S/L	40.00
119		Frozen	1/01/15	181,792.92	0.00	0.00	11,952.48	298.81	12,251.29	169,541.63	S/L	40.00
120		Frozen	1/01/15	270,646.35	0.00	0.00	22,724.10	4,544.82	27,269.92	242,376.43	S/L	40.00
121		Frozen	1/01/15	1,699,325.86	0.00	0.00	33,830.80	6,766.16	40,596.96	1,658,728.90	S/L	40.00
122		Frozen	1/01/15	177,152.36	0.00	0.00	22,144.05	4,428.81	26,572.86	150,579.50	S/L	40.00
123		Frozen	1/01/15	82,221.35	0.00	0.00	10,277.65	2,055.53	12,333.18	69,888.17	S/L	40.00
124		Frozen	1/01/15	53,091.50	0.00	0.00	6,636.45	1,327.29	7,963.74	45,127.76	S/L	40.00
125		Canoe	1/01/15	72,995.18	0.00	0.00	9,124.40	1,824.88	10,949.28	62,045.90	S/L	40.00

Book Asset Detail 1/01/20 - 12/31/20

FYE: 12/31/2020

Asset	d	t	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: Water Lines (continued)													
128			Canoe	1/01/15	6,375.63	0.00	0.00	796.95	159.39	956.34	5,419.29	S/L	40.00
129			Canoe	1/01/15	2,910.49	0.00	0.00	363.80	72.76	436.56	2,473.93	S/L	40.00
130			Canoe	1/01/15	7,057.53	0.00	0.00	882.20	176.44	1,058.64	5,998.89	S/L	40.00
131			Canoe	1/01/15	3,986.22	0.00	0.00	498.30	99.66	597.96	3,388.26	S/L	40.00
137			Frozen	1/01/15	163,176.12	0.00	0.00	20,397.00	4,079.40	24,476.40	138,699.72	S/L	40.00
138			Frozen	1/01/15	1,916,035.24	0.00	0.00	239,504.40	47,900.88	287,405.28	1,628,629.96	S/L	40.00
139			Frozen	1/01/15	162,015.21	0.00	0.00	20,251.90	4,050.38	24,302.28	137,712.93	S/L	40.00
140			Frozen	1/01/15	61,125.36	0.00	0.00	7,640.65	1,528.13	9,168.78	51,956.58	S/L	40.00
141			Frozen	1/01/15	327,777.26	0.00	0.00	40,972.15	8,194.43	49,166.58	278,610.68	S/L	40.00
142			Frozen	12/31/14	87,026.21	0.00	0.00	10,878.30	2,175.66	13,053.96	73,972.25	S/L	40.00
143			Frozen	1/01/15	65,907.07	0.00	0.00	8,238.40	1,647.68	9,886.08	56,020.99	S/L	40.00
153			30W	12/31/15	1,052.48	0.00	0.00	105.24	26.31	131.55	920.93	S/L	40.00
154			30W	12/31/15	1,129.28	0.00	0.00	112.92	28.23	141.15	988.13	S/L	40.00
155			30W	12/31/15	40,604.86	0.00	0.00	4,060.48	1,015.12	5,075.60	35,529.26	S/L	40.00
156			30W	12/31/15	1,775.67	0.00	0.00	177.56	44.39	221.95	1,553.72	S/L	40.00
157			30W	12/31/15	919.98	0.00	0.00	92.00	23.00	115.00	804.98	S/L	40.00
158			30W	12/31/15	573.73	0.00	0.00	57.36	14.34	71.70	502.03	S/L	40.00
165			FROZEN	12/31/15	6,097.52	0.00	0.00	609.76	152.44	762.20	5,335.32	S/L	40.00
166			FROZEN	12/31/15	6,542.44	0.00	0.00	654.24	163.56	817.80	5,724.64	S/L	40.00
167			FROZEN	12/31/15	235,243.53	0.00	0.00	23,524.36	5,881.09	29,405.45	205,838.08	S/L	40.00
168			FROZEN	12/31/15	10,287.28	0.00	0.00	1,028.72	257.18	1,285.90	9,001.38	S/L	40.00
169			FROZEN	12/31/15	5,329.91	0.00	0.00	533.00	133.25	666.25	4,663.66	S/L	40.00
170			FROZEN	12/31/15	3,323.91	0.00	0.00	332.40	83.10	415.50	2,908.41	S/L	40.00
171			FROZEN 3	12/31/15	1,917.76	0.00	0.00	191.76	47.94	239.70	1,678.06	S/L	40.00
172			FROZEN 3	12/31/15	2,057.70	0.00	0.00	205.76	51.44	257.20	1,800.50	S/L	40.00
173			FROZEN 3	12/31/15	73,987.75	0.00	0.00	7,398.76	1,849.69	9,248.45	64,739.30	S/L	40.00
174			FROZEN 3	12/31/15	3,235.51	0.00	0.00	323.56	80.89	404.45	2,831.06	S/L	40.00
175			FROZEN 3	12/31/15	1,676.34	0.00	0.00	167.64	41.91	209.55	1,466.79	S/L	40.00
176			FROZEN 3	12/31/15	1,045.42	0.00	0.00	104.56	26.14	130.70	914.72	S/L	40.00
183			CANOE	12/31/15	2,409.05	0.00	0.00	240.92	60.23	301.15	2,107.90	S/L	40.00
184			CANOE	12/31/15	2,584.84	0.00	0.00	258.48	64.62	323.10	2,261.74	S/L	40.00
185			CANOE	12/31/15	92,941.74	0.00	0.00	9,294.16	2,323.54	11,617.70	81,324.04	S/L	40.00
186			CANOE	12/31/15	4,064.38	0.00	0.00	406.44	101.61	508.05	3,556.33	S/L	40.00
187			CANOE	12/31/15	2,105.78	0.00	0.00	210.56	52.64	263.20	1,842.58	S/L	40.00
188			CANOE	12/31/15	1,313.24	0.00	0.00	131.32	32.83	164.15	1,149.09	S/L	40.00
189			CANOE	12/31/15	1,408.18	0.00	0.00	140.80	35.20	176.00	1,232.18	S/L	40.00
190			MULTI COUNTY	12/31/15	1,510.93	0.00	0.00	151.08	37.77	188.85	1,322.08	S/L	40.00
191			MULTI COUNTY	12/31/15	54,327.83	0.00	0.00	5,432.80	1,358.20	6,791.00	47,536.83	S/L	40.00
192			MULTI COUNTY	12/31/15	2,375.78	0.00	0.00	237.56	59.39	296.95	2,078.83	S/L	40.00
193			MULTI COUNTY	12/31/15	1,230.90	0.00	0.00	123.08	30.77	153.85	1,077.05	S/L	40.00
194			MULTI COUNTY	12/31/15	767.63	0.00	0.00	76.76	19.19	95.95	671.68	S/L	40.00
206			BETHANY	7/28/16	2,231.85	0.00	0.00	190.65	55.80	246.45	1,985.40	S/L	40.00
207			BETHANY	7/28/16	2,394.70	0.00	0.00	204.55	59.87	264.42	2,130.28	S/L	40.00
208			BETHANY	7/28/16	86,105.18	0.00	0.00	7,354.82	2,152.63	9,507.45	76,597.73	S/L	40.00
209			BETHANY	7/28/16	3,765.41	0.00	0.00	321.64	94.14	415.78	3,349.63	S/L	40.00
210			BETHANY	7/28/16	1,950.88	0.00	0.00	166.63	48.77	215.40	1,735.48	S/L	40.00
211			BETHANY	7/28/16	1,216.64	0.00	0.00	103.93	30.42	134.35	1,082.29	S/L	40.00
212			HWY 205	1/31/16	7,431.62	0.00	0.00	727.68	185.79	913.47	6,518.15	S/L	40.00
213			HWY 205	1/31/16	7,973.89	0.00	0.00	780.78	199.35	980.13	6,993.76	S/L	40.00

Book Asset Detail 1/01/20 - 12/31/20

FYE: 12/31/2020

Asset Id	Property Description	Date In Service	Book Cost	Book Sec 179 Exp	Book Sal Value	Book Prior Depreciation	Book Current Depreciation	Book End Depr	Book Net Book Value	Book Method	Book Period
Group: Water Lines (continued)											
214	HWY 205	1/31/16	286,713.42	0.00	0.00	28,074.04	7,167.84	35,241.88	251,471.54	S/L	40.00
215	HWY 205	1/31/16	6,496.06	0.00	0.00	636.07	162.40	798.47	5,697.59	S/L	40.00
216	HWY 205	1/31/16	12,538.08	0.00	0.00	1,227.68	313.45	1,541.13	10,996.95	S/L	40.00
217	HWY 205	1/31/16	4,051.16	0.00	0.00	396.68	101.28	497.96	3,553.20	S/L	40.00
218	MULTI COUNTY	5/12/16	137.11	0.00	0.00	12.58	3.43	16.01	121.10	S/L	40.00
219	MULTI COUNTY	5/12/16	147.12	0.00	0.00	13.49	3.68	17.17	129.95	S/L	40.00
220	MULTI COUNTY	5/12/16	5,289.85	0.00	0.00	484.91	132.25	617.16	4,672.69	S/L	40.00
221	MULTI COUNTY	5/12/16	231.33	0.00	0.00	21.20	5.78	26.98	204.35	S/L	40.00
222	MULTI COUNTY	5/12/16	119.85	0.00	0.00	11.00	3.00	14.00	105.85	S/L	40.00
223	MULTI COUNTY	5/12/16	74.74	0.00	0.00	6.86	1.87	8.73	66.01	S/L	40.00
224	FROZEN 4	11/30/17	37,827.75	0.00	0.00	1,970.19	945.69	2,915.88	34,911.87	S/L	40.00
225	FROZEN 4	11/30/17	22,421.40	0.00	0.00	1,167.79	560.54	1,728.33	20,693.07	S/L	40.00
226	FROZEN 4	11/30/17	24,057.44	0.00	0.00	0.00	0.00	0.00	24,057.44	S/L	0.00
227	FROZEN 4	11/30/17	865,022.60	0.00	0.00	45,053.27	21,625.57	66,678.84	798,343.76	S/L	40.00
228	FROZEN 4	11/30/17	19,598.79	0.00	0.00	1,020.77	489.97	1,510.74	18,088.05	S/L	40.00
229	FROZEN 4	11/30/17	12,222.48	0.00	0.00	636.58	305.56	942.14	11,280.34	S/L	40.00
230	CANOE	3/30/17	267.98	0.00	0.00	18.42	6.70	25.12	242.86	S/L	40.00
231	CANOE	3/30/17	287.54	0.00	0.00	19.77	7.19	26.96	260.58	S/L	40.00
232	KY315/28	7/31/17	83,183.89	0.00	0.00	5,025.70	2,079.60	7,105.30	76,078.59	S/L	40.00
233	KY315/28	7/31/17	89,253.64	0.00	0.00	5,392.41	2,231.34	7,623.75	81,629.89	S/L	40.00
234	KY315/28	7/31/17	3,209,252.65	0.00	0.00	193,892.36	80,231.32	274,123.68	2,935,128.97	S/L	40.00
235	KY315/28	7/31/17	140,341.77	0.00	0.00	8,478.97	3,508.54	11,987.51	128,354.26	S/L	40.00
236	KY315/28	7/31/17	72,711.95	0.00	0.00	4,393.02	1,817.80	6,210.82	66,501.13	S/L	40.00
237	KY315/28	7/31/17	45,345.67	0.00	0.00	2,739.63	1,133.64	3,873.27	41,472.40	S/L	40.00
238	CANOE	3/30/17	10,338.87	0.00	0.00	710.79	258.47	969.26	9,369.61	S/L	40.00
239	CANOE	3/30/17	452.12	0.00	0.00	31.08	11.30	42.38	409.74	S/L	40.00
240	CANOE	3/30/17	234.25	0.00	0.00	16.11	5.86	21.97	212.28	S/L	40.00
241	CANOE	3/31/17	146.08	0.00	0.00	10.04	3.65	13.69	132.39	S/L	40.00
245	NOAA AIRPORT	4/30/18	7,159.00	0.00	0.00	298.30	178.98	477.28	6,681.72	S/L	40.00
246	NOAA AIRPORT	4/30/18	257,431.85	0.00	0.00	10,726.33	6,435.80	17,162.13	240,269.72	S/L	40.00
247	NOAA AIRPORT	4/30/18	11,258.00	0.00	0.00	469.08	281.45	750.53	10,507.47	S/L	40.00
248	NOAA AIRPORT	4/30/18	5,833.00	0.00	0.00	243.05	145.83	388.88	5,444.12	S/L	40.00
249	NOAA AIRPORT	4/30/18	3,637.00	0.00	0.00	151.55	90.93	242.48	3,394.52	S/L	40.00
250	NOAA AIRPORT	4/18/18	6,673.00	0.00	0.00	278.05	166.83	444.88	6,228.12	S/L	40.00
252	KY 378 Bridge Replacement	8/21/19	8,289.00	0.00	0.00	92.10	276.30	368.40	7,920.60	S/L	30.00
Water Lines			44,154,749.21	0.00c	0.00	9,083,011.47	1,103,336.46	10,186,347.93	33,968,401.28		
Grand Total			44,573,159.09	0.00c	0.00	9,392,309.39	1,115,673.07	10,507,982.46	34,065,176.63		

Attachment #9

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Breathitt County Water District - Loan Number F209-05**

Loan Summary					
Borrower:	Breathitt County Water District			Approval Date:	07-09-2009
Loan ID:	0632	KIA Loan Number:	F209-05	Maturity Date:	06-01-2030
Status:	Active	Interest Rate:	1.00%	R & M Reserve:	\$10,000.00
Loan Amount:	\$572,000.00	Pmt. Frequency	Semi-Annual		
AA Date:	12-01-2009	Supp. AA Date:			

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
12-01-2010	\$4,917.23	\$1,055.81	\$5,973.05	\$271.42	\$0.00	\$6,244.47	\$257,630.77	\$1,000.00	\$1,000.00
06-01-2011	\$5,999.21	\$1,306.32	\$7,305.53	\$322.04	\$0.00	\$7,627.57	\$251,631.55	\$0.00	\$1,000.00
12-01-2011	\$6,029.20	\$1,258.16	\$7,287.36	\$314.54	\$0.00	\$7,601.90	\$245,602.35	\$1,000.00	\$2,000.00
06-01-2012	\$6,059.35	\$1,228.01	\$7,287.36	\$307.00	\$0.00	\$7,594.37	\$239,543.00	\$0.00	\$2,000.00
12-01-2012	\$6,089.65	\$1,197.71	\$7,287.36	\$299.43	\$0.00	\$7,586.79	\$233,453.35	\$1,000.00	\$3,000.00
06-01-2013	\$6,120.09	\$1,167.27	\$7,287.36	\$291.82	\$0.00	\$7,579.18	\$227,333.25	\$0.00	\$3,000.00
12-01-2013	\$6,150.70	\$1,136.66	\$7,287.36	\$284.17	\$0.00	\$7,571.53	\$221,182.55	\$1,000.00	\$4,000.00
06-01-2014	\$6,181.45	\$1,105.91	\$7,287.36	\$276.48	\$0.00	\$7,563.84	\$215,001.10	\$0.00	\$4,000.00
12-01-2014	\$6,212.36	\$1,075.00	\$7,287.36	\$268.75	\$0.00	\$7,556.11	\$208,788.74	\$1,000.00	\$5,000.00
06-01-2015	\$6,243.42	\$1,043.94	\$7,287.36	\$260.99	\$0.00	\$7,548.35	\$202,545.32	\$0.00	\$5,000.00
12-01-2015	\$6,274.63	\$1,012.73	\$7,287.36	\$253.18	\$0.00	\$7,540.54	\$196,270.68	\$1,000.00	\$6,000.00
06-01-2016	\$6,306.00	\$981.36	\$7,287.36	\$245.34	\$0.00	\$7,532.70	\$189,964.68	\$0.00	\$6,000.00
12-01-2016	\$6,337.54	\$949.82	\$7,287.36	\$237.46	\$0.00	\$7,524.82	\$183,627.14	\$1,000.00	\$7,000.00
06-01-2017	\$6,369.22	\$918.14	\$7,287.36	\$229.53	\$0.00	\$7,516.90	\$177,257.92	\$0.00	\$7,000.00
12-01-2017	\$6,401.07	\$886.29	\$7,287.36	\$221.57	\$0.00	\$7,508.93	\$170,856.85	\$1,000.00	\$8,000.00
06-01-2018	\$6,433.08	\$854.28	\$7,287.36	\$213.57	\$0.00	\$7,500.93	\$164,423.76	\$0.00	\$8,000.00
12-01-2018	\$6,465.24	\$822.12	\$7,287.36	\$205.53	\$0.00	\$7,492.89	\$157,958.52	\$1,000.00	\$9,000.00
06-01-2019	\$6,497.57	\$789.79	\$7,287.36	\$197.45	\$0.00	\$7,484.81	\$151,460.95	\$0.00	\$9,000.00
12-01-2019	\$6,530.05	\$757.31	\$7,287.36	\$189.33	\$0.00	\$7,476.69	\$144,930.90	\$1,000.00	\$10,000.00
06-01-2020	\$6,562.71	\$724.65	\$7,287.36	\$181.16	\$0.00	\$7,468.53	\$138,368.18	\$0.00	\$10,000.00
12-01-2020	\$6,595.52	\$691.84	\$7,287.36	\$172.96	\$0.00	\$7,460.32	\$131,772.66	\$0.00	\$10,000.00
06-01-2021	\$6,628.49	\$658.87	\$7,287.36	\$164.72	\$0.00	\$7,452.08	\$125,144.17	\$0.00	\$10,000.00
12-01-2021	\$6,661.64	\$625.72	\$7,287.36	\$156.43	\$0.00	\$7,443.79	\$118,482.53	\$0.00	\$10,000.00
06-01-2022	\$6,694.94	\$592.42	\$7,287.36	\$148.10	\$0.00	\$7,435.47	\$111,787.59	\$0.00	\$10,000.00
12-01-2022	\$6,728.42	\$558.94	\$7,287.36	\$139.73	\$0.00	\$7,427.10	\$105,059.16	\$0.00	\$10,000.00
06-01-2023	\$6,762.06	\$525.30	\$7,287.36	\$131.32	\$0.00	\$7,418.69	\$98,297.10	\$0.00	\$10,000.00
12-01-2023	\$6,795.87	\$491.49	\$7,287.36	\$122.87	\$0.00	\$7,410.23	\$91,501.23	\$0.00	\$10,000.00
06-01-2024	\$6,829.85	\$457.51	\$7,287.36	\$114.38	\$0.00	\$7,401.74	\$84,671.38	\$0.00	\$10,000.00
12-01-2024	\$6,864.00	\$423.36	\$7,287.36	\$105.84	\$0.00	\$7,393.20	\$77,807.38	\$0.00	\$10,000.00
06-01-2025	\$6,898.32	\$389.04	\$7,287.36	\$97.26	\$0.00	\$7,384.62	\$70,909.05	\$0.00	\$10,000.00
12-01-2025	\$6,932.81	\$354.55	\$7,287.36	\$88.64	\$0.00	\$7,376.00	\$63,976.24	\$0.00	\$10,000.00
06-01-2026	\$6,967.48	\$319.88	\$7,287.36	\$79.97	\$0.00	\$7,367.33	\$57,008.76	\$0.00	\$10,000.00
12-01-2026	\$7,002.32	\$285.04	\$7,287.36	\$71.26	\$0.00	\$7,358.62	\$50,006.44	\$0.00	\$10,000.00
06-01-2027	\$7,037.33	\$250.03	\$7,287.36	\$62.51	\$0.00	\$7,349.87	\$42,969.10	\$0.00	\$10,000.00
12-01-2027	\$7,072.51	\$214.85	\$7,287.36	\$53.71	\$0.00	\$7,341.07	\$35,896.59	\$0.00	\$10,000.00
06-01-2028	\$7,107.88	\$179.48	\$7,287.36	\$44.87	\$0.00	\$7,332.23	\$28,788.71	\$0.00	\$10,000.00
12-01-2028	\$7,143.42	\$143.94	\$7,287.36	\$35.99	\$0.00	\$7,323.35	\$21,645.29	\$0.00	\$10,000.00

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Breathitt County Water District - Loan Number F209-05**

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
06-01-2029	\$7,179.13	\$108.23	\$7,287.36	\$27.06	\$0.00	\$7,314.42	\$14,466.16	\$0.00	\$10,000.00
12-01-2029	\$7,215.03	\$72.33	\$7,287.36	\$18.08	\$0.00	\$7,305.44	\$7,251.12	\$0.00	\$10,000.00
06-01-2030	\$7,251.12	\$36.24	\$7,287.36	\$9.06	\$0.00	\$7,296.43	\$0.00	\$0.00	\$10,000.00
Totals:	\$262,547.91	\$27,650.34	\$290,198.26	\$6,915.52	\$0.00	\$297,113.85		\$10,000.00	

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

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 Breathitt County Water District (the "Governmental Agency"), dated as of December 1, 2009

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 Board of Commissioners adopting Resolution authorizing Assistance Agreement.
6. Extract of Minutes of the Authority authorizing the Assistance Agreement.
7. Commitment Letter, including Credit Analysis.

DISTRIBUTION LIST

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Ms. Cathy Arnett
SRF Section, Water Infrastructure Branch
Division of Water
Energy and Environmental Cabinet
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STANLEY T. TURNER
ASSISTANT COUNTY ATTORNEY

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December 18, 2009

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Breathitt County Water District, dated as of December 1, 2009

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 Breathitt Water District, hereinafter referred to as the "Governmental Agency", I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally, I am familiar with the drinking water supply 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 of ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement.

Based upon my review I am of the opinion that:

1. The Governmental Agency is a duly organized and existing political subdivision or body polite o 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 define 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 Government Agency of its obligations hereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, or ruling, or any obligation or instrument, binding upon the Government Agency, or any of its properties or assets. the Governmental Agency has obtained each and every authorization, consent, permit approval or license of, or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exception 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) thee valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to that 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. 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.
9. To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection of the project.
10. 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 of the Kentucky Revised Statutes.

Respectfully submitted



BRENDON D. MILLER
BREATHITT COUNTY ATTORNEY

1149 Main Street
Jackson, Kentucky 41339
(666) 606-3809

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Breathitt County Water District (the "Governmental Agency"), dated as of December 1, 2009

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 15th day of December, 2009.

**GOVERNMENTAL AGENCY:
BREATHITT COUNTY WATER DISTRICT**

By: [Signature]
Name: John L. Smith Bobby Thorpe
Title: Chairman

Attest:

By: [Signature]
Name: _____
Title: Secretary

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

FUND F

PROJECT NUMBER: F2 09-05

BORROWER: Breathitt County Water District

BORROWER'S ADDRESS: 1137 Main Street
Jackson, Kentucky 41339

DATE OF ASSISTANCE AGREEMENT: December 1, 2009

CFDA NO.: 66.468

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 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 Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of November 1, 1998, as amended, supplemented or restated from time to time (the "Federal Agreement"), under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; 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 February 1, 2000 (the "Indenture") between the Authority and U.S. Bank, National Association, as lawful successor in interest to National City Bank of Kentucky (the "Trustee"), in order to provide the "match funding" for the Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to finance the acquisition and construction of 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 repay the Loan and the interest thereon from the sources herein provided, all as hereinafter more 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 AND 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.

"*Architects*" means the firm of consulting architects employed by the Governmental Agency in connection with the Project identified in the Project Specifics.

"*ARRA*" shall mean the American Recovery and Reinvestment Act of 2009.

"*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.

"*Cabinet*" means the Energy and Environment Cabinet of the Commonwealth.

"*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 income and revenues of the System.

"*Drinking Water Supply Project*" shall mean the planning, design and construction of drinking water treatment and distribution systems, including expenditures to address Federal Act health goals, or to address situations where compliance standards have been exceeded or to prevent future violations of rules, and may further include drinking water treatment plants, including basins for rapid mix, flocculation, coagulation, filtration, pre-treatment disinfection, and disinfection prior to entry to the distribution system; distribution systems; storage tanks; intake lines and short-term water storage; clearwells; drilled wells and wellhead areas; and any other structure or facility considered necessary by the Cabinet to the efficient and sanitary operation of a public water system and complies with the requirements of the Federal Act.

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

"*Federal Act*" shall mean the Federal Safe Drinking Water Act, as amended, 42 U.S.C. Section 1401, et seq.

"*Governmental Agency*" shall mean any incorporated city or municipal corporation, or other agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate infrastructure projects, including specifically but not by way of limitation, incorporated cities, counties, including any counties containing a metropolitan sewer district, sanitation districts, water districts, 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 February 1, 2000 between the Authority and the Trustee.

"*Interagency Agreement*" means the Memorandum of Understanding dated as of July 1, 1999 between the Authority and the Cabinet, as the same may be amended or supplemented from time to time.

"*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.1115 and the Indenture as the "federally assisted drinking water 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, a Drinking Water Supply Project, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

"*Project Commencement Date*" means the date construction of the Project commences, or the date contracts have been executed for construction of the Project.

"*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 the Construction of the Project progresses.

"*Resolution*" means the resolution of the Governmental Agency in the form attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

"*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 general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, and such other revenues identified in Exhibit C hereto 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 System, 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 Charges shall be no less than those set forth in the Schedule of Service Charges.

"*System*" shall mean the water system owned and operated by the Governmental Agency of which the Project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

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, the Federal Act, ARRA 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) To the knowledge of the Governmental Agency, 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 proceed with 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.

(J) The Governmental Agency is in full compliance with all federal and state labor and procurement laws in connection with the planning, design, acquisition and construction of the Project.

(K) Project is consistent with the water supply plan developed pursuant to 401 KAR 4:220 for the county in which the Governmental Agency is located.

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 Drinking Water Supply Project or other Infrastructure Project permitted 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, including principal forgiveness, 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 semiannually, 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 such Requisition of Funds shall be accompanied by a Buy-American Certification in substantially the same form as Exhibit B-1 attached 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; and shall be subject to the further 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 Prepay 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, subject to compliance by the Governmental Agency with any covenants and conditions set forth in Exhibit G hereto, the 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 System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics and all such Debt Obligations that may hereafter be issued on a parity with the Debt Obligations identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.6 (D) hereof.

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 and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

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

(B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project 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 the 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 the lump-sum (fixed 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 Cabinet.

(G) Duly authorized representatives of the Cabinet and such other agencies of the Commonwealth and the United States Government 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, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. 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 Cabinet 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 for the Governmental Agency and approved by state and federal agencies.

(O) The Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the American Recovery and Reinvestment Act 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 and the Cabinet, acting by and through their 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 and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a 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.

(S) 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.

(T) 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 Cabinet, 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.

(U) 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 and the Cabinet 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 date of submission of the initial Requisition for Funds.

(V) The Project Commencement Date shall be no later than February 16, 2010.

(W) The Governmental Agency covenants that the Project is comprised of improvements constituting green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement and ARRA. The Governmental Agency, in order to comply with the terms and conditions of the Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with generally accepted governmental accounting standards, as required by the Federal Agreement. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(B) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(C) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(D) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(A).

(E) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

(1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience; and

(2) The training of operating personnel, including preparation of curricula and training material for operating personnel.

(F) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(G) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(H) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(I) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(J) That all measures required to minimize water pollution to affected waters shall be employed in the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

(K) That no portion of the proceeds of the Loan shall be disbursed unless the Project Commencement Date is on or prior to February 16, 2010.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day 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 Exhibit B-1 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 disbursement by the Authority.

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

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 Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as 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, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, 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, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

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, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project 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.

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". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. 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 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, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System 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 System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such 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.

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 accordance with the "Uniform System of

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within one hundred eighty (180) 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 principles 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. All recipients and subrecipients expending \$500,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with OMB Circular A-133.

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

Section 6.10. 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, the Federal 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.

Section 6.11. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of its under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432

- (g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590
- (2) State:
 - (a) KRS 224
 - (b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
 - (c) KRS Chapter 337, Labor Laws
 - (d) 401 KAR Chapter 5

Section 6.12. Covenants Under ARRA. The Governmental Agency covenants and agrees that it shall comply with all further requirements or conditions which may arise from time to time in order to insure compliance with ARRA, including but not limited to the following:

- (A) The Governmental Agency shall require all laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of title 40, United States Code.
- (B) No portion of the Loan shall be used by the Governmental Agency for the construction, alteration, maintenance or repair of a public building or public work unless all of the iron, steel and manufactured goods used in the Project is produced in the United States unless (i) a waiver is provided to the Governmental Agency by the United States Environmental Protection Agency or (ii) compliance would be inconsistent with the United States' obligations under international agreements.
- (C) Not later than 10 days after the end of each calendar quarter, the Governmental Agency shall submit reports to the Authority complying with the requirements of Section 1512(c) and Title VII of ARRA.
- (D) 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 ARRA.
- (E) If the Project, or any portion thereof, has been qualified as a green infrastructure water or energy efficiency project, the Governmental Agency shall notify the Authority in writing of any changes to the Project resulting in an alteration of the business case requirements set forth in attached Exhibit H. No such changes shall be undertaken unless the Authority shall have provided the Governmental Agency with express written consent to such changes.

Section 6.13. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the

Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. 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 the System 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. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. 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 7.5. 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 7.6. 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 7.7. 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 7.8. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.9. 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 7.10. 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 7.11. 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 7.11, 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.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.

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 specified herein 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 (other than an event of default arising under Section 6.13 of this Assistance Agreement), 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.

(D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.10 hereof shall be those remedies specifically set forth in Section 6.10 hereof

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 non-defaulting 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 non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

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 or Assistant Secretary of the Finance and Administration Cabinet.

Section 9.3. Effective Date and Early Termination. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in 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. Notwithstanding the foregoing, in the event the Project Commencement Date shall not have occurred on or prior to February 16, 2010, this Assistance Agreement shall terminate on February 17, 2010.

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, 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. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. 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 9.8. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

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.

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:

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

Sandy Williams
Title: SECRETARY

By: [Signature]
Title: EXECUTIVE DIRECTOR

ATTEST:

**GOVERNMENTAL AGENCY:
BREATHITT COUNTY WATER DISTRICT**

Eva M. Fugate
Title: Secretary

By: [Signature]
Title: Chairman

APPROVED:

EXAMINED:

[Signature]
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

Beck, Shaffer + Williams LLP
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENERGY AND ENVIRONMENT
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY
E. Jeffrey Morley
APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
BREATHITT COUNTY WATER DISTRICT
PROJECT SPECIFICS
F2 09-05 (increase)

GOVERNMENTAL AGENCY:

Name: BREATHITT COUNTY WATER DISTRICT
 1137 Main Street
 Jackson, Kentucky 41339

Contact
 Person: John L. Smith
 (606) 666-3800, extension 250

SYSTEM: Drinking Water

PROJECT: The Breathitt County Water District is requesting a \$52,000 (10%) increase to its previously approved \$520,000 Drinking Water SRF loan from the American Recovery and Reinvestment Act to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469.

PROJECT BUDGET:

	<u>Total</u>
Administrative Expenses	\$ 33,125
Engineering Fees	\$ 226,151
Construction	\$ 1,050,483
Contingency	\$ 10,201
Other	\$ 2,040
TOTAL	\$ 1,322,000

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 572,000	43%
HB608	\$ 750,000	57%
Total	\$ 1,322,000	100%

KIA DEBT SERVICE:

Construction Loan	\$	572,000
Less: Principal Forgiveness (54.1%)	\$	309,452
Amortized Amount	\$	262,548
Interest Rate		1.00%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	14,517
Administrative Fee (0.25%)	\$	656
Total Estimated Annual Debt Service	\$	15,173

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 6/1/10).

Full principal and interest payments will commence within one year of initiation of operation (estimated 12/1/10).

REPLACEMENT RESERVE ACCOUNT: \$ 1,400 ANNUAL AMOUNT
 \$ 14,000 TOTAL AMOUNT

The annual replacement cost is \$1,400. This amount should be added to the replacement account each December 1 until the balance reaches \$14,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

<u>Debt Issue</u>	<u>Outstanding</u>	<u>Maturity</u>
Line of Credit	\$1,267,334	2010
Total	\$1,267,334	

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	<u>SEE ATTACHED</u>
Death or Personal Injury (per occurrence)	<u>SEE ATTACHED</u>
Property Damage on System	<u>SEE ATTACHED</u>

Kentucky Association of Counties

All Lines Fund

380 King's Daughters Drive

Frankfort, KY 40601

Declarations Page

Policy Number P&C0963

Insured Name and Address
 Breathitt County Water District
 1137 Main Street
 Jackson, KY 41339

Policy Period: 7/1/2009 to 7/1/2012

For customer service please call
 (800)264-5226

Issued: 09/08/2009

Business Description Water District

In return for the payment of the premium, and subject to all the terms of the policy, we agree to provide the insurance stated in the binder.

Coverage			Deductible
General Liability (Per OCC/AGG)	3,000,000	5,000,000	0
Law Enforcement (Per OCC/AGG)	NCD	NCD	NCD
Errors/Omissions (Per OCC/AGG)	3,000,000	3,000,000	1,000
Employment Practices (Per claim/AGG)	3,000,000	3,000,000	1,000
Auto Liability (CSL)	3,000,000		0
Auto Comprehensive	Hired/Non-Owned		500
Auto Collision	Hired/Non-Owned		500
P.I.P. (No Fault)	10,000	10,000	0
Under Insured/Un-Insured	60,000	60,000	0
Non Owned Auto Coverage	Primary		
Property/Buildings	As Per Statement on File		500
Personal Property	As Per Statement on File		500
Boiler & Machinery	15,000,000		1,000
Inland Marine & EDP	As Per Statement on File		500
Business Income	500,000	500,000	0
Flood	1,000,000	1,000,000	0
Earthquake	N/A	n/A	NCD
Crime (Other than Employee Dishonesty)	150,000		500
Employee Dishonesty (Policy #: CIC1964)	150,000		250
Legal Defense Coverage	100,000		0

Authorized
 Representative

Kris Dann

Date 09/08/2009

(See Attached Endorsement)

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED DECEMBER 1, 2009
LOAN NO. F2 09-05

Request No. _____

Dated: _____

Original sent to: Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

Copy sent to: SRP and SPAP Section Manager
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

FROM: Breathitt County Water District (the "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 drinking water supply 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>	<u>Expenses this Request</u>	<u>Expenses to Date</u>
-------------------	------------------------------	-------------------------

Total

ALLOCATION OF FUNDING FOR EXPENSES

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

Totals

The Governmental Agency certifies it has also paid Project expenses for planning and design 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/Architect

Firm Name

EXHIBIT B-1

BUY-AMERICAN CERTIFICATION ACCOMPANYING PAY REQUESTS

BUY AMERICAN AFFIRMATION

Section 1605 of the American Recovery and Reinvestment Act (ARRA) states that:

"None of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States."

To meet this requirement, the undersigned hereby certifies that all of the material, equipment and accessories which are to be represented by expenditures of this pay request and any other expenditures of the Project to be partially or fully funded by monies from the American Recovery and Reinvestment Act, has been manufactured from domestic construction material as defined by 40 CFR 35.936-13(D).

If any expenditures reflected in this Pay Request or expenditures made from other funding sources during the period covered by this Pay Request are not in compliance with Section 1605, documentation is attached hereto reflecting the waiver obtained or applicable hereto that allows the incorporation of a non-American component(s).

Name of Governmental Agency

Name of Contractor

Signature of Authorized Official

Signature of Authorized Official

Title

Title

Date

Date

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2005-00317 DATED OCTOBER 11, 2005

The following rates, charges, and policies are prescribed for the customers in the area served by Breathitt County Water District. All other rates, charges, and policies not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Non-Recurring Charges

Meter Connection/Tap-on Charge - 5/8" x 3/4" Meter	
During Construction	\$325.00
After Construction Completed	400.00
All Larger Meters	Actual Cost
Connection/Turn-on Charge	25.00
Connection/Turn-on Charge (After Hours)	50.00
Field Collection Charge	25.00
Late Payment Penalty	10%
Meter Relocation Charge	Actual Cost
Meter Re-read Charge	25.00
Meter Test Charge	40.00
Re-Connection Charge	50.00
Re-Connection Charge (After Hours)	65.00
Returned Check Charge	30.00
Service Call/Investigation	25.00
Service Call/Investigation (After Hours)	50.00
Damage to Meter, Meter Lid, Setter or Valve	Actual Cost

EXHIBIT D

RESOLUTION

RESOLUTION OF THE BREATHITT COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF DECEMBER 1, 2009 BETWEEN THE BREATHITT COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Breathitt County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water 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 acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of December 1, 2009 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Breathitt County Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes 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 acquisition and construction of the Project.

SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are 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 _____, 2009.

Chairman

Attest:

Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Breathitt County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on _____, 2009; 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 _____, 2009.

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Breathitt County Water District, dated as of December 1, 2009

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 Breathitt County Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the drinking water supply 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.

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) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) 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
BREATHITT COUNTY WATER DISTRICT ("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

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

Principal and Interest Payable
on Each June 1 and December 1

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: _____

Governmental Agency

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

None

EXHIBIT H

BUSINESS CASE REQUIREMENTS FOR GREEN PROJECT RESERVE

Not Applicable

46298.1

RESOLUTION

RESOLUTION OF THE BREATHITT COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF DECEMBER 1, 2009 BETWEEN THE BREATHITT COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Breathitt County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water 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 acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of December 1, 2009 (the "Assistance Agreement") with the Authority.

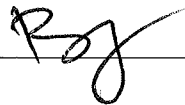
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Breathitt County Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes 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 acquisition and construction of the Project.

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

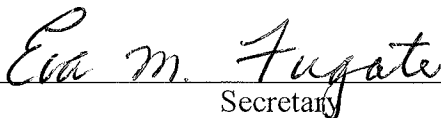
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on 12-15-09, 2009.



Chairman

Attest:



Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Breathitt County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on 12-15, 2009; 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 15 day of December, 2009.

Eva m Fugate
Secretary

MINUTES

DATE: December 16, 2009

Breathitt County Water District
4:00 p.m.

The Breathitt County Water District met in Regular Session on the 16th day of December, 2009 at 4:00 p.m. in the Fiscal Court Room. The meeting was called to order by Chairman Thorpe. Members Kash Noble, Sammie Turner, Eva Fugate and Eugene Turner were present. Others present were Shannon Moore, Ora Main, Phil Bowling, Kay Barnett, Brendon Miller, residents from Hwy. 30 East, Hunting Creek and Meatscaffold.

Motion by Kash Noble, seconded by Eugene Turner to approve the minutes of the November 18, 2009 Regular Meeting and December 3, 2009 Special Meeting. Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Discussion was held on the Fiscal Court Approval for funding of Beech Grove, Mill Creek and the remaining funds be used on Butterpoint Road. The Fiscal Court wanted the roads completed in this order.

Motion by Kash Noble, seconded by Eugene Turner to do as the Fiscal Court requested and do Beech Grove first, Mill Creek and Halls Branch (off Mill Creek) second and use remaining funds on Butterpoint Road. Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Ora Main gave updates on all projects. He informed the Board that 10 firms picked up bids, however, only 5 turned bids back in for the Panbowl Waterline Project. G & W Construction was the low bidder. Nesbitt Engineering will look at all the bids and retabulate before a final decision is made.

Phil Bowling gave an AML update. He told that Turners Creek qualified for funding and Hwy. 476 was slated for funding in 2010. He also told that Copeland, Duck Hollow and River Caney would be designed in 2010.

Ora Main asked what was the will of the Board on Turners Creek. Did the Board want to go all the way down the main road, then come back and do the branch lines or start and do the branch lines as they came to them. Sammie Turner asked what was the cost for this project? Ora told him he could only give a cost estimate. Discussion was held. Sammie thought it would be best to do the main line, then do the branch lines.

Motion by Kash Noble to run the main line down as far as the money lasted. Motion died due to a lack of a second.

Discussion was held on waiting until the Board reviews the plans before making a decision.

Motion by Eugene Turner, seconded by Kash Noble to wait until the Board reviews the plans to make a decision. Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Verl Bowman asked when would Lower Twin get water. Chairman Thorpe advised him to get a petition started and present to them.

Ethel Belcher on Highland Road inquired about the cost of getting water ran the 1.2 miles. She was told it would cost approximately \$50,000 to run water to the three households.

Discussion was held on E.S. Little Road and Lick Branch Road.

Motion by Kash Noble, seconded by Sammie Turner to run waterlines up E.S. Little Road and spend remaining money on Lick Branch and look at the possibility of borrowing additional money if necessary. Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Motion by Kash Noble, seconded by Eugene Turner to open up a new bank account for the Panbowl Project. Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Motion by Kash Noble, seconded by Sammie Turner to approve the Resolution from the American Recovery Reinvestment Act to accept the stimulus money for the Hwy. 30 West Project. Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Motion by Sammie Turner, seconded by Kash Noble to authorize Chairman Thorpe to sign any and all documents pertaining to the Hwy. 30 West Project. Vote is as follows: Bobby Thorpe, Jr.-aye, Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Motion by Eugene Turner, seconded by Sammie Turner to approve payment of following invoices when the money becomes available:

Requisition Certificate # 22 (AML--HWY 1110)	\$1,840.23
Requisition Certificate # 6 (AML--HWY 1110 PHASE II)	\$49,648.43
Requisition Certificate # 13 (CANOE)	\$57,855.13
Requisition Certificate # 14 (KY 30 EAST)	\$43,954.04
Requisition Certificate # 12 (KY 30 WEST)	\$207,403.21
Requisition Certificate # 2 (KY 1812, 378, 540 & 394)	\$6,000.00
Requisition 12-09	\$28,700.51

Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Discussion was held on hiring Crystal Deaton to video the meetings.

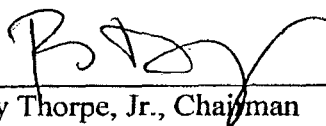
Motion by Bobby Thorpe, Jr., seconded by Sammie Turner to hire Crystal Deaton to video the meetings at a cost of \$75.00 per Regular Meeting and \$25.00 per Special Meeting. Vote is as follows: Bobby Thorpe, Jr.-aye, Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Motion by Bobby Thorpe, Jr., seconded by Kash Noble to close the Regular Meeting and go into Executive Session for litigation matters. Vote is as follows: Bobby Thorpe, Jr.-aye, Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Motion by Kash Noble, seconded by Eugene Turner to close the Executive Session and go back into the Regular Meeting. Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

No action was taken during the Executive Session.

Motion by Kash Noble, seconded by Eugene Turner to adjourn the meeting. Vote is as follows: Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.



Bobby Thorpe, Jr., Chairman

**KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board**

**Meeting Date/Location: July 9, 2009 – 12:30 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort**

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Bill Riggs, Finance and Administration Cabinet
(permanent proxy for Secretary Jonathan Miller, FAC)
Ms. Brooke Parker, Energy and Environment Cabinet
(proxy for Secretary Leonard K. Peters, EEC)
Mr. George Burgess, Economic Development Cabinet
(proxy for Interim Secretary Larry Hayes, EDC)
Mr. Gerald Wuetcher, Public Service Commission
(proxy for Executive Director Jeff Derouen, PSC)
Mr. Gregory Heitzman, representing the American Water Works Association
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties

Guests:

Mr. Ralph Johanson, GRW Engineers
Mr. Shafiq Amawi, Division of Water
Ms. Kristi Culpepper, Legislative Research Commission
Mr. Kevin Howard, Summit Engineering
Mr. Ricky Oakley, Hethcoat & Davis
Mr. Joseph Anderson, Princeton Water & Wastewater
Mr. Kevin L. Murphy, Calvert City Water and Sewer
Mr. Roger Recktenwald, Kentucky Association of Counties
Ms. Stacia Peyton, Department for Local Government
Ms. Kellie Wilson, Department for Local Government

PROCEEDINGS

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

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Special Board Meeting of June 25, 2009

The minutes that were considered was the revised version signed July 6, 2009.

Mr. Damon Talley moved to approve the revised minutes of the June 25, 2009 special board meeting that were signed July 6, 2009. Ms. Brooke Parker seconded, and the motion carried unanimously.

B. INFORMATIONAL ITEM

1. Interest Rate History 2003-2010

Ms. Sandy Williams, KIA, presented to the board the interest rate history for the Clean Water (Fund A) and Drinking Water (Fund F) Revolving Loan Programs. Fund A had a standard rate of 3.8% and a non-standard rate of 1.8% from February 1995 to February 2002 at which time they were established at 3.0% and 1.0% where they have remained. Fund F had a standard rate of 3.8% and a non-standard rate of 1.8% from the program's inception in April 2000 to February 2002 at which time they were established at 3.0% and 1.0% where they have remained. In 2009 an additional non-standard rate of 2.0% was added to both of the funds.

C. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND A INTEREST RATES FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND F INTEREST RATES FOR THE PERIOD JULY 1, 2009 THROUGH JUNE 30, 2010

Ms. Sandy Williams, KIA, presented both Resolutions to establish the Fund A and Fund F interest rates. The interest rates for KIA Fund A and Fund F loans approved by the Authority during the period July 1, 2009 through June 30, 2010 shall be as follows: the standard interest rate is 3.0%, the first non-standard rate is 2.0% and the lowest non-standard rate is 1.0%.

Mayor David Cartmell moved to approve both resolutions. Mr. George Burgess seconded, and the motion carried unanimously.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN IN THE AMOUNT OF \$796,065 TO THE CITY OF CALVERT CITY, MARSHALL COUNTY, KENTUCKY (A2 09-07) FUNDED IN WHOLE OR IN PART BY THE

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Mr. Rusty Anderson, KIA, illustrated the location of all the projects via the Water Resource Information System (WRIS) as they were presented to the board.

Mr. Shafiq Amawi, Division of Water (DOW), and Ms. Sandy Williams, KIA, presented the project to the board. The City of Calvert City requested a \$796,065 Fund A ARRA loan for the Cypress Lakes force main and lift station upgrade. The current lift station and force main is under sized and suffers from continuing maintenance issues. The new project will continue to serve several commercial developments along US 62 from I-24 to the Purchase Parkway and has been identified to potentially serve the Kentucky Dam State Park. This project includes replacing the existing pumps in the lift station, constructing 7,400 linear feet of 10 HDPE pipe and 3,000 linear feet of 15-inch gravity sewer interceptor. Plans and specifications were approved on May 26, 2009. The environmental review was approved on January 24, 2007 and is valid for five years. This loan will be combined with local funds for a total project amount of \$852,300. After the ARRA principal forgiveness of 52.1% is applied, the amortized loan amount is \$381,315. The term of the loan is 20 years with an interest rate of 3.0% and an estimated annual debt service payment of \$26,255. Both DOW and KIA staff recommended approval of the loan with the standard conditions and the additional ARRA conditions.

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

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN IN THE AMOUNT OF \$1,000,000 TO THE CITY OF PRINCETON, CALDWELL COUNTY, KENTUCKY (A2 09-11) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Mr. Shafiq Amawi, Division of Water (DOW), and Ms. Kasi White, KIA, presented the project to the board. The City of Princeton requested a \$1,000,000 Fund A ARRA loan to perform a detailed sewer system inspection followed by a major sewer rehabilitation project in two collection system basins that have been identified in a 2007 Flow Monitoring Study as major contributors to excessive infiltration and inflow in the sewer system. Approximately 75,000 l.f. of gravity sewer will be inspected and approximately 20,000 l.f. will be included in the rehabilitation portion of the project. Plans, specifications, and the environmental review have been submitted to DOW and are expected to be approved. This loan will be combined with two HB608 grants for a total project amount of \$1,500,000. After the ARRA principal forgiveness of 52.1% is applied, the amortized loan amount is \$479,000. The term of the loan is 20 years with an interest rate of 1.0% and an estimated annual debt service payment of \$27,442. Both DOW and KIA staff recommended approval of the loan with the standard conditions and the additional ARRA conditions.

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

4. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN IN THE AMOUNT OF \$171,840 TO THE CITY OF WHITESBURG, LETCHER COUNTY, KENTUCKY (F2 09-03) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the board. The City of Whitesburg requested a \$171,840 Fund F ARRA loan to construct a powder activated carbon feed system for the Whitesburg Water Treatment Plant. This project has been requested by the Division of Water in response to recent fuel spills. DOW had received environmental documentation to approve a categorical exemption for review. The plans and specifications were previously approved on November 12, 2008 and will be reevaluated for compliance under the ARRA requirements. The Fund F loan will provide 100% of the funding for the project. After the ARRA principal forgiveness of 54.1% is applied, the amortized loan amount is \$78,875. The term of the loan is 20 years with an interest rate of 2.0% and an estimated annual debt service payment of \$5,002. The City is in the process of increasing water rates for their higher volume customers. The ordinance to increase rates has passed first reading and will go into effect after the second reading and publication on July 14, 2009. Both DOW and KIA staff recommended approval of the loan with the standard conditions, the additional ARRA conditions and the following special condition: (1) The City must provide the ordinance to KIA that shows the passage of a water rate increase of \$3.00 per thousand gallons for all rate classes over 4,000 gallons of usage for both inside and outside city customers. The ordinance must be received by KIA no later than August 15, 2009.

Mayor David Cartmell moved to approve the resolution and Mr. Damon Talley seconded. Chair Wilder asked for any further discussion.

During board discussion regarding this loan, action was temporarily deferred by order of the Chair, until additional requested information was retrieved from another office. During that time, Mr. Rusty Anderson, KIA, presented a detailed illustration of the location of the project via the WRIS system.

Upon a motion duly made and seconded, Chair Wilder called for a vote and the resolution was approved unanimously.

5. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND LOAN IN THE AMOUNT OF \$520,000 TO THE BREATHITT COUNTY WATER DISTRICT, BREATHITT COUNTY, KENTUCKY (F2 09-05) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the board. The Breathitt County Water District requested a \$520,000 Fund F ARRA loan to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469. DOW had previously issued technical approval for this project, but will need to reevaluate for compliance under the ARRA requirements. The environmental information has not yet been received by DOW. The Fund F loan will provide 100% of the funding for the project. After the ARRA principal forgiveness of 54.1% is applied, the amortized loan amount is \$238,680. The term of the loan is 20 years with an interest rate of 1.0% and an estimated annual debt service payment of \$13,794. Both DOW and KIA staff recommended approval of the loan with the standard conditions, the additional ARRA conditions and the following special condition: (1) The Breathitt County Water District agrees to rebid the ARRA project if KIA concludes that the ARRA project cannot be added to an existing project via a change order.

Mr. Bill Riggs asked what would happen if the approval of this project was delayed until there was clarification on whether the project would need to be rebid and how that would affect the funding for the project. It was clarified that Breathitt County Water District would have to comply with all of the conditions of the loan before any funding would be released. Mr. Riggs and Mr. Gregory Heitzman expressed concern in going forward with this project and cautioned against taking on too many assumptions as special conditions for the approval of a loan. Ms. Williams informed the board that approximately 90% of all of the ARRA projects will have some kind of exception because of the fast track timeframe in which the projects must be under construction by February 17, 2010. All ARRA conditions for each project will be closely monitored.

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

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS 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 KENTCKY INFRASTRUCTURE AUTHORITY TO SUCH GOVERNMENTAL AGENCIES

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

APPLICANT	FUND	AMOUNT
City of Calvert City	A	\$ 796,065
Princeton Water and Wastewater Commission	A	\$ 1,000,000
City of Whitesburg	F	\$ 171,840

Breathitt County Water District	F	\$ 520,000
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Mr. Damon Talley moved to approve the resolution. Ms. Linda Bridwell seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Mr. John Covington, KIA, updated the board on the following items:

- A. The selection committee for the Underwriter and Bond Counsel are to have a final meeting this Friday to score the proposals and award the contract. Preparation to issue bonds will follow.
- B. The issuance of bonds for the Grant funded projects is moving forward and anticipate a closing date of July 9, 2009. Funds for the grants will be available shortly thereafter.
- C. The next regularly scheduled meeting of the KIA Board is August 6, 2009, and the meeting will start at 12:30 p.m. It is anticipated there will be one meeting in August and possibly two in September.
- D. Ms. Linda Bridwell asked for a status on the City of Pineville's submission of plans and specifications regarding their Fund B loan that was approved at the June 25th meeting. Ms. Shafiq Amawi, DOW, responded that the plans and specifications have not yet been submitted. A meeting is planned between KIA staff and the DOW to discuss projects on Friday, July 10, 2009.
- E. The joint water conference that was discussed earlier in the year has been tabled for now because of the large workload and short timeframe of the ARRA projects.

IV. STATUS REPORT FOR FUNDS

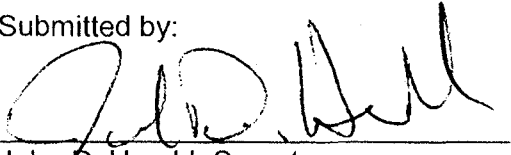
- A. 2003 Coal/Tobacco Development Grants
- B. IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A1, B, B1, C, F, F1

V. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, August 6, 2009
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business, Ms. Linda Bridwell moved to adjourn. Mr. Damon Talley seconded and the motion carried unanimously. The July 9, 2009, meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



John D. Herald, Secretary
Kentucky Infrastructure Authority

7-30-09
Date



Steven L. Beshear
Governor

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

John E. Covington III
Executive Director

July 15, 2009

John L. Smith, Chairman
Breathitt County Water District
1137 Main Street
Jackson, Kentucky 41339

**KENTUCKY INFRASTRUCTURE AUTHORITY
AMERICAN RECOVERY AND REINVESTMENT ACT
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F2 09-05)**

Dear Chairman Smith:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On July 9, 2009, the Authority approved your American Recovery and Reinvestment Act ("ARRA") loan to extend water service to 32 residential customers in western Breathitt County subject to the conditions stated below. The total cost of the project shall not exceed \$520,000 of which the Authority loan shall provide \$520,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Breathitt County Water District upon satisfactory performance of the conditions set forth in this letter. A period of three months from the date of this letter (10/15/2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. No extensions shall be granted. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$520,000.
2. The loan shall contain principal forgiveness in the amount of 54.1%.
3. The loan shall bear interest at the rate of 1.00% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven 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.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be performed for the life of the loan.

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

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within three (3) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six (6) months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.

10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

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

1. A sign shall be erected at the construction site in a form as prescribed by the Authority. The sign shall indicate that project funding has been provided in whole or in part by ARRA.
2. The project specifications must include the ARRA supplemental general conditions.
3. The project shall comply with the Buy American requirements of ARRA.
4. The project shall use federal wage rates as described in the Davis/Bacon Act.
5. The project shall comply with the reporting requirements of ARRA.
6. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
7. The project shall be under construction contract by February 10, 2010. If this deadline is not met, the funding commitment will be rescinded.

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

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

Chairman Smith
July 15, 2009
Page 5

Sincerely,




Kasi L. White
Financial Analyst

Attachments

cc: Bryan Kirby, Community & Economic Development/WJL Associates
Sandra Dunahoo, Nesbitt Engineering, Inc.
Lola Lyle, Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, Department for Local Government
Borrower File - BREATHITT COUNTY WATER DISTRICT - F2 09-05

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


Accepted

12-3-09
Date

ATTACHMENT A

BREATHITT COUNTY WATER DISTRICT

F2 09-05

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	July 9, 2009	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number:	F2 09-05	
REVOLVING LOAN FUND		WRIS Number	WX21025005	
BORROWER:	BREATHITT COUNTY WATER DISTRICT			
	Breathitt County			
BRIEF DESCRIPTION:	The Breathitt County Water District is requesting \$520,000 to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469.			
PROJECT FINANCING:		PROJECT BUDGET		
Fund F Loan	\$	520,000	Administrative Expenses	20,000
TOTAL	\$	520,000	Engineering Fees - Design	73,000
			Construction	388,000
			Contingency	39,000
			TOTAL	520,000
REPAYMENT			Est. Annual	
	Rate	1.00%	Payment	\$13,794
	Term	20 years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Nesbitt Engineering, Inc.		
	Bond Counsel	Peck, Shafer, & Williams		
PROJECT SCHEDULE				
	Bid Opening:	August 15, 2009		
	Construction Start:	August 25, 2009		
	Construction Stop:	April 15, 2010		
DEBT PER CUSTOMER	Existing:	\$	1,977	
	Proposed:	\$	897	
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	641	\$39.80 (for 4,000 gallons)	
	Proposed	32	\$39.80 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for		Income after Debt	
	Debt Service	Debt Service	Service	Coverage Ratio
Audited 2005	-15,725	0	-15,725	n/a
Audited 2006	6,578	0	6,578	n/a
Audited 2007	-47,133	45,070	-92,203	-1.05
Projected 2008	-97,358	37,500	-134,858	-2.60
Projected 2009	52,620	51,397	1,223	1.02
Projected 2010	52,395	20,794	31,602	2.52
Projected 2011	45,752	28,547	17,205	1.60
Projected 2012	38,668	28,547	10,121	1.35

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
BREATHITT COUNTY WATER DISTRICT, BREATHITT COUNTY**

**PROJECT REVIEW
WX21025011**

I. PROJECT DESCRIPTION

The Breathitt County Water District is requesting \$520,000 to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469.

This project is funded with ARRA funding.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	20,000
Engineering Fees - Design	73,000
Construction	388,000
Contingency	39,000
TOTAL	520,000

III. PROJECT FUNDING

<u>Funding Sources</u>	<u>Amount</u>	<u>%</u>
Fund F Loan	520,000	100%
Total	520,000	100%

IV. KIA DEBT SERVICE

Construction Loan	520,000
Less: Principal Forgiveness (54.1%)	281,320
Amortized Loan Amount	\$ 238,680
Interest Rate	1.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 13,197
Administrative Fee (0.25%)	597
Total Estimated Annual Debt Service	\$ 13,794

V. PROJECT SCHEDULE

Bid Opening:	August 15, 2009
Construction Start:	August 25, 2009
Construction Stop:	April 15, 2010

VI. RATE STRUCTURE

Customers	Current	Proposed	Total
Residential	641	32	673
Commercial	0	0	0
Industrial	0	0	0
	641	32	673

Rates

The monthly charge for water utility service is:

	Effective
Effective Date	10/11/2005
First 2,000 gallons	\$19.90
All Over 2,000 gallons (per 1,000 gallon)	\$9.95
Monthly Residential Rate for 4,000 gallons	\$39.80

VII. DEMOGRAPHICS

The Breathitt County Water District serves approximately 641 customers in Breathitt County which has a population of 13,500. In 2000, the County's Median Household Income (MHI) level was \$19,155. The median household income for the Commonwealth is \$33,672. Based on median household income, the project will qualify for the 1% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the utility was obtained from the Public Service Commission Annual Report years ended December 31, 2006, 2007 and 2008.

HISTORICAL

The Breathitt County Water District (BCWD) was created in 2003 to provide water service to unserved residences in Breathitt County. The district purchases water from the City of Jackson under a fifty-year long water purchase contract which specifies that the City will provide up to 2,500,000 gallons per month at a rate not to exceed 118 gallons per minute. The agreement will expire in 2053.

As with any start-up, it takes time to recoup the initial investment. So it is with the BCWD. The district has spent the five years since inception running water lines. In 2007, revenue increased 106% from \$88,610 to \$182,601. An additional 25% increase

was experienced in 2008 when revenues rose to \$228,531. During 2006 and 2007, the profit margin for the newly formed district was negligible. In 2008, the district took out a line of credit to use as interim financing for a waterline extension project that was to be funded by line item grant funds. The \$45,000 interest costs for the \$1.2 million credit line plunged the cashflow into a negative state. However, the cost of this interim financing was recouped when the line item grant funds became available. This line of credit has since been repaid. As of the end of 2008, the district had no outstanding long-term debt.

PROJECTED

Since 2008, the district has entered into an agreement with U.S. Rural Development for \$350,000 to finance water line extensions. The project is currently underway and is expected to go into repayment in 2010. The first 2 years of repayment are interest only at 2% interest. The remaining terms will consist of principal and interest for 38 additional years.

Projections are based on the following assumptions:

- An additional 318 customers will be added to the system by December 2009. This represents 50% of the available customers on the line extensions.
- An additional 32 customers will be added to the system by December 2010. This represents 10% of the available customers on the line extensions.
- Expenses are projected to increase by 4% annually plus the cost of water for the additional customers.
- Average water use was calculated to be 5,000 per month per customer, based off of the information in the 2008 PSC report.
- The replacement reserve is \$1,000 annually.
- Debt service on the new KIA loan will be \$13,794 annually beginning in December 2010.

Based on the above assumptions, the Breathitt County Water District will meet the required cash flow through the projected years. A debt coverage ratio of 2.52 is projected by the water system in 2011, the first full year of debt service payments. A debt coverage of 1.60 is projected in 2012 when both the RD and KIA loans will be in full repayment.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$1,000. This amount should be added to the replacement account each December 1 until the balance reaches \$10,000 and maintained for the life of the system.

IX. DEBT OBLIGATIONS

Debt Issue	Outstanding	Maturity
Line of Credit	\$1,267,334	1/20/2010
Total	\$1,267,334	

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding Source	Amount	Type
Water Line Extensions	SCC	\$1,079,304	Grant
Water Line Extensions	HB 269	\$2,726,804	Grant
Water Line Extensions Highway 52, Highway 541, Highway 15 and Highway 205	HB 267	\$1,388,888	Grant
Various Water and Sewer Projects	HB 267	\$500,000	Grant
Hwy 15 South (Watts) Extension	HB 608	\$1,600,000	Grant
Extension on Highway 205/1812 to Wolfe County Line, Including the Vancleve Fire Department and HWY 3193 to River Bridge and Highway 15 South at Watts	HB 380	\$1,200,000	Grant
Hwy 30 West Project	HB 608	\$750,000	Grant
Canoe Waterline Extension - P059	HB 410	\$345,479	Grant
Waterline Extensions for Bowling's Creek and Brushes Branch Road - P065	HB 410	\$241,000	Grant

XI. CONTACTS

Applicant

Name BREATHITT COUNTY WATER DISTRICT
Address 1137 Main Street
Jackson, Kentucky 41339
County Breathitt County
Contact John L. Smith
Phone (606) 666-3800, extension 250
Email breathittwater@yahoo.com

Engineer

Name Sandra Dunahoo
Firm Nesbitt Engineering, Inc.
Address 227 North Upper Street
Lexington, Kentucky 40507-1016
Phone (859) 233-3111
Email sdunahoo@nei-ky.com

Applicant Contact

Name Community & Economic Development/WJL Associates
Address P.O. Box 855
Richmond, Kentucky 40476
Contact Bryan Kirby
Phone (859) 624-3396
Email ceda205@aol.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions, the additional ARRA conditions, and the following special condition.

1. The Breathitt County Water District agrees to rebid the ARRA project if KIA concludes that the ARRA project cannot be added to an existing project via a change-order.

**EXHIBIT 1
BREATHITT COUNTY WATER DISTRICT
CASHFLOW ANALYSIS**

	PSC Report 2006	% Change	PSC Report 2007	% Change	PSC Report 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Revenues										
Water Revenues	88,610	106%	182,601	25%	228,531	233,102	419,331	438,411	447,179	456,123
Total Revenues	88,610	106%	182,601	25%	228,531	233,102	419,331	438,411	447,179	456,123
Expenses										
Administrative & Operating Expense	105,450	68%	177,053	80%	318,008	330,728	366,980	385,285	400,696	416,724
Depreciation	121,135	67%	202,701	40%	283,242	288,907	294,685	307,685	313,839	320,115
Replacement Reserve (new KIA Loan)						0	0	1,000	1,000	1,000
Total Expenses	226,585	68%	379,754	58%	601,250	619,635	661,665	693,970	715,535	737,839
Net Income Cash	(137,975)	43%	(197,153)	89%	(372,719)	(386,534)	(242,334)	(255,559)	(268,356)	(281,717)
Non-Operating Revenues and Expenses										
Interest Income	1,115		1,030		269	269	269	269	269	269
Other Income					42,075					
Total Non-Operating Rev & Exp	1,115	-8%	1,030	4011%	42,344	269	269	269	269	269
Add Non-Cash Expenses										
Depreciation	121,135		202,701		283,242	288,907	294,685	307,685	313,839	320,115
Cash Available for Debt Service	(15,725)		6,578		(47,133)	(97,358)	52,620	52,395	45,752	38,668
Debt Service										
Existing Loan Debt	0		0		45,070	37,500	37,500	0	0	0
New RD Debt							7,000	7,000	14,753	14,753
New KIA Fund F Loan							6,897	13,794	13,794	13,794
Total Debt Service	0		0		45,070	37,500	51,397	20,794	28,547	28,547
Income After Debt Service	(15,725)		6,578		(92,203)	(134,858)	1,223	31,602	17,205	10,121
Debt Coverage Ratio	n/a		n/a		(1.05)	(2.60)	1.02	2.52	1.60	1.35

**BREATHITT COUNTY WATER DISTRICT
BALANCE SHEETS**

	ASSETS	2006	2007	2008	Upon Project Completion
Current Assets					
Cash and Cash Equivalents		78,334	75,154	55,263	65,384
Accounts Receivable		5,905	15,236	20,945	24,087
Total Current Assets		84,239	90,390	76,208	89,471
Property, Plant and Equipment					
Utility Systems		6,375,640	9,329,214	13,881,781	14,751,781
Less Depreciation		(184,865)	(387,566)	(670,808)	(670,808)
Total Fixed Assets		6,190,775	8,941,648	13,210,973	14,080,973
Total Assets		6,275,014	9,032,038	13,287,181	14,170,444
LIABILITIES					
Current Liabilities					
Accounts Payable		1,195	5,622	9,919	10,117
Compensated Absences					0
Accrued Liabilities		1,184	2,226	479	479
Current Maturities of Long Term Debt					10,837
Total Current Liabilities		2,379	7,848	10,398	21,433
Long Term Liabilities					
Long Term Debt, net of Discounts, Less Current Portion		0	0	1,267,334	588,680
Total Long Term Liabilities		0	0	1,267,334	588,680
Total Liabilities		2,379	7,848	1,277,732	610,113
NET ASSETS					
Invested in Capital Assets, Net		5,869,882	8,817,560	12,178,264	13,668,994
Unrestricted (deficit)		402,753	206,630	(168,815)	(108,664)
Total Retained Earnings		6,272,635	9,024,190	12,009,449	13,560,330
Total Liabilities and Equity		6,275,014	9,032,038	13,287,181	14,170,443
Balance Sheet Analysis					
Current Ratio		35.41	11.52	7.33	4.17
Debt to Equity		0.00	0.00	0.11	0.04
Working Capital		81,860	82,542	65,810	68,037



CL

Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

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

John E. Covington III
Executive Director

November 24, 2009

John L. Smith, Chairman
Breathitt County Water District
1137 Main Street
Jackson, Kentucky 41339

**KENTUCKY INFRASTRUCTURE AUTHORITY
AMERICAN RECOVERY AND REINVESTMENT ACT
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F2 09-05)
10% INCREASE**

Dear Chairman Smith:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. Your request to the Authority for a \$52,000 increase to your American Recovery and Reinvestment Act ("ARRA") loan was approved on November 24, 2009. The project entails extending water service to 32 residential customers in western Breathitt County subject to the conditions stated below. The amended total cost of the project shall not exceed \$1,322,000 of which the Authority loan shall provide \$572,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Breathitt County Water District upon satisfactory performance of the conditions set forth in this letter. A period of three months from the date of this letter (January 15, 2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. No extensions shall be granted. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

following terms:

1. The Authority project loan shall not exceed \$572,000.
2. The loan shall contain principal forgiveness in the amount of 54.1%.
3. The loan shall bear interest at the rate of 1.00% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven 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.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public

Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be preformed for the life of the loan.

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

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within three (3) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six (6) months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.

10. An environmental review shall be conducted by the Division of Water for all construction projects receiving DWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete DWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the DWSRF loan project.

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

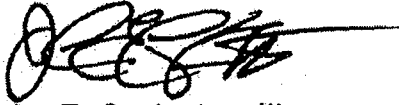
1. A sign shall be erected at the construction site in a form as prescribed by the Authority. The sign shall indicate that project funding has been provided in whole or in part by ARRA.
2. The project specifications must include the ARRA supplemental general conditions.
3. The project shall comply with the Buy American requirements of ARRA.
4. The project shall use federal wage rates as described in the Davis/Bacon Act.
5. The project shall comply with the reporting requirements of ARRA.
6. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.
7. The project shall be under construction contract by February 10, 2010. If this deadline is not met, the funding commitment will be rescinded.

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

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

Chairman Smith
November 24, 2009
Page 5

Sincerely,




John E. Covington, III
Executive Director

Attachments

cc: Bryan Kirby, Community & Economic Development/WJL Associates
Sandra Dunahoo, Nesbitt Engineering, Inc.
SRF Section, Water Infrastructure Branch, Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, Department for Local Government
Borrower File - BREATHITT COUNTY WATER DISTRICT - F2 09-05

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



Accepted

12-4-09

Date

ATTACHMENT A

**BREATHITT COUNTY WATER DISTRICT
F2 09-05
INCREASE**

EXECUTIVE SUMMARY		Reviewer:	Kasi White	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	November 24, 2009	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number:	F2 09-05 (increase)	
REVOLVING LOAN FUND		WRIS Number	WX21025005	
BORROWER:	BREATHITT COUNTY WATER DISTRICT			
	Breathitt County			
BRIEF DESCRIPTION:	The Breathitt County Water District is requesting a \$52,000 (10%) increase to its previously approved \$520,000 Drinking Water SRF loan from the American Recovery and Reinvestment Act to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469.			
PROJECT FINANCING:		PROJECT BUDGET		
Fund F Loan	\$	572,000	Administrative Expenses	33,125
HB608	\$	750,000	Engineering Fees	226,151
TOTAL	\$	1,322,000	Construction	1,050,483
			Contingency	10,201
			Other	2,040
			TOTAL	1,322,000
REPAYMENT			Est. Annual	
	Rate	1.00%	Payment	\$15,173
	Term	20 years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Nesbitt Engineering, Inc.		
	Bond Counsel	Peck, Shafer, & Williams		
PROJECT SCHEDULE	Bid Opening:	March, 2009		
	Construction Start:	November 1, 2009 (Change order date)		
	Construction Stop:	April 15, 2010		
DEBT PER CUSTOMER	Existing:	\$	1,977	
	Proposed:	\$	722	
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	641	\$39.80 (for 4,000 gallons)	
	Proposed	32	\$39.80 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for		Income after Debt	
	Debt Service	Debt Service	Service	Coverage Ratio
PSC Report 2006	(15,725)	0	(15,725)	n/a
PSC Report 2007	6,578	0	6,578	n/a
PSC Report 2008	(47,133)	45,070	(92,203)	(1.05)
Projected 2009	(96,660)	37,500	(134,160)	(2.58)
Projected 2010	46,974	45,813	1,161	1.03
Projected 2011	41,046	22,173	18,873	1.85
Projected 2012	36,014	29,926	6,088	1.20
Projected 2013	34,548	29,926	4,622	1.15

Reviewer: Kasi White
Date: November 23, 2009
Loan Number: F2 09-05
(increase)

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
BREATHITT COUNTY WATER DISTRICT
BREATHITT COUNTY
PROJECT REVIEW
WX21025011**

I. PROJECT DESCRIPTION

The Breathitt County Water District is requesting a \$52,000 (10%) increase to its previously approved \$520,000 Drinking Water SRF loan from the American Recovery and Reinvestment Act to extend water service to 32 residential customers located in western Breathitt County. The project will extend service from the Highland Turner Elementary School to the Owsley County line. In addition, the project will also service households along Highway 1202, 1114 and 2469.

The waterlines that are being funded with ARRA were bid and then change ordered out of a contract earlier this year. Once the district found out that they had been selected for the ARRA monies, they proceeded to change order the work back into the original contract. The increase is being requested to cover the increase in materials costs from the estimate in the original bid to the costs at the time the work was changed ordered back into the contract and provide for a small contingency for the project.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 33,125
Engineering Fees	226,151
Construction	1,050,483
Contingency	10,201
Miscellaneous	2,040
TOTAL	\$ 1,322,000

III. PROJECT FUNDING

Funding Sources	Amount	%
Fund F Loan	\$ 572,000	43%
HB608 Grant	750,000	57%
TOTAL	\$ 1,322,000	100%

IV. KIA DEBT SERVICE

	REVISED	ORIGINAL	INCREASE
Construction Loan	\$ 572,000	\$ 520,000	\$ 52,000
Less: Principal Forgiveness (54.1%)	309,452	281,320	28,132
Amortized Loan Amount	\$262,548	\$238,680	\$23,868
Interest Rate	1.00%	1.00%	1.00%
Loan Term (Years)	20	20	20
Estimated Annual Debt Service	\$ 14,157	\$ 13,197	\$ 1,320
Administrative Fee (0.25%)	656	597	60
Total Estimated Annual Debt Service	\$ 15,173	\$ 13,794	\$ 1,379

V. PROJECT SCHEDULE

Bid Opening:	March, 2009
Construction Start:	November 1, 2009
Construction Stop:	April 15, 2010

VI. RATE STRUCTURE

Customers	Current	Proposed	Total
Residential	641	32	673
Commercial	0	0	0
Industrial	0	0	0
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Rates

The monthly charge for water utility service is:

	Effective
Effective Date	10/11/2005
First 2,000 gallons	\$19.90
All Over 2,000 gallons (per 1,000 gallon)	\$9.95
Monthly Residential Rate for 4,000 gallons	\$39.80

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- An additional 32 customers will be added to the system by December 2010. This represents 10% of the available customers on the line extensions.
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- Average water use was calculated to be 5,000 per month per customer, based off of the information in the 2008 PSC report.
- The replacement reserve is \$1,400 annually.
- Debt service on the new KIA loan will be \$15,173 annually beginning in December 2010 which represents an increase of \$1,379 from the original approval.

Based on the above assumptions, the Breathitt County Water District will meet the required cash flow through the projected years. A debt coverage ratio of 1.85 is projected by the water system in 2011, the first full year of debt service payments. A debt coverage of 1.20 is projected in 2012 when both the RD and KIA loans will be in full repayment.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$1,400. This amount should be added to the replacement account each December 1 until the balance reaches \$14,000 and maintained for the life of the system.

IX. DEBT OBLIGATIONS

Debt Issue	Outstanding	Maturity
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Total	\$1,267,334	

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Canoe Waterline Extension – P059	HB 410	\$345,479	Grant
Waterline Extensions for Bowling's Creek and Brushes Branch Road - P065	HB 410	\$241,000	Grant

XI. CONTACTS

Applicant

Name	BREATHITT COUNTY WATER DISTRICT
Address	1137 Main Street Jackson, Kentucky 41339
County	Breathitt County
Contact	John L. Smith
Phone	(606) 666-3800, extension 250
Email	breathittwater@yahoo.com

Engineer

Name Sandra Dunahoo
Firm Nesbitt Engineering, Inc.
Address 227 North Upper Street
Lexington, Kentucky 40507-1016
Phone (859) 233-3111
Email sdunahoo@nei-ky.com

Applicant Contact

Name Community & Economic Development/WJL Associates
Address P.O. Box 855
Richmond, Kentucky 40476
Contact Bryan Kirby
Phone (859) 624-3396
Email Ceda205@aol.com

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and the additional ARRA conditions.

**EXHIBIT 1
BREATHITT COUNTY WATER DISTRICT
CASHFLOW ANALYSIS**

	PSC Report 2006	% Change	PSC Report 2007	% Change	PSC Report 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Revenues										
Water Revenues	88,610	106%	182,601	25%	228,531	233,102	422,948	432,500	442,052	455,313
Total Revenues	88,610	106%	182,601	25%	228,531	233,102	422,948	432,500	442,052	455,313
Expenses										
Administrative & Operating Expense	105,450	68%	177,053	80%	318,008	330,036	376,254	390,339	404,915	419,644
Depreciation	121,135	67%	202,701	40%	283,242	294,572	303,322	336,372	349,827	363,820
Replacement Reserve (new KIA Loan)						0	0	1,400	1,400	0
Total Expenses	226,585	68%	379,754	58%	601,250	624,608	679,576	728,111	756,141	784,864
Net Income Cash	(137,975)	43%	(197,153)	89%	(372,719)	(391,506)	(256,628)	(295,611)	(314,090)	(329,550)
Non-Operating Revenues and Expenses										
Interest Income	1,115		1,030		269	274	280	285	277	279
Other Income	0		0		42,075	0	0	0	0	0
Total Non-Operating Rev & Exp	1,115		1,030		42,344	274	280	285	277	279
Add Non-Cash Expenses										
Depreciation	121,135		202,701		283,242	294,572	303,322	336,372	349,827	363,820
Cash Available for Debt Service	(15,725)		6,578		(47,133)	(96,660)	46,974	41,046	36,014	34,548
Debt Service										
Existing Loan Debt	0		0		45,070	37,500	37,500	0	0	0
New RD Debt							7,000	7,000	14,753	14,753
New KIA Fund F Loan							1,313	15,173	15,173	15,173
Total Debt Service	0		0		45,070	37,500	45,813	22,173	29,926	29,926
Income After Debt Service	(15,725)		6,578		(92,203)	(134,160)	1,161	18,873	6,088	4,622
Debt Coverage Ratio	n/a		n/a		(1.05)	(2.58)	1.03	1.85	1.20	1.15

**BREATHITT COUNTY WATER DISTRICT
BALANCE SHEETS**

ASSETS	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Upon Project Completion</u>
<i>Current Assets</i>				
Cash and Cash Equivalents	78,334	75,154	55,263	18,873
Accounts Receivable	5,905	15,236	20,945	24,087
<i>Total Current Assets</i>	84,239	90,390	76,208	42,960
<i>Property, Plant and Equipment</i>				
Utility Systems	6,375,640	9,329,214	13,881,781	15,553,781
Less Depreciation	(184,865)	(387,566)	(670,808)	(712,608)
<i>Total Fixed Assets</i>	6,190,775	8,941,648	13,210,973	14,841,173
 Total Assets	 6,275,014	 9,032,038	 13,287,181	 14,884,133
LIABILITIES				
<i>Current Liabilities</i>				
Accounts Payable	1,195	5,622	9,919	10,117
Accrued Liabilities	1,184	2,226	479	479
Current Maturities of Long Term Debt	0	0	0	11,921
<i>Total Current Liabilities</i>	2,379	7,848	10,398	22,517
<i>Long Term Liabilities</i>				
Long Term Debt, Less Current Portion	0	0	1,267,334	910,079
<i>Total Long Term Liabilities</i>	0	0	1,267,334	910,079
Total Liabilities	2,379	7,848	1,277,732	932,596
NET ASSETS				
Invested in Capital Assets, Net	5,869,882	8,817,560	12,178,264	13,950,376
Unrestricted (deficit)	402,753	206,630	(168,815)	1,161
<i>Total Retained Earnings</i>	6,272,635	9,024,190	12,009,449	13,951,536
 Total Liabilities and Equity	 6,275,014	 9,032,038	 13,287,181	 14,884,133
Balance Sheet Analysis				
Current Ratio	35.41	11.52	7.33	1.91
Debt to Equity	0.00	0.00	0.11	0.07
Working Capital	81,860	82,542	65,810	20,443

11/24/2009

Fund F Executive Summary Breathitt Co. WD ARRA F2 09-05 (Increase)

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F11-07

BORROWER: Breathitt County Water District

BORROWER'S ADDRESS: 1137 Main Street, Suite 305
Jackson, Kentucky 41339

DATE OF ASSISTANCE AGREEMENT: January 1, 2012

CFDA NO.: 66.458

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 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 Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of November 1, 1998 (the "Federal Agreement") under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; 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 February 1, 2000 (the "Indenture") between the Authority and National City Bank of Kentucky (the "Trustee") in order to provide the "match funding" for the Program; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable to finance the acquisition and construction of 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 repay the Loan and the interest thereon from the sources herein provided, all as hereinafter more 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 AND 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.

"*Architects*" means the firm of consulting architects employed by the Governmental Agency in connection with the Project 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.

"*Cabinet*" means the Natural Resources and Environmental Protection Cabinet of the Commonwealth.

"*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 income and revenues of the System.

"Drinking Water Supply Project" shall mean the planning, design and construction of drinking water treatment and distribution systems, including expenditures to address Federal Act health goals, or to address situations where compliance standards have been exceeded or to prevent future violations of rules, and may further include drinking water treatment plants, including basins for rapid mix, flocculation, coagulation, filtration, pre-treatment disinfection, and disinfection prior to entry to the distribution system; distribution systems; storage tanks; intake lines and short-term water storage; clearwells; drilled wells and wellhead areas; and any other structure or facility considered necessary by the Natural Resources Cabinet of the Commonwealth of Kentucky to the efficient and sanitary operation of a public water system and complies with the requirements of the Federal Act.

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

"Federal Act" shall mean the Federal Safe Drinking Water Act, as amended, 42 U.S.C. Section 1401, et seq.

"Governmental Agency" shall mean any incorporated city or municipal corporation, or other agency or unit of government within the Commonwealth, now having or hereafter granted the authority and power to finance, acquire, construct, and operate infrastructure projects, including specifically but not by way of limitation, incorporated cities, counties, including any counties containing a metropolitan sewer district, sanitation districts, water districts, 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 February 1, 2000 between the Authority and the Trustee.

"Interagency Agreement" means the Memorandum of Understanding dated as of July 1, 1999 between the Authority and the Cabinet, as the same may be amended or supplemented from time to time.

"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.1115 and the Indenture as the "federally assisted drinking water 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, a Drinking Water Supply Project, 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 the Construction of the Project progresses.

"*Resolution*" means the resolution of the Governmental Agency attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

"*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 general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, and such other revenues identified in Exhibit C hereto 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

"*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 System, 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 Charges shall be no less than those set forth in the Schedule of Service Charges.

"*System*" shall mean the water system owned and operated by the Governmental Agency of which the Project shall become a part and from the earnings of which (represented by the Service Charges) the Governmental Agency shall repay the Authority the Loan hereunder.

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 the Federal 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) To the knowledge of the Governmental Agency, 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 proceed with 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.

(J) The Governmental Agency is in full compliance with all federal and state labor and procurement laws in connection with the planning, design, acquisition and construction of the Project.

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(K) Project is consistent with the water supply plan developed pursuant to 401 KAR 4:220 for the county in which the Governmental Agency is located.

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 Drinking Water Supply 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 semiannually, 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; and shall be subject to the further 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 Prepay 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 System 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.

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 and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

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

(B) All real estate and interest in real estate and all personal property constituting the Project and the sites of the Project 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 the 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 Cabinet.

(G) Duly authorized representatives of the Cabinet 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, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. 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 Cabinet 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 for the Governmental Agency and approved by state and federal agencies.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the Authority and the U.S. Government, respectively, 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 and the Cabinet, acting by and through their 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 and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

(R) The Governmental Agency shall require that each construction contractor or contractors furnish a performance and a 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.

(S) 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.

(T) 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 Cabinet, 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.

(U) 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 and the Cabinet 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.

(V) The Governmental Agency shall require all laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of title 40, United States Code.

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement. The Governmental Agency, in order to comply with the terms and conditions of the

Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with generally accepted governmental accounting standards, as required by the Federal Agreement. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(B) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(C) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(D) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(A).

(E) That no more than fifty percent (50%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the final plan for operation for the Project.

(F) That no more than ninety percent (90%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the draft operations and maintenance manual.

(G) That final disbursement will not be allowed until approval by the Cabinet of a final operations and maintenance manual.

(H) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

- (1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience;
- (2) The training of operating personnel, including preparation of curricula and training material for operating personnel; and
- (3) Advice as to whether the Project is meeting the Project performance standards (including three quarterly reports and one project performance report).

(I) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(J) That one year after operation is initiated, it shall certify to the Cabinet and the Authority that the Project is capable of meeting the Project performance standards.

(K) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(L) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(M) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(N) That all measures required to minimize water pollution to affected waters shall be employed in the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day 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 planning and design 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 planning and design 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 planning and design 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 disbursement by the Authority.

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

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 Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as 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, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, 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, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

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, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project 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". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

Section 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections. 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 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, to provide for the operation of the System and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet not less than annually reports of the operations and income and revenues of the System, and will permit authorized agents of the Authority to inspect all records, accounts and data of the System 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 System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such 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.

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 accordance with the "Uniform System of

Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within one hundred eighty (180) 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 principles 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 Project and the System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of this Assistance Agreement and any other Debt Obligations.

Section 6.10. 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, the Federal 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.

Section 6.11. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by the Federal Act can be maintained and (iii) the Authority can furnish the information required of its under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Barrier Resources Act, Pub. L. 97-348
- (d) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (e) Endangered Species Act, Pub. L. 93-205, as amended
- (f) Environmental Justice, Executive Order 12898
- (g) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (h) Protection of Wetlands, Executive Order 11990
- (i) Farmland Protection Policy Act, Pub. L. 97-98
- (j) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (k) National Historic Preservation Act of 1966, PL 89-665, as amended
- (l) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (m) Wild and Scenic Rivers Act, Pub. L. 90-542, as amended

Economic and Miscellaneous Authorities

- (a) Demonstration Cities and Metropolitan Development Act of 1966, Pub. L. 89-754, as amended, Executive Order 12372
- (b) Procurement Prohibitions under Section 306 of the Clean Air Act and Section 508 of the Clean Water Act, including Executive Order 11738, Administration of the Clean Air Act and the Federal Water Pollution Control Act with Respect to Federal Contracts, Grants, or Loans.
- (c) Uniform Relocation and Real Property Acquisition Policies Act, Pub. L. 91-646, as amended
- (d) Debarment and Suspension, Executive Order 12549

Social Policy Authorities

- (a) Age Discrimination Act of 1975, Pub. L. 94-135
- (b) Title VI of the Civil Rights Act of 1964, Pub. L. 88-352
- (c) Section 13 of the Federal Water Pollution Control Act Amendments of 1972, Pub. L. 92-500 (the Clean Water Act)
- (d) Section 504 of the Rehabilitation Act of 1973, Pub. L. 93-112 (including Executive Orders 11914 and 11250)
- (e) Equal Employment Opportunity, Executive Order 11246
- (f) Women's and Minority Business Enterprise, Executive Orders 11625, 12138, and 12432

(g) Section 129 of the Small Business Administration Reauthorization and Amendment Act of 1988, Pub. L. 100-590

(2) State:

(a) KRS 224

(b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund

(c) KRS Chapter 337, Labor Laws

(d) 401 KAR Chapter 5

Section 6.12. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.12 by an action in mandamus, for specific performance, or similar remedy to compel performance.

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain System. 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 the System 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. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. 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 7.5. 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 7.6. 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 7.7. 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 7.8. Covenant to Insure - Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

Section 7.9. 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 7.10. 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 7.11. 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 7.11, 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.

Section 7.12. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.

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 specified herein 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 (other than an event of default arising under Section 6.13 of this Assistance Agreement), 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.

(D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.10 hereof shall be those remedies specifically set forth in Section 6.10 hereof

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 non-defaulting 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 non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

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 in 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, 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. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. 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 9.8. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

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.

EXHIBIT A
Breathitt County Water District
PROJECT SPECIFICS
F11-07

GOVERNMENTAL AGENCY:

Name: Breathitt County Water District
 1137 Main Street, Suite 305
 Jackson, KY 41339

Contact Person: Bobby Thorpe, Jr.
 (606) 436-3158

SYSTEM: Water

PROJECT:

This request is comprised of three primary components. These projects will provide an adequate water supply to a community that currently has contaminated drinking water sources. Selective testing indicates that contaminants include iron, sulfur, manganese, sodium chloride as well as pathogens that usually include fecal coliform bacterial contamination at various levels.

The first project is the installation of approximately 78,330 linear feet of PVC and ductile iron pipe in various sizes to service KY 315 north of 1933 (Turner's Creek) and the remaining side roads off of Canoe Road including Canoe, Spicer Branch, Butter Point, Buzzard Fork, Stamper Fork and Lick Branch. The project will also install a service line via railroad bore to Cecil Clair on HWY 52 and upgrade the HWY 52 and Town Hill pump stations. In addition, approximately 46,247 linear feet of 6", 4" and 2" PVC of new lines will be constructed to serve the area of South Fork from Swift Branch to Open Fork and Press Howard Fork and the Short Fork Road area. Lastly, approximately 25,000 linear feet of 4" and 2" line will be constructed to extend service from KY 1114 to Walter Combs' House at the end of Houston Road. Approximately 340 customers will be added as a result of the projects.

PROJECT BUDGET:

	Total
Administrative Expenses	\$ 40,839
Legal Expenses	18,700
Land, Easements	4,699
Engineering Fees	355,554
Construction	2,117,200
Contingency	238,008
Total	\$ 2,775,000

FUNDING SOURCES:

	Amount	%
Fund F Loan	\$ 2,500,000	90%
HB1	275,000	10%
Total	\$ 2,775,000	100%

KIA DEBT SERVICE:

Construction Loan	\$ 2,500,000
Less: Principal Forgiveness (40%)	\$ 875,000
Amortized Loan Amount	<u>\$ 1,625,000</u>
Interest Rate	1.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 89,848
Administrative Fee (0.25%)	<u>\$ 4,063</u>
Total Estimated Annual Debt Service	\$ 93,910

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 6/1/12).

Full principal and interest payments will commence within one year of initiation of operation (estimated 12/1/13).

REPLACEMENT RESERVE ACCOUNT:	\$ 6,250 ANNUAL AMOUNT
	\$ 62,500 TOTAL AMOUNT

The annual replacement cost is \$6,250. This amount should be added to the replacement account each December 1 until the balance reaches \$62,500 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>	<u>Maturity</u>
Series 2009 Revenue Bonds (RD)	\$350,000	2049
KIA (F2 09-05)	257,630	2030
Total	<u>\$607,630</u>	

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)
Death or Personal Injury (per occurrence)
Property Damage on System

See attached
see attached
see attached

Kentucky Association of Counties
KACo All Lines Fund Statement of Values
11/16/2011

Breathitt County Water District

Member Number 0963

Auto List

Total Vehicles 5
Total Value \$123,650.00

<u>Year</u>	<u>Department</u>	<u>Make/Model</u>	<u>VIN</u>	<u>Value Type</u>
2008			1S9F720288K087110	\$4,525 Trailer
2008		Chevrolet/Silverado	1GBHK24658E192333	\$32,314 Van/Pickup
2008		Chevrolet/Silverado	1GBJK34668E191151	\$36,170 Van/Pickup
2006		Chevrolet/Silverado 2500	1GBHK24046E196868	\$26,000 Van/Pickup
2011	Water District	Chevrolet/Silverado	1GC2KVCG1BZ215894	\$24,641 Van/Pickup

Breathitt County Water District

JAN-27-2012 09:59 FROM: BREATHITT CO WATER D (606)666-2860 TO: 16064362144 P.3/8

Kentucky Association of Counties
KACo All Lines Fund Statement of Values
11/16/2011

Membership Information

Breathitt County Water District
1137 Main Street
Jackson, KY 41339

Member Number 0963
Member Type Water District

Contact Information

<i>Last Name</i>	<i>First Name</i>	<i>Title</i>	<i>Telephone</i>	<i>FAX</i>	<i>Email</i>
McIntosh	Estill	Superintendent	(606)666-3800	(606)666-2860	breathittwater@yahoo.com

General Liability

Full Time Employees	3
Part Time Employees	0
Total Budget	\$80,000

Special Events

Fireworks	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Fairs/Carnivals/Festivals	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Athletic	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Racing/Rodeo	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Bleachers/Arenas	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

Kentucky Association of Counties
KACo All Lines Fund Statement of Values
11/16/2011

Breathitt County Water District

Member Number 0963

Summary of Coverage

Coverage			Deductible
General Liability (Per OCC/AGG)	3,000,000	5,000,000	0
Law Enforcement (Per OCC/AGG)	NCD	NCD	NCD
Errors/Omissions (Per OCC/AGG)	3,000,000	3,000,000	1,000
Employment Practices (Per claim/AGG)	3,000,000	3,000,000	1,000
Auto Liability (CSL)	3,000,000		0
Auto Comprehensive	Hired/Non-Owned		500
Auto Collision	Hired/Non-Owned		500
P.I.P. (No Fault)	10,000		0
Under Insured/Un-Insured	60,000		0
Non Owned Auto Coverage	Primary		
Property/Buildings	As Per Statement on File		500
Personal Property	As Per Statement on File		500
Boiler & Machinery	15,000,000		1,000
Inland Marine & EDP	As Per Statement on File		500
Business Income	500,000	500,000	0
Flood	1,000,000	1,000,000	0
Earthquake	N/A	n/A	NCD
Crime (Other than Employee Dishonesty)	150,000		500
Employee Dishonesty	150,000		250
(Policy #: CIC1964)			
Legal Defense Coverage	100,000		0

JAN-27-2012 09:59 FROM: BREATHITT CO WATER D (606)666-2860 TO: 16064362144 P.5/8

**Kentucky Association of Counties
KACo All Lines Fund Statement of Values
11/16/2011**

Breathitt County Water District

Member Number 0963

Equipment List

Total Equipment 12
Total Value \$256,790.00

<u>Department</u>	<u>Year</u>	<u>Manufacturer</u>	<u>Serial Number</u>	<u>Value</u>	<u>Description</u>
	0			\$1,000	Miscellaneous Items
	0			\$5,638	Miscellaneous Tools
	0	Honda		\$1,020	2" Trash Pump
	0	SunSurface		\$2,995	LD-12 Water Leak Detector
	0	Reed		\$2,142	DM2000 Universal Drill
	0	MetroTech		\$1,862	RSP Impulse Generator
	0			\$100,000	Telemetry System
	0	Orion Radio Read		\$20,000	Laptop which includes antennas, attachments and connect software
	0			\$50,000	Office Equipment which includes computer/software, office furniture, machines and equipment
	2008	Caterpillar	CAT0304CCFPK03784	\$52,810	Hydrolic Excavator
	2008	Caterpillar	0BWM02171	\$7,850	Hammer (attachment) Model#H55DS
	2008	Sulliar	200803120072	\$11,473	Air Compressor Model 185CA

Breathitt County Water District

P. 6/8
TO: 16064362144
FROM: BREATHITT CO WATER D (606)666-2860
JAN-27-2012 10:00

Kentucky Association of Counties
KACo All Lines Fund Statement of Values
 11/16/2011

Breathitt County Water District

Member Number 0963

Property List

Total Building Value \$2,711,900.00
 Total Contents Value \$526,500.00
 Total Insured Value \$3,238,400.00

Loc#	Bldg #	Occupancy	Address	City	Zip	GPS LAT/LONG	F/P Code	Year Built	# of Stories	SqFt	ISO	Sprinkler	Building Value	Contents Value	Total Value
1	1	106,000 Gallon Elevated Water Tank	Highway 30 West	Jackson	41339	37.5089/83.4373	9/9	2004	1	0	3	No	\$193,800	\$4,500	\$198,300
1	2	Booster Station	Highway 30 West	Jackson	41339	37.5194/83.4108	9/9	2004	1	270	4	No	\$54,500	\$82,000	\$136,500
2	1	Office	1137 Main Street	Jackson	41339		9/9		1	600	2	No	\$0	\$16,000	\$16,000
3	1	106,000 Gallon Elevated Water Tank	Highway 30 West - Cane Creek	Jackson	41339	37.4880/83.4243	9/9	2004	1	0	3	No	\$193,800	\$5,000	\$198,800
4	1	150,000 Gallon Elevated Water Tank	Town Hill Road	Jackson	41339	37.5464/83.3978	9/9	2008	1	0	3	No	\$225,000	\$5,000	\$230,000
4	2	Booster Station	Town Hill Road	Jackson	41339	37.5493/83.3891	9/9	2006	1	225	3	No	\$82,500	\$0	\$82,500
5	1	150,000 Gallon Elevated Water Tank	197 Gabberd Hill Rd.	Jackson	41339	37.5368/83.4111	9/9	2006	1	0	3	No	\$292,500	\$13,500	\$306,000
5	2	Booster Station	2079 Highway 52	Jackson	41339	37.5589/83.4504	9/9	2006	1	270	4	No	\$54,500	\$74,000	\$128,500
6	1	44,000 Gallon Water Storage Tank	Highway 541	Jackson	41339	37.6033/83.4325	9/9	2007	1	0	3	No	\$138,800	\$5,500	\$144,300
6	2	Booster Station	Highway 541	Jackson	41339	37.6032/83.4326	9/9	2007	1	270	4	No	\$54,500	\$52,000	\$106,500
7	1	88,000 Gallon Water Storage Tank	Highway 205	Jackson	41339	37.6516/83.4111	9/9	2007	1	0	3	No	\$245,700	\$19,000	\$264,700
8	1	Watts Booster Station	Marie Roberts Loop	Jackson	41339	37.4650/83.3212	9/9	2008	1	270	4	No	\$54,500	\$74,000	\$128,500
8	2	Watts Tank (44,000 Gallons)	Highway 15 South	Jackson	41339	37.4650/83.3213	9/9	2008	1	0	3	No	\$138,800	\$17,000	\$155,800
9	1	Highway 15 South Tank (150,000 Gallons)	Highway 15 South	Jackson	41339	37.4460/83.3179	9/9	2008	1	0	3	No	\$225,000	\$5,000	\$230,000
10	1	Booster Station	Hwy 1110	Jackson				2009	1	300		No	\$200,000	\$0	\$200,000

Loc #	Blgd #	Occupancy	Address	City	Zip	GPS LAT/LONG	F/P Code	Year Built	# of Stories	SqFt	ISO	Sprinkler	Building Value	Contents Value	Total Value
11	1	196,000 Gallon Tank	Granny Lane	Jackson				2009	1	0		No	\$250,000	\$0	\$250,000
12	1	KY 30 East 32000 Gallon Tank	KY 30 East	Jackson	41339		9/9	2010	1	0	3	No	\$99,000	\$18,000	\$117,000
12	2	KY 30 East Booster Station	KY 30 East	Jackson	41339		9/9	2010	1	300	4	No	\$47,000	\$65,000	\$112,000
13	1	Sugar Camp 48000 Gallon Storage Tank	Sugar Camp KY 30 East	Jackson	41339		9/9	2010	1	0	3	No	\$156,000	\$18,000	\$174,000
14	1	Hydroneumatic Booster Station	Penbowl	Jackson	41339		9/9	2010	1	50	6	No	\$6,000	\$53,000	\$59,000

ISO Codes

- 1 Frame
- 2 Joisted Masonry
- 3 Noncombustible
- 4 Masonry Noncombustible
- 5 Modified Fire Resistive
- 6 Fire Resistive

Note. Our water tanks are not elevated.

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED JANUARY 1, 2012
LOAN NO. F11-07**

Request No. _____

Dated: _____

Original sent to: Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

Copy sent to: Branch Manager
Water Infrastructure Branch
Division of Water
Energy and Environment Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

FROM: BREATHITT COUNTY WATER DISTRICT (the "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 drinking water supply 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>	<u>Expenses this Request</u>	<u>Expenses to Date</u>
-------------------	----------------------------------	-----------------------------

Total

ALLOCATION OF FUNDING FOR EXPENSES

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

Totals

The Governmental Agency certifies it has also paid Project expenses for planning and design 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/Architect

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached

NOTICE

Due to a rate increase from the City of Jackson, notice is hereby given that Breathitt County Water District has filed An Application for a Purchased Water Adjustment with the Kentucky Public Service Commission for the purpose of adjusting its water rates. Customer rates will increase by \$1.22 per 1,000 gallons used. The proposed change will be effective for all bills issued on and after November 1, 2011.

5/8 x 3/4 Meter

First 2,000 Gallons	\$22.34 Minimum Bill
Over 2,000 Gallons	\$11.17 Per 1,000 Gallons
Leak Adjustment	\$6.17 Per 1000 Gallons

The monthly bill for a customer using an average of 5,000 gallons per month will increase \$6.10 from \$49.75 to \$55.85 or 12.26%.

The rates contained in this notice are the rates proposed by Breathitt County Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

Breathitt County Water District has available for inspection at its office the application submitted to the Public Service Commission. The office is located at 1137 Main Street, Jackson, KY 41339.

Breathitt County Water District

NOTICE

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First 10,000 gallons \$111.20 Minimum Bill
A Rate of \$6.20 Per 1000 gallon used form 10,000 to 200,000 Gallons
All usage over 200,000 gallons a rate of \$5.02 per gallons used

The rates contained in this notice are the rates proposed by Breathitt County Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

Breathitt County Water District has available for inspection at its office the application submitted to the Public Service Commission. The office is located at 1137 Main Street, Jackson, KY 41339.

Breathitt County Water District

NOTICE

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\$3.72 per 1000 gallon

The rates contained in this notice are the rates proposed by Breathitt County Water District. However, the Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this notice.

Breathitt County Water District has available for inspection at its office the application submitted to the Public Service Commission. The office is located at 1137 Main Street, Jackson, KY 41339.

Breathitt County Water District

P.S.C. KY. NO. 1

CANCELLING P.S.C. KY. NO. _____

BREATHITT COUNTY WATER DISTRICT

OF

1137 MAIN STREET

JACKSON, KENTUCKY, 41339

RATES & CHARGES

AND

RULES & REGULATIONS

FOR FURNISHING

WATER SERVICE

AT

JACKSON,
KENTUCKY

FILED WITH THE

PUBLIC SERVICE COMMISSION

OF

KENTUCKY

DATE OF ISSUE _____

Month / Date / Year

DATE EFFECTIVE _____

Month / Date / Year

ISSUED BY [Signature] _____

(Signature of Officer)

TITLE Chairman _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 1

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

CONTENTS

RATES AND CHARGES

- Monthly Rates
- Deposits
- Meter Connection/Tap-on Charges
- Special Non-recurring Charges
- Purchased Water Rates
- Leak Adjustment Rate
- Wholesale Water Rates
- Fire Sprinkler Rates

RULES AND REGULATIONS

- A. Service Information
- B. Special Rules or Requirements
- C. Billings, Meter Readings, and Related Information
- D. Deposits
- E. Special Nonrecurring Charges
- F. Customer Complaints to the Utility
- G. Bill Adjustments
- H. Status of Customer Accounts during Billing Disputes

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 2

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

CONTENTS

- I. Customer Request for Termination of Service
- J. Customer Relations
- K. Refusal or Termination of Service
- L. Meter Testing
- M. Meter Test Records
- N. Customer Requested Meter Tests
- O. Access to Property
- P. Location of Records
- Q. Safety Program
- R. System Inspections
- S. Reporting of Accidents, Property Damage, or Loss of Service
- T. Continuity of Service
- U. Pressures
- V. Service Lines and Connections
- W. Leak Adjustments
- X. Ownership of Mains, Services, and Appurtenances
- Y. Notification of System Problems
- Z. Legal Disclaimers

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 3

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

CONTENTS

- AA. Fire Departments
- AB. Fire Hydrants
- AC. Fire Sprinkler Systems
- AD. Requirements for New Connections
- AE. Water Main Extensions
- AF. Extension Policy for Developers and New Subdivisions and Developments

ATTACHMENTS

- Water User Agreement
- Easement Agreement
- Partial Payment Agreement
- Sample Bill

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY [Signature] _____
(Signature of Officer)

TITLE Chairman _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature] _____
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 2

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

RATES AND CHARGES

A. MONTHLY RATES:

First 2,000 gallons
All Over 2,000 gallons

\$19.90 Minimum Bill
9.95 Per 1,000 Gallons

DATE OF ISSUE _____
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DATE EFFECTIVE _____
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ISSUED BY [Signature] _____
(Signature of Officer)

TITLE Chairman _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature] _____
Executive Director

FOR Jackson, Kentucky
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P.S.C. KY. NO. 1

Original SHEET NO. 3

Breathitt County Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

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RATES AND CHARGES

B. DEPOSITS:

Each customer will pay an equal deposit not to exceed 2/12 of the average annual bill.

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ISSUED BY [Signature] _____
(Signature of Officer)

TITLE Chairman

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By [Signature]
Executive Director

FOR Jackson, Kentucky
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Breathitt County Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

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RATES AND CHARGES

E. PURCHASED WATER RATES:

	<u>Rate</u>
Jackson Municipal Water Works	\$1.90 per 1,000 Gallons*

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Breathitt County Water District
(Name of Utility)

RATES AND CHARGES

F. LEAK ADJUSTMENT RATE: \$4.95 per 1,000 Gallons

G. WHOLESALE WATER RATES:

Not Applicable

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ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

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Breathitt County Water District
(Name of Utility)

RATES AND CHARGES

H. FIRE SPRINKLER SYSTEM RATES:

Not Applicable

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ISSUED BY [Signature]
(Signature of Officer)

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PUBLIC SERVICE COMMISSION
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Original SHEET NO. 9

CANCELLING P.S.C. KY. NO. _____

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Breathitt County Water District
(Name of Utility)

RULES AND REGULATIONS

The following are the rules and regulations of the Breathitt County Water District. The schedule of rates prescribed herein will be uniformly charged to all customers of the utility. No one will receive or be entitled to free service by the utility. No employee or individual commissioner of the utility is permitted to make an exception to these rates, rules, or regulations. These rules and regulations are subject to change by the utility at any time, subject to the approval of the Public Service Commission.

Service Information.

Upon request the utility will give its customers or prospective customers such information as is reasonably possible in order that they may secure safe, efficient, and continuous service. The utility will inform its customers of any change made or proposed in the character of its service that might affect the efficiency, safety, or continuity of operation.

The utility will obtain the approval of the Public Service Commission prior to making any substantial change in the character of the service furnished that would affect the efficiency, adjustment, speed, or operation of the equipment or appliances of any customer. The application will show the nature of the change to be made, the number of customers affected, and the manner in which they will be affected.

The utility will inform each applicant for service of each type, class, and character of service available at his/her location.

Upon request the utility will provide the following information to any applicant/customer:

- a) Characteristics of Water. A written description of chemical constituents and bacteriological standards of the treated water as required by the Natural Resources Cabinet.
- b) Rates. A schedule of rates for water service applicable to the service to be rendered to the customer.

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Breathitt County Water District
(Name of Utility)

RULES AND REGULATIONS

- c) Reading Meters. Information about the method of reading meters.
- d) Bill Analysis. A statement of the past readings of a customer's meter for a period of two (2) years.

Special Rules or Requirements.

1. The utility cannot establish any special rule or requirement without first obtaining the approval of the Public Service Commission.
2. A customer that has complied with Public Service Commission rules and regulations cannot be denied service for failure to comply with the utility's rules that have not been approved by the Public Service Commission.
3. Each prospective customer desiring water service will be required to sign the utility's Water Service Contract before service is supplied by the utility.
4. No customer is allowed to resell water except under the terms of a special contract executed by the utility and approved by the Public Service Commission.

Billings, Meter Readings, and Related Information.

Information on bills. Each bill issued by the utility will clearly show the following, if applicable: class of service; present and last preceding meter readings; date of the present reading; number of units consumed; meter constant, if any; net amount for service rendered; all taxes; any adjustments; and the gross amount of the bill. The date after which a late payment penalty applies to the gross amount will also be indicated. Estimated or calculated bills will be distinctly marked as such. The rate schedule under which the bill is computed will be furnished under one (1) of the following methods:

By printing it on the bill.

By publishing it in a newspaper of general circulation once each year.

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Breathitt County Water District
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RULES AND REGULATIONS

By mailing it to each customer once each year.

By providing a place on each bill where a customer may request a copy of the applicable rates. The utility will mail the customer a copy by return first class mail.

Bill format. A copy of the utility's billing form will be included in the utility's tariff.

Meter readings. Registration of each meter shall read in the same units as used for billing unless a conversion factor is shown on the billing form.

Frequency of meter reading. Unless prevented by reasons beyond the utility's control, meter readings will be taken every month. Records will be kept by the utility to insure that this information is available to Public Service Commission staff and any customer requesting this information. If, due to reasons beyond its control, the utility is unable to read a meter in accordance with this subsection, the utility will record the date and time the attempt was made, if applicable, and the reason the utility was unable to read the meter.

Related Information.

Bills and notices related to the utility's business will be mailed to the customer at the address listed on the Water Service Contract unless a change of address has been filed with the utility in writing. The utility will not otherwise be responsible for delivery of any bill or notice nor will the customer be excused from the payment of any bill or any performance required in the notice.

Water service will be billed monthly between the 1st and 3rd of each month.

Bills are payable and due on the date of issuance.

Payment must be received and or postmarked, before the close of business on the 10th day of the month; otherwise, the delinquent bill will be assessed the late payment penalty approved and on-file with the Public Service Commission. If the due date is on a

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(Name of Utility)

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Sunday or Holiday they have until the next business day before the penalty is assessed.

The late payment penalty will be assessed on the delinquent amount of the bill, less taxes and any prior penalty amounts. Pursuant to 807 KAR 5:006 Section 8 (3)(h), a penalty may be assessed only once on any bill for rendered services.

With the exception of existing connections, the existence of a special contract, or unusual circumstances requiring approval of the utility, a single meter can serve no more than one residential or commercial unit on and after the effective date of this tariff.

For existing connections, special contracts, or other utility approved situations, where two or more units are being served by one meter, the following rules will apply:

- 1) One bill per meter will be sent to the customer that signed the Water Service Contract.
- 2) The bill will consist of a charge in the amount of the utility's minimum bill multiplied by the number of units the meter serves. The amount of water included with a minimum bill will be multiplied by the number of units and deducted from the total amount of consumption. The remaining consumption will be evenly distributed among each unit, added to each unit's minimum bill, with the charges calculated in accordance with the currently approved rate schedule.
- 3) The customer that signed the Water Service Contract will be fully and solely responsible for the charges associated with the connection including payment for all water passing through the meter, regardless of which unit is responsible for the water consumption

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By [Signature] _____
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Breathitt County Water District
(Name of Utility)

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D. Deposits.

1. Deposits to secure payment. The utility may require a minimum cash deposit or other guaranty to secure payment of bills.
2. Equal Deposits. An equal deposit amount for each class of customers will be established based on the average annual bill of customers in that class. Deposit amounts will not exceed two-twelfths (2/12) of the average annual bill of customers in each class where bills are rendered monthly. Deposit amounts are listed in the Rates and Charges section of this tariff.
3. Recalculation of deposits. If the utility retains the deposit for more than eighteen (18) months, it will notify customers in writing that, at the customer's request; the deposit will be recalculated every eighteen- (18) months based on actual usage of the customer. The notice of deposit recalculation will be included either on the customer's application for service or on the receipt of deposit, or may be included annually with or on customer bills. The notice of deposit recalculation will state that if the deposit on account differs by more than ten (10) dollars for residential customers, or by more than ten (10) percent for nonresidential customers, from the deposit calculated on actual usage, then the utility will refund any over-collection and may collect any underpayment. Refunds will be made either by check or by credit to the customer's bill, except that the utility will not refund any excess deposit if the customer's bill is delinquent at the time of recalculation.
4. Waiver of Deposits. The deposit may be waived upon a customer's showing of satisfactory credit or payment history. In determining whether a deposit will be required or waived, the following criteria will be considered:

Previous payment history with the utility. If the customer has no previous history with the utility, statements from other utilities, banks, etc. may be presented by the customer as evidence of good credit.

Whether the customer has an established income or line of credit.

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RULES AND REGULATIONS

Length of time the customer has resided or been located in the area.

Whether the customer owns the property to be served.

Whether another customer with a good payment history is willing to sign as a guarantor for an amount equal to the required deposit.

5. Additional deposit requirement. If a deposit has been waived or returned and the customer fails to maintain a satisfactory payment record, the utility may require that a deposit be made. The utility may require a deposit in addition to the initial deposit if the customer's classification of service changes or if there is a substantial change in usage.
6. Receipt of deposit. The utility will issue a receipt to every customer that pays a deposit. The receipt will show the name of the customer, location of the service or customer account number, date, and amount of deposit. If the notice of recalculation described in this section is not included in the utility's application for service or mailed with customer bills, the receipt of deposit will contain the notification. If deposit amounts change, the utility will issue a new receipt of deposit to the customer.
7. Deposits as a condition of service. Service may be refused or discontinued if payment of requested deposits is not made.
8. Interest on deposits. Interest will accrue on all deposits at the rate prescribed by law beginning on the date of the deposit. Interest accrued will be refunded to the customer or credited to the customer's bill on an annual basis, except that the utility will not be required to refund or credit interest on deposits if the customer's bill is delinquent on the anniversary of the deposit date. Upon termination of service, the deposit, any principal amounts, and interest earned and owing will be credited to the final bill with any remainder refunded to the customer.

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RULES AND REGULATIONS

E. Special Non-recurring Charges:

The utility will collect for special nonrecurring charges to recover customer-specific costs incurred which would otherwise result in monetary loss to the utility or increased rates to other customers to whom no benefits accrue from the service provided or action taken. The utility may establish or change any special nonrecurring charge by applying for Public Service Commission approval of such charge in accordance with the provisions of 807 KAR 5:011, Section 10.

2. Special nonrecurring charges will be applied uniformly throughout the area served by the utility. Such charges will relate directly to the service performed or action taken and only yield enough revenue to pay the expenses incurred in rendering the service.

3. The utility will assess a charge for the following non-recurring services:

Connection/Turn-on Charge: Will be assessed for new service turn-ons, seasonal turn-ons, temporary service, or transfer of service. The charge will not be made for initial installation of service where a meter connection/tap-on charge is applicable.

Field Collection Charge: Will be assessed when a utility representative visits the premises of the service connection to terminate service, and the customer is on-site and pays the bill to avoid termination of service. This fee may only be charged once per billing period.

Late Payment Penalty: Will be assessed on the delinquent amount of the bill, less taxes.

Meter Relocation Charge: Will be assessed when a customer or other authorized person requests that a meter be relocated, changed, or modified. Those requesting a change must reimburse the utility for the actual costs incurred,

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including but not limited to appropriate legal, administrative, engineering, overhead, or other related costs.

Meter Re-read Charge: Will be assessed when a customer requests the utility to re-read the customer's meter and the re-read proves that the original meter reading was correct.

Meter Test Charge: Will be assessed when a customer requests the utility perform a test on the customer's meter to check for accuracy, and the test shows the customer's meter is not more than two percent (2%) fast.

Reconnection Charge: Will be assessed to reconnect service that has been terminated for non-payment of service or for violation of Utility or Public Service Commission rules and regulations, and will include the cost of the service trip for both the disconnection and the reconnection.

Returned Check Charge: Will be assessed when a customer's check is returned, either due to insufficient funds or other reason due to customer fault.

Service Call/Investigation Charge: Will be assessed when a customer requests the onsite presence of utility personnel to investigate a service problem and the problem is a result of the customer's own plumbing facilities, beyond the utility's delivery point, or not caused by failure of utility facilities. Any maintenance and repair of facilities beyond the utility's delivery point is the responsibility of the customer.

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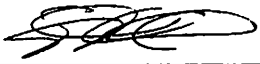
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**PUBLIC SERVICE COMMISSION
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F. Customer Complaints to the Utility. Upon complaint to the utility by a customer at the utility's office, by telephone, or in writing, the utility will make a prompt and complete investigation and advise the complainant of its findings. The utility's operator/manager will make a decision within ten (10) days, which the complainant will then have ten (10) days to appeal to the utility's board of commissioners. The customer will receive a final decision from the utility no later than thirty (30) days following the date that the complaint was made. If the complainant is not satisfied with the utility's decision, the utility will provide written notice to the complainant of his/her right to appeal the utility's decision by filing a complaint with the Public Service Commission. The utility will also provide the customer with the address and telephone number of the Public Service Commission. The utility will keep a record of all written complaints. This record will show the name and address of the complainant, the date and nature of the complaint, and the adjustment or disposition of the complaint. Records will be maintained for two (2) years from the date of resolution of the complaint.

G. Bill Adjustments:

Fast or slow reading meters:

- a) If upon periodic test, requested test, or complaint test, a meter in service is found to be more than two (2) percent fast, additional tests will be made to determine the average error of the meter. The tests will be made in accordance with Public Service Commission rules and regulations applicable to the type of meter involved.
- b) If test results on a customer's meter show an average error greater than two (2) percent fast or slow, or if a customer has been incorrectly billed for any other reason, except in an instance where a utility has filed a verified complaint with the appropriate law enforcement agency alleging fraud or theft by a customer, the utility will immediately determine the period during which the error has existed, and will recompute and adjust the customer's bill to either provide a

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refund to the customer or collect an additional amount of revenue from the underbilled customer. Any adjustment to the customer's account will be in accordance with the rules and regulations of the Public Service Commission pursuant to 807 KAR 5:006 Section 10.

- c) The utility will readjust the account based upon the period during which the error is known to have existed. If the period during which the error existed cannot be determined with reasonable precision, the time period will be estimated using such data as elapsed time since the last meter test, if applicable, and historical usage data for the customer. If that data is not available, the average usage of similar customer loads will be used for comparison purposes in calculating the time period. If the customer and the utility are unable to agree on an estimate of the time period during which the error existed, the Public Service Commission will determine the issue. In all instances of customer overbilling, the customer's account will be credited or the overbilled amount refunded at the discretion of the customer within thirty (30) days after final meter test results. A utility will not require customer repayment of any underbilling to be made over a period shorter than a period coextensive with the underbilling.

Meter read failure. When a meter has ceased to register, or a meter reading cannot be obtained, the quantity of water to be billed will be based upon an average of twelve-months' consumption. If said meter readings are not available for an entire twelve-month period, the water bill will be estimated by the utility, subject to an upward or downward adjustment once a twelve-month average of actual meter readings can be calculated.

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Monitoring usage. The utility will monitor a customer's usage at least annually in such a way to draw the utility's attention to unusual deviations in a customer's usage. If a customer's usage is unduly high (100% above average) and the deviation is not otherwise explained, the utility will test the customer's meter to determine whether the meter shows an average error greater than two (2) percent fast or slow.

Usage investigation. If the utility's procedure for monitoring usage indicates that an investigation of a customer's usage is necessary, the utility will notify the customer in writing either during or immediately after the investigation of the reasons for the investigation, and of the findings of the investigation. If knowledge of a serious situation requires more expeditious notice, the utility will notify the customer by the most expedient means available.

Customer notification. If a meter is tested and it is found necessary to make a refund or back bill a customer, the customer will be notified in substantially the following form:

On _____, 19____, the meter bearing identification No. ____ installed in your building located at ____ (Street and Number) in _____ (city) was tested at _____ (on premises or elsewhere) and found to register _____ (percent fast or slow). The meter was tested on _____ (Periodic, Request, Complaint) test.

Based upon this we herewith _____ (charge or credit) with the sum of \$____, which amount has been noted on your regular bill. If you desire a cash refund, rather than a credit to your account, of any amount overbilled, you must notify this office in writing within seven (7) days of the date of this notice.

H. Status of Customer Accounts during Billing Disputes. With respect to any billing dispute, customer accounts shall be considered to be current while the dispute is pending as long as the customer continues to make undisputed payments and stays current on subsequent bills.

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I. Customer's Request for Termination of Service.

Any customer desiring service terminated or changed from one address to another shall give the utility three (3) working days' notice in person, in writing, or by telephone, provided such notice does not violate contractual obligations. The customer will not be responsible for charges for service beyond the three- (3) day notice period if the customer provides proper notification and reasonable access to the meter during the notice period. If the customer notifies the utility of his/her request for termination by telephone, the burden of proof is on the customer to prove that service termination was requested if a dispute arises.

Upon request that service be reconnected at any premises subsequent to the initial installation or connection to its service lines, the utility will charge the applicant a reconnect fee as set out in this tariff and approved by the Public Service Commission

J. Customer Relations.

1. Display of customer rights. The utility will prominently display in the office in which payment is received a copy of Customer's Rights. If a customer indicates to any utility personnel that he is experiencing difficulty in paying a current utility bill, that employee will refer the customer to the designated representative for explanation of the customer's rights.
2. Partial payment plans. The utility shall negotiate and accept reasonable partial payment plans at the request of residential customers who have received a termination notice for failure to pay, except that a utility is not required to negotiate a partial payment plan with a customer who is delinquent under a previous partial payment plan. Partial payment plans must be mutually agreed upon. Plans which extend for a period longer than thirty (30) days will be in writing and will advise customers that service may be terminated without additional notice if the customer fails to meet the obligations of the plan.
3. Utility inspections of service conditions prior to providing service. The utility will inspect the condition of the meter and service connections before providing service to a new customer so

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IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
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By [Signature]
Executive Director

FOR Jackson, Kentucky
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P.S.C. KY. NO. 1

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that prior or fraudulent use of the facilities will not be attributed to the new customer. The new customer will be afforded the opportunity to be present at such inspections. The utility will not be required to render service to any customer until any defects in the customer-owned portion of the service facilities have been corrected.

- 4. Prompt connection of service. The utility will reconnect existing service within twenty-four (24) hours, and will install and connect new service within seventy-two (72) hours, when the cause for refusal or discontinuance of service has been corrected and the rules and regulations of the utility and Public Service Commission have been met.
- 5. Advance termination notice. When advance termination notice is required, the termination notice will be mailed or otherwise delivered to the last known address of the customer. The termination notice will be in writing, distinguishable and separate from any bill. The termination notice will plainly state the reason for termination, that the termination date will not be affected by receipt of any subsequent bill, and that the customer has the right to dispute the reasons for termination.

K. Refusal or Termination of Service.

- 1. The utility may refuse service to a customer under the following conditions:

For noncompliance with utility or Public Service Commission rules and regulations. The utility cannot refuse service to any customer for noncompliance without first having made a reasonable effort to obtain customer compliance. After such effort by the utility, service may be refused only after the customer has been given a written notice of refusal stating the reasons for refusal of service.

For dangerous conditions. If a dangerous condition exists which could subject any person to imminent harm or result in substantial damage to the property of the utility or others is found to exist on the customer's premises, then service will be refused. The utility will notify the customer in writing and, if possible, orally for the reasons for

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refusal of service. Such notice will be recorded by the utility and will include the corrective action to be taken by the customer before service can be provided.

For refusal of access. When a customer refuses or neglects to provide reasonable access to the premises for installation, operation, meter reading, maintenance or removal of utility property, the utility may refuse service. The utility will notify the customer in writing and, if possible, orally for the reasons for refusal of service. Such notice will be recorded by the utility and will include the corrective action to be taken by the customer before service can be provided.

For outstanding indebtedness. The utility will not furnish new service to any customer who is indebted to the utility until that customer has repaid the indebtedness.

For noncompliance with state, local, or other codes. The utility may refuse service to a customer if the customer does not comply with state, municipal or other codes, rules, and/or administrative regulations applying to such service. The utility will notify the customer in writing and, if possible, orally for the reasons for refusal of service. Such notice will be recorded by the utility and will include the corrective action to be taken by the customer before service can be provided.

2. Utility Initiated Termination of Service.

- a) The termination notice requirements stated herein will not apply if termination notice requirements to a particular customer or customers are otherwise dictated by the terms of a special contract between the utility and customer which has been approved by the Public Service Commission.
- b) When advance termination notice is required, the termination notice shall be mailed or otherwise delivered to the last known address of the customer. The termination notice shall be in writing, distinguishable and separate from any bill. The termination notice shall plainly state the reason for termination, that the termination date will not

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be affected by receipt of any subsequent bill, and that the customer has the right to dispute the reasons for termination.

c) The utility may terminate service to a customer under the following conditions with an advance termination notice:

- 1) For noncompliance with utility or Public Service Commission rules and regulations. The utility cannot terminate service to any customer for noncompliance without first having made a reasonable effort to obtain customer compliance. After such effort by the utility, service may be terminated only after the customer has been given at least ten (10) days written termination notice.
- 2) For refusal of access. When a customer refuses or neglects to provide reasonable access to the premises for installation, operation, meter reading, maintenance, or removal of utility property, the utility may terminate service. Such action will be taken only when corrective action negotiated between the utility and customer has failed to resolve the situation and after the customer has been given at least ten (10) days' written notice of termination.
- 3) For noncompliance with state, local, or other codes. The utility may terminate service to a customer that does not comply with state, municipal, and/or other codes, rules, and regulations that apply to such service. A utility may terminate service only after ten (10) days' written notice of termination is provided unless ordered to terminate immediately by a governmental official.
- 4) For nonpayment of bills. The utility may terminate service for nonpayment of charges incurred for utility services. The utility may terminate service only after five (5) days' written notice of termination is provided, and after twenty (20) days have elapsed since the mailing date of the original unpaid bill.

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d) The utility may terminate service to a customer if the following conditions exist without an advance termination notice. Within twenty-four (24) hours after such termination, the utility shall send written notification to the customer of the reason(s) for termination upon which the utility relies, and of the customer's right to challenge the termination by filing a formal complaint with the Public Service Commission. The utility will not restore service until the customer agrees to comply with all rules and regulations of the utility and Public Service Commission.

For illegal use or theft of service. The utility may terminate service to a customer without advance notice if it has evidence that a customer has obtained unauthorized service by illegal use or theft. This right of termination is separate from and in addition to any other legal remedies that the utility may pursue for illegal use or theft of service.

For dangerous conditions. If a dangerous condition relating to the utility's service which could subject any person to imminent harm or result in substantial damage to the property of the utility or others is found to exist on the customer's premises, then service will be terminated immediately. Upon termination the utility will leave notification at the customer's dwelling and, if possible, orally contact the customer to inform him/her of the reasons for the termination. Such notice will be recorded by the utility and will include the corrective action to be taken by the customer or utility before service can be restored.

Unapproved Extensions and/or Additions. Any extension or additions to an existing service connection that have not been approved by the utility will be considered theft of service, and will constitute grounds for termination of service. This right of termination is separate from and in addition to any other legal remedies that the utility may pursue for illegal use or theft of service.

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Misrepresentation. Any misrepresentation in the application or contract as to the property or fixtures to be supplied or additional use to be made of water will constitute grounds for termination of service, and the customer shall be liable for any damage to any of the utility's facilities or equipment.

Failure to Report Changes. Failure to notify the utility of additions to the property or fixtures to be supplied or additional use to be made of water will constitute grounds for termination of service.

Resale of Water. Under no circumstances will a customer be allowed to resell or give away water except under the terms of a special contract executed by the utility and approved by the Public Service Commission. Failure to comply with this rule will constitute grounds for termination of service.

Waste or Misuse. Waste or misuse of water due to improper or imperfect service pipes and/or failure to keep said pipes in suitable state of repair will constitute grounds for termination of service.

Tampering with meter, meter seal, service, valves, or other system facilities, or permitting such tampering by others will constitute grounds for termination of service.

Connections, cross-connections, or permitting the same, of any separate water supply to premises that receive water from the utility will constitute grounds for termination of service.

e) The utility will not terminate service to a customer if the following conditions exist:

If payment for services is made. Service will not be terminated to a customer that was sent a termination notice if the customer delivers full payment to the utility prior to the actual termination of service.

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If a partial payment agreement is in effect. Service will not be terminated for nonpayment if the customer and the utility have entered into a partial payment plan and the customer is meeting the requirements of the plan.

If a medical certificate is presented. Service will not be terminated for thirty (30) days beyond the termination date if a physician, registered nurse or public health officer certifies in writing that termination of service will aggravate a debilitating illness or infirmity on the affected premises. The utility may refuse to grant consecutive extensions for medical certificates past the original thirty (30) days unless the certificate is accompanied by an agreed partial payment plan. The utility will not require a new deposit from a customer to avoid termination of service for a thirty (30) day period who presents to the utility a medical certificate certified in writing by a physician, registered nurse or public health officer.

L. Meter Testing.

Water meters will be tested before being installed for use by any customer. The water meter will be in good working order and adjusted as close to the optimum operating tolerance as possible, in accordance with 807 KAR 5:022, Section 8(3)(a), 807 KAR 5:041, Section 17(1)(a)-(c) and 807 KAR 5:066, Section 15(2)(a)-(b).

The utility may have all or part of its meter testing performed by another utility or agency approved by the Public Service Commission. The utility will notify the Public Service Commission of the make, type, and serial number of standards used for testing.

The utility cannot place in service any basic measurement standard unless the Public Service Commission has approved the calibration. The Public Service Commission will be notified promptly of the adoption or deletion of any basic standards requiring approval of the calibration.

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Meter testers must be certified by the Public Service Commission. Certified meter testers will perform tests as necessary to determine the accuracy of the utility's meters and to adjust the utility's meters to the degree of accuracy required by the rules and regulations of the Public Service Commission.

M. Meter Test Records.

A complete record of all meter tests and adjustments and data sufficient to allow checking of test calculations will be recorded by the meter tester. Such record will include: information to identify the unit and its location; date of tests; reason for such tests; readings before and after test; statement of "as found" and "as left" accuracies sufficiently complete to permit checking of calculations employed; notations showing that all required checks have been made; statement of repairs made, if any; identifying number of the meter; type and capacity of the meter; and the meter constant. The complete record of tests of each meter will be continuous for at least two (2) periodic test periods and will in no case be less than two (2) years.

The utility will keep numerically arranged and properly classified records for each meter owned, used and inventoried by the utility. The identification number, date of purchase, name of manufacturer, serial number, type, rating, and name and address of each customer on whose premises the meter has been in service with date of installation and removal will be included in the records. These records will also contain condensed information concerning all tests and adjustments including dates and general results of such adjustments. The records will reflect the date of the last test and indicate the proper date for the next periodic test required by the applicable Public Service Commission rule and/or regulation.

Upon completion of adjustment and test of any meter pursuant to Public Service Commission rules and regulations, the utility will affix to the meter a suitable seal in such a manner that adjustments or registration of the meter cannot be altered without breaking the seal.

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N. Customer Requested Meter Tests.

The utility will make a test of any meter upon written request and payment of the meter test charge, the amount being approved by the Public Service Commission and set out in the utility's tariff, of any customer if the request is not made more frequently than once every twelve- (12) months. The customer shall be given the opportunity to be present at the requested test. If the test shows that the meter was more than two (2) percent fast, the utility will refund the amount of the meter test charge.

After having first obtained a test from the utility, any customer of the utility may request a meter test by the Public Service Commission upon written application. Such request shall not be made more frequently on one (1) meter than once every twelve- (12) months.

O. Access to Property.

1. The utility shall at all reasonable hours have access to meters, service connections, and other property owned by it and located on customer's premises for purposes of installation, maintenance, meter reading, operation, replacement or removal of its property at the time service is terminated. Any employee of the utility whose duties require him/her to enter the customer's premises will wear a distinguishing uniform or other insignia identifying him/her as an employee of the utility, or show a badge or other identification which will identify him/her as an employee.
2. Obtaining easements and right-of-ways necessary to extend service will be the responsibility of the utility.
3. All customers must grant, convey, or cause to be granted or conveyed to the utility a perpetual easement and right-of-way across any property owned or controlled by the customer wherever necessary for the utility's facilities in order to provide service.

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4. The utility cannot require a prospective customer to obtain easements or rights-of-way on property not owned by the prospective customer as a condition for providing service. However, the cost of obtaining easements or rights-of-way will be included in the total per foot cost of an extension, and will be apportioned among the utility and customer in accordance with the applicable extension administrative regulation.
- P. Location of Records. All records required by Public Service Commission rules and regulations will be kept in the office of the utility and will be made available to representatives, agents or staff of the Public Service Commission upon reasonable notice at all reasonable hours.
- Q. Safety Program. The utility will adopt and execute a safety program, appropriate to the size and type of its operations. At a minimum, the safety program will:
Establish a safety manual with written guidelines for safe working practices and procedures to be followed by utility employees.
Instruct employees in safe methods of performing their work.
Instruct employees who, in the course of their work, are subject to the hazard of electrical shock, asphyxiation or drowning, in accepted methods of artificial respiration.
- R. System Inspections.
1. The utility will adopt inspection procedures to assure safe and adequate operation of its facilities and compliance with Public Service Commission rules and regulations. These procedures will be filed with the Public Service Commission for review.
 2. Upon receipt of a report of a potentially hazardous condition at any utility facility made by a qualified employee, public official, or customer, the utility will inspect all portions of the system which are the subjects of the report.

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- 3. Appropriate records will be kept by the utility to identify the inspection made, deficiencies found and action taken to correct the deficiencies.
- 4. Inspections. The utility will make systematic inspections of its system in the manner set out below to insure that the Public Service Commission's safety requirements are being met. These inspections will be made as often as necessary but not less frequently than is set forth below for various classes of facilities and types of inspection.

The utility will annually inspect all structures pertaining to source of supply for their safety and physical and structural integrity, including dams, intakes, and traveling screens. The utility will semiannually inspect supply wells, their motors and structures, including electric power wiring and controls for proper and safe operation.

The utility will annually inspect all structures pertaining to purification for their safety, physical and structural integrity and for leaks, including sedimentation basins, filters, and clear wells; chemical feed equipment; pumping equipment and water storage facilities, including electric power wiring and controls; hydrants, mains, and valves.

The utility will monthly inspect construction equipment and vehicles for defects, wear, operational hazards, lubrication, and safety features.

S. Reporting of Accidents, Property Damage, or Loss of Service.

- 1. Within two (2) hours following discovery the utility will notify the Public Service Commission by telephone or electronic mail of any utility related accident which results in:

Death; or shock or burn requiring medical treatment at a hospital or similar medical facility, or any accident requiring inpatient overnight hospitalization;

Actual or potential property damage of \$25,000 or more; or

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Loss of service for four (4) or more hours to ten (10) percent or 500 or more of the utility's customers, whichever is less.

2. A summary written report will be submitted by the utility to the Public Service Commission within seven (7) calendar days of the utility related accident.

T. Continuity of Service.

Emergency interruptions. The utility will make all reasonable efforts to prevent interruptions of service and when such interruptions occur will endeavor to reestablish service with the shortest possible delay consistent with the safety of its consumers and the general public. If an emergency interruption of service affects service to any public fire protection device, the utility will immediately notify the fire chief or other public official responsible for fire protection.

Scheduled interruptions. If the utility finds it necessary to schedule an interruption of its service, it will notify all customers to be affected by the interruption, stating the time and anticipated duration of the interruption. Whenever possible, scheduled interruptions will be made at hours of least inconvenience to customers. If public fire protection is provided by mains affected by the interruptions, the utility will notify the fire chief or other officials responsible for fire protection of the interruption, stating the time and anticipated duration. The fire chief or other official responsible for fire protection will be notified immediately upon restoration of service.

Record of interruptions. The utility will keep a complete record of all interruptions on its entire system. This record will show the cause of interruption, date, time, duration, remedy and steps taken to prevent recurrence.

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U. Pressures.

1. Standard pressure. The utility will maintain a standard pressure in its distribution system at locations to be designated as the point or points of "standard pressure." The selection of such points will be confined to locations fairly representative of average conditions. In selecting points for fixed standard pressure, the utility may divide its distribution system into districts if division is necessary due to differences of elevation or loss of pressure because of friction, or both, and may either adopt a standard pressure for each division or establish a single standard pressure for its distribution system as a whole. In no case will the constant difference between the highest and lowest pressures in a district for which a standard has been adopted exceed fifty (50) percent of such standard. The utility may, in extenuating circumstances, furnish service that does not comply with the foregoing specifications if the customer is fully advised of the conditions under which average service may be expected. The Public Service Commission, upon investigation, may require improvements when it appears right and proper that such upgrades should be made. In no event, however, will the pressure at the customer's service pipe under normal conditions fall below thirty- (30) psig nor will the static pressure exceed 150 psig.
2. Pressure surveys. At least once a year the utility will make a survey of pressures in its distribution system of sufficient magnitude to indicate the quality of service being rendered at representative points in its system. Pressure charts for these surveys will show the date and time of beginning and end of the test and the location at which the test was made. Records of these pressure surveys will be maintained at the utility's office and will be made available to the Public Service Commission upon request.

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V. Service Lines & Connections.

1. The utility will furnish and install at its own expense for the purpose of connecting its distribution system to the customer's premises that portion of the service connection from its main to and including the meter and meter box. The utility will recoup this expense from the customer in accordance with KRS 278.0152.
2. In areas where the distribution system follows well-defined streets and roads, the customer's point of service will be located at that point on or near the street right-of-way or property line most accessible to the utility from its distribution system. In areas where the distribution system does not follow streets and roads, the point of service will be located as near the customer's property line as practicable. Prior to installation of the meter the utility will consult with the customer as to the most practical location.
3. Depth of service line. All service lines must be laid at a sufficient depth to prevent freezing during the coldest weather normally experienced except where services are not intended for use during freezing weather and are actually drained during such periods.
4. A plumbing permit from the appropriate regulatory agency is required before the utility can set the meter.
5. The applicant/customer must furnish and lay the necessary pipe to make the connection from the point of service to the point of usage and be financially responsible for all costs associated with the installation and maintenance of his/her service line plumbing, including a shut-off valve and one-way check valve, installed on his/her property beginning at the outlet side of the water meter. The service line must be kept in good repair and in accordance with utility and Public Service Commission rules and regulations.
6. The installation and maintenance of the water service line must be in accordance with the rules and regulations of the Kentucky Department of Health.

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7. A cross-connection of the utility's system with any other source is strictly prohibited.
8. A well that has or is being used on the premises must be inspected by utility personnel to verify disconnection and separation.
9. All service lines on the customer's side of the meter must consist of copper or PVC pipe with a rating of no less than 160 psi, and should not be less than 3/4 inches.
10. Absolutely no galvanized pipe or fittings can be used in the installation.
11. The utility will only set a meter on a customer's service line at a point that delivers a minimum of 30 psig at the meter.
12. If the applicant/customer's point of usage is at a higher elevation than the meter, the customer should consult with a reputable engineering firm to properly size the service line from the meter to the point of usage.
13. Should an applicant/customer desire a pressure higher than the minimum required 30psig due to location or other need, provisions must be made by the applicant for an individual pressure booster system. The manner of connection, location cross-connection protection and type is subject to approval by the utility. The utility reserves the right to require discontinuance and disconnection should the private booster system have a detrimental effect on the utility's system.
14. Piping on the premises of the applicant/customer must be installed so that connections are conveniently located with respect to the utility's lines and mains. A place must be provided for metering that is unobstructed and reasonably accessible at all times.
15. The utility may require the applicant/customer, at his/her own expense, to install a back-flow preventor and/or pressure regulator.

DATE OF ISSUE _____
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DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 35

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

RULES AND REGULATIONS

16. All meters will be installed, renewed, and maintained at the expense of the utility, and the utility reserves the right to approve the size and type of meter used.
17. All taps and connections to the mains of the utility must be made by and/or under the direction and supervision of utility personnel and will incur a meter connection/tap-on charge, an amount that has been approved by the Public Service Commission for such service. Payment of this fee is for the privilege of connecting to the water system and the payment of the fee does not constitute the purchase of a water meter.
18. Should an applicant requesting a 5/8" x 3/4" meter require service on the opposite side of the road from the water main, the utility will provide the service at no additional cost to the customer other than the standard meter connection/tap-on charge. All larger size meters will be charged the actual cost of installing the meter, including, when applicable, the additional costs for crossing the road.
19. Any customer having boilers and/or pressure vessels that receive water from the utility must have a check valve on the water supply line and a vacuum valve on the steam line in order to prevent a collapse were the water supply from the utility be interrupted or discontinued.
- W. Leak Adjustments. A customer may make a request for a bill adjustment in the event of a leak under the following conditions:
- The customer must request a leak adjustment in writing to the utility.
- The customer's bill will be based on two components. The first step will be to calculate the customer's average monthly usage over a twelve-month period. The second step will be to deduct the customer's average monthly usage (as calculated in the above) from the total amount of water that passed through the meter. The usage calculated in step one will be billed at the utility's regular rates, while the remaining usage will be charged at the per thousand gallon leak adjustment rate, as set forth in the rates and charges portion of the utility's approved tariff. All water passing through the meter must be accounted and paid for

DATE OF ISSUE _____
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DATE EFFECTIVE _____
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ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 36

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

RULES AND REGULATIONS

by the customer. So the customer will owe the amount of his/her average bill plus the per thousand gallon leak adjustment rate for the remainder of the water that passed through the meter.

If meter readings are not available for an entire twelve-month period, the water bill will be estimated by the utility, subject to an upward or downward adjustment once a twelve-month average of actual meter readings can be calculated.

Only one (1) leak adjustment will be made per twenty-four month period.

X. Ownership of Mains, Services, and Appurtenances:

All mains, fire hydrants, valves, crossings, and other appurtenances are and shall remain the property of the utility, whether installed by the utility or the customer.

All service lines from the main to the meter with appurtenances are and shall remain the property of the utility, whether installed by the utility or the customer.

The customer shall install, own, and maintain his/her service line from the meter (or point of delivery) to the point of usage.

Y. Notification of System Problems. The customer shall notify the utility immediately should the service be unsatisfactory for any reason, or should there be any defects, problems, trouble, or accidents affecting the water system.

DATE OF ISSUE _____
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DATE EFFECTIVE _____
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ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 37

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

RULES AND REGULATIONS

Z. Legal Disclaimers.

The utility shall in no event be held responsible for any claims made against it for reasons of system failure or interruption of service. No persons shall be entitled to damages nor for any portion of a payment refunded for any system failure or interruption of service which in the opinion of the utility is deemed necessary.

No person shall maliciously, willfully, or negligently break, damage, destroy, uncover, deface, or tamper with any structure appurtenance or equipment which is a part of the utility's water system. Any person violating this provision will be subject to immediate arrest and/or discontinuance of water service and shall pay the cost of repairing or replacing the utility's facilities.

If any loss or damage to the property of the utility or any accident or other injury to persons or property is caused by or results from the negligence or wrongful action of a customer, members of his/her household, his/her agent or employee, the cost of necessary repairs or replacements shall be paid by the customer of the utility and any liability otherwise resulting shall be that of the customer.

For purposes of fire protection, including any customer's fire protection system, the utility cannot guarantee a water supply at any particular flow rate or pressure. The fire flow may vary depending upon other water demands on the system, various water facility limitations, or other circumstances. The customer will indemnify and hold harmless the utility and its employees from and against all claims, damages, losses, and expenses incurred as a result of insufficient water supply or deficient system facilities.

DATE OF ISSUE _____
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DATE EFFECTIVE _____
Month / Date / Year

ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 38

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

RULES AND REGULATIONS

AA. Fire Departments. For the purpose of off-setting fifty percent or more of its operation expenses, any fire department not receiving public funds from the Commonwealth of Kentucky, or any political subdivision thereof, may withdraw water from the utility's facilities at no charge, for the extinguishing of fires or the training of firemen. A fire department making such withdrawals shall provide an estimate of its withdrawals to the utility at the end of each month.

AB. Fire Hydrants:

In accordance with 807 KAR 5:066 Section 10(2)(b), a new fire hydrant will not be installed unless:

A professional engineer with a Kentucky registration has certified that the system can provide a minimum fire flow of 250 gallons per minute, and

The system supporting this flow has the capability of providing this flow for a period of not less than two (2) hours plus consumption at the maximum daily rate.

The location, installation, and the responsibility for maintenance of fire hydrants, public and private fire protection facilities, connecting mains, and their ownership may be subject to negotiation between the utility and the applicant/customer. Fire hydrants and public and private fire protection facilities shall be installed as required by the utility and if owned by the utility shall be subject to any conditions the Public Service Commission may impose, based upon the compensation received for this service.

AC. Fire Sprinkler Systems. Unless specifically exempted within the utility's approved tariff, all connections to the utility's system must be metered; one exception being fire sprinkler systems, subject to utility inspection and approval. A monthly charge will be assessed for each fire sprinkler system. The charge will be approved by the Public Service Commission and included in the rates and charges portion of the utility's approved tariff.

DATE OF ISSUE _____
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ISSUED BY _____
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 39

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

RULES AND REGULATIONS

AD. Requirements for New Water Connections.

The water line must be buried in a ditch that is at a minimum of 24 inches in depth.

The water line must be a minimum of 200 psi

A shut-off valve must be installed.

A one-way check valve must be installed.

A pressure regulator may be required as prescribed by the utility.

There shall be absolutely no galvanized pipe or fittings used in the installation.

The water line must be visually inspected by the utility.

If a well is being used, it must be disconnected and the utility must inspect to verify separation.

AE. Water Main Extensions.

Normal extension. An extension of fifty (50) feet or less shall be made by a utility to its existing distribution main without charge for a prospective customer who shall apply for and contract to use service for one (1) year or more.

Other extensions.

When an extension of the utility's main to serve an applicant or group of applicants amounts to more than fifty (50) feet per applicant, the utility may require the total cost of the excessive footage over fifty (50) feet per applicant/customer to be deposited with the utility by the applicant or the applicants, based on the average estimated cost per foot of the total extension.

When an extension of the utility's main to serve an applicant or group of applicants amounts to more than fifty (50) feet per applicant, the utility will require the applicant(s) to sign an agreement between the utility and the property owner

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ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
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SECTION 9 (1)

By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

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Original SHEET NO. 40

Breathitt County Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

(applicant/customer) that specifically define the responsibilities of each party with regards to the extension.

Each customer who paid for service under such extension will be reimbursed under the following plan:

For a period of five (5) years after construction of the extension, each additional customer whose service line is directly connected to the extension installed, and not to extensions or laterals therefrom, will be required to contribute to the cost of the extension based on a recomputation of both the utility's portion of the total cost and the amount contributed by the customers. The utility will refund to those customers that have previously contributed to the cost of the extension that amount necessary to reduce their contribution to the currently calculated amount for each customer connected to the extension. All customers directly connected to the extension for a five- (5) year period after it is placed in service must contribute equally to the cost of construction of the extension. In addition, each customer must pay the approved tap-on fee applicable at the time of his/her application for the meter connection. The tap-on fee will not be considered part of the refundable cost of the extension and may be changed during the refund period. After the five- (5) year refund period expires, any additional customer will be connected to the extension for the amount of the approved tap-on fee only. After the five (5) year refund period expires, the utility will be required to make refunds for an additional five (5) year period in accordance with subparagraph 1 of 807 KAR 5:066 Section 11 (2)(b).

An applicant desiring an extension to proposed real estate subdivision may be required to pay the entire cost of the extension. Each year, for a refund period of ten (10) years, the utility will refund to the applicant who paid for the extension a sum equal to the cost of fifty (50) feet of the extension installed for each new customer connected during the year whose service line is

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ISSUED BY [Signature] _____
(Signature of Officer)

TITLE Chairman _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
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SECTION 9 (1)
By [Signature]
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 41

Breathitt County Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RULES AND REGULATIONS

directly connected to the extension installed by the developer, and not to extensions or laterals therefrom. Total amount refunded will not exceed the amount paid to the utility. No refund will be made after the refund period ends.

Nothing contained herein shall be construed to prohibit the utility from making extensions under different arrangements if such arrangements have received the prior approval of the Public Service Commission.

Upon complaint to and investigation by the Public Service Commission a utility may be required to construct extensions greater than fifty (50) feet upon a finding by the Public Service Commission that such extension is reasonable and that an extension of fifty (50) feet or less is unreasonable under the circumstances.

DATE OF ISSUE _____
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ISSUED BY [Signature] _____
(Signature of Officer)

TITLE Chairman _____

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)

By [Signature] _____
Executive Director

FOR Jackson, Kentucky
Community, Town or City

P.S.C. KY. NO. 1

Original SHEET NO. 42

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

Breathitt County Water District
(Name of Utility)

RULES AND REGULATIONS

AF. Extension Procedures for Developers and/or New Subdivisions.

Nothing contained herein shall be construed to prohibit the utility from contracting to make extensions under different arrangements if such arrangements have received the prior approval of the Public Service Commission.

An applicant desiring an extension to a real estate subdivision may be required to pay the entire cost of the extension. Under this plan, annually for a refund period of ten (10) years, the utility will refund to the applicant who paid for the extension a sum equal to the cost of fifty (50) feet of the extension installed for each new customer connected during the year whose service line is directly connected to the extension installed by the developer, and not to extensions or laterals therefrom. Total amount refunded will not exceed the amount paid to the utility. No refund will be made after the refund period ends.

The utility may also, upon Public Service Commission approval, contract privately with owners and/or developers of subdivisions for the installation of water service for the subject subdivision. The owners/developers, pursuant to these contracts, extend mains and install water service at their expense. The utility would not accept nor receive any contribution, cost reimbursement, or deposit from any customer (lot owner) in this circumstance and as contemplated by 807 KAR 5:066 Section 11 (2)(a), and therefore, 807 KAR 5:066 Section 11 (2)(b) (1) or (2) or (3) would not apply to the utility with regard to newly-developed subdivisions.

DATE OF ISSUE _____
Month / Date / Year

DATE EFFECTIVE _____
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ISSUED BY [Signature]
(Signature of Officer)

TITLE Chairman

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION
IN CASE NO. _____ DATED _____

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE
10/11/2005
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)**

By [Signature]
Executive Director

Breathitt County Water District

EASEMENT AGREEMENT

This EASEMENT AGREEMENT made and entered into as of the _____ day of _____

in the year _____, between _____
Owner

and the BREATHITT COUNTY WATER DISTRICT, a water utility and political subdivision organized and existing according to Kentucky Revised Statutes, hereinafter referred to as the SUPPLIER.

WITNESSETH: That for and in consideration of the sum of one dollar (\$1.00) cash in hand paid the receipt of which is hereby acknowledged and other good and valuable consideration as specifically set out in a water service contract between parties given above.

The owner agrees to and does hereby grant and convey to the SUPPLIER, a permanent easement over, across, under, and upon land situated in said County, being a strip of land ten (10) feet wide for the purpose of laying, maintaining, operating, inspecting, replacing, and removing a water line, meter, and/or appurtenances. Said easement adjoins and parallels the road on which the property fronts and extends from one side line of the property the other side line of the property along said road, or otherwise so as to permit access to suppliers facilities, and may also be utilized for service installation to that property lying immediately across the road, or adjacent to suppliers facilities.

IN WITNESS WHEREOF, we have executed this Easement Agreement this, the aforementioned day and year.

WITNESS:

Attest:

STATE OF KENTUCKY
COUNTY OF _____

I, the undersigned, do certify that the foregoing instrument was produced to me in the County aforesaid, and was acknowledged by _____, to be his/their free act and deed. This day of _____ in the year _____.

My Commission expires:

_____ Water User

_____ Address

_____ Phone

_____ Breathitt County Water District

_____ Water System

By _____

_____ Title

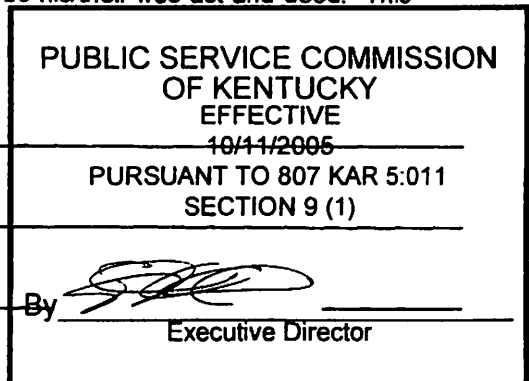


EXHIBIT D

RESOLUTION

RESOLUTION OF THE BREATHITT COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF JANUARY 1, 2012 BETWEEN THE BREATHITT COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Breathitt County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water 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 acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of January 1, 2012 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Breathitt County Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes 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 acquisition and construction of the Project.

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

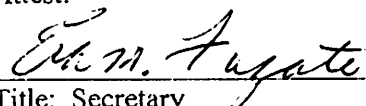
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on January 23, 2012.



Chairman

Attest:



Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Breathitt County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on January 23, 2012; 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 23 day of January, 2012.


Secretary



OFFICE OF THE BREATHITT COUNTY ATTORNEY

BRENDON D. MILLER

1149 MAIN STREET
JACKSON, KENTUCKY 41339
E-mail: *bdmiller@setel.com*

STANLEY T. TURNER
SAMUEL BRUCE HERALD
ASSISTANT COUNTY ATTORNEYS

PHONE: (606) 666-3809
FAX: (606) 666-4422
CHILD SUPPORT: (606) 666-5927

January 23, 2012

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Breathitt County Water District, dated as of January 1, 2012

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 Breathitt County Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the drinking water supply 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.

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) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) 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,



Brandon D. Miller
Breathitt County Attorney

EXHIBIT F

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

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

Principal and Interest Payable
on Each June 1 and December 1

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: _____

**BREATHITT COUNTY WATER DISTRICT,
Governmental Agency**

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

1. The Division of Water (DOW) must receive plans and specifications (or required information in lieu of plans and specs) for the following projects:
 - i. South Fork Phase II
 - ii. Cecil Clair Railroad Crossing
 - iii. KY52 and Town Hill Pumps Rehabilitation
 - iv. Bethany Road
 - v. Canoe Road
2. DOW must approve the plans and specifications for all projects referenced in (1) above.
3. An environmental review must be conducted and approved by the DOW for the Canoe Road extension.
4. The Authority to Award (bid) package must be submitted to the DOW for approval within 14 days of bid opening for each contract. DOW must perform the DBE reviews and approve contract documents.
5. Planning and design costs will be reimbursed monthly to the Governmental Agency upon presentation to the Authority and DOW of invoices and supporting documentation showing costs incurred for those projects the Kentucky Public Service Commission has authorized. No more than 50% of the loan funds designated for planning and design will be requested by the Governmental Agency prior to presentation of the plans and specifications to DOW.
6. The remaining 50% of the loan funds designated for planning and design may be requested upon approval of the plans and specifications by DOW and upon approval by the Kentucky Public Service Commission.
7. The Kentucky Public Service Commission must issue a Certificate of Public Convenience and Necessity for all projects identified in (1) above prior to any funds being disbursed for planning, design or construction.
8. No construction funds will be reimbursed to the Governmental Agency until the Authority receives from DOW a certification letter that states that the contract related to each project has been bid and meets all SRF requirements.

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Breathitt County Water District (the "Governmental Agency"), dated as of January 1, 2012

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.

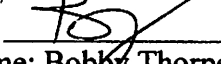
8. All actions taken by the Governmental Agency in connection with the Assistance Agreement and the loan described therein and the Project, as defined in the Assistance Agreement, have been in full compliance with the provisions of the Kentucky Open Meetings Law, KRS 61.805 to 61.850.

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.

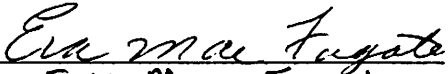
10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Governmental Agency indicated after their respective names and the signatures subscribed above their names are their genuine signatures.

WITNESS our signatures, this 15th day of February, 2012.

**GOVERNMENTAL AGENCY:
BREATHITT COUNTY WATER DISTRICT**

By: 
Name: Bobby Thorpe, Jr.
Title: Chairman

Attest:

By: 
Name: EVA MAE FUGATE
Title: Secretary

61786v1



OFFICE OF THE BREATHITT COUNTY ATTORNEY

BRENDON D. MILLER

1149 MAIN STREET
JACKSON, KENTUCKY 41339
E-mail: *bdmiller@setel.com*

STANLEY T. TURNER
SAMUEL BRUCE HERALD
ASSISTANT COUNTY ATTORNEYS

PHONE: (606) 666-3809
FAX: (606) 666-4422
CHILD SUPPORT: (606) 666-5927

January 23, 2012

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Breathitt County Water District, dated as of January 1, 2012

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 Breathitt County Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the drinking water supply 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.

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) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the construction of the Project.

9) 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,


Brendon D. Miller
Breathitt County Attorney

UNOFFICIAL MINUTES

MINUTES

DATE: January 23, 2012

Breathitt County Water District
1:00 p.m.

The Breathitt County Water District met in Special Session on the 23rd day of January 2012 at 1:00 p.m. in the Fiscal Court Room. Members present and presiding were Chairman Thorpe, Kash Noble, Sammie Turner, Eva Fugate and Eugene Turner. Also present were Estill McIntosh, Kay Barnett and Crystal Deaton.

The meeting was called to order by Chairman Thorpe.

Discussion was held on ARC Funding. Chairman Thorpe stated that the Board had voted during a previous meeting to not apply for ARC Funding for War Creek Road, Firetrail Road, Robinson Fork, Roark Branch and Hwy. 205, however, now the Board wanted to pursue the funding.

Motion by Chairman Thorpe to authorize Jennifer McIntosh to apply for ARC Grant Funding in the amount of \$500,000.00 and Coal Severance Funding in the amount of \$298,000.00 and use any left over money for Sigman Road. Motion died due to a lack of a second.

Motion by Kash Noble, seconded by Sammie Turner to authorize Jennifer McIntosh to apply for ARC Funding in the amount of \$500,000.00 and to use the money for what it was earmarked for and use any left over money for a new project. Vote is as follows: Chairman Thorpe-aye, Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Motion by Eugene Turner, seconded by Eva Fugate to approve the Resolution authorizing an assistance agreement dated as of January 1, 2012 between the Water District and the Kentucky Infrastructure Authority. Vote is as follows: Chairman Thorpe-aye, Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Motion by Chairman Thorpe, seconded Eugene Turner to use any leftover money from the KIA to tie up other projects including Sigman Road. Vote is as follows: Chairman Thorpe-aye, Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Chairman Thorpe opened the floor for discussion.

Kash Noble inquired as to why the Board was willing to spend at least \$60,000.00 on river bores instead of running waterlines down Hwy. 315. Chairman Thorpe asked Mike

Miller, Director of KRADD, with his past experience as Mayor of Jackson, did the river bores work well. Mr. Miller stated he didn't have any problems with the river bores.

Motion by Eugene Turner, seconded by Chairman Thorpe to advertise for bid both ways, the river bores and running lines beside the road on Hwy. 315. This includes the junction of Hwy. 30/Hwy. 315 at the old Turner School. Vote is as follows: Chairman Thorpe, Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

Chairman Thorpe adjourned the meeting.

Bobby Thorpe, Jr., Chairman

EXHIBIT D

RESOLUTION

RESOLUTION OF THE BREATHITT COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF JANUARY 1, 2012 BETWEEN THE BREATHITT COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Breathitt County Water District ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Water 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 acquire and construct the Project; and

WHEREAS, in order to obtain such monies, the Governmental Agency is required to enter into an assistance agreement dated as of January 1, 2012 (the "Assistance Agreement") with the Authority.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Breathitt County Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes 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 acquisition and construction of the Project.

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

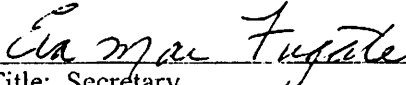
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on January 23, 2012.



Chairman

Attest:

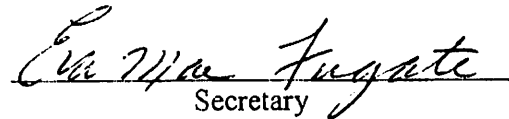


Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Breathitt County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on January 23, 2012; 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 23 day of January, 2012.


Secretary



AA

Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

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

John E. Covington III
Executive Director

March 2, 2012

Secretary Lori H. Flanery
Finance and Administration Cabinet
702 Capitol Ave, Room 383
Frankfort, KY 40601

RE: Kentucky Infrastructure Authority (KIA) Fund F Loan Assistance Agreement
Breathitt County Water District (F11-07)

Dear Secretary Flanery:

Enclosed please find for your review and signature the Assistance Agreement for the above referenced project. This loan was approved by the KIA Board and has been reviewed and approved by the Capital Projects and Bond Oversight Committee.

Dirk Bedarff, attorney with KIA legal council Peck, Shaffer & Williams LLP, has examined the agreement and its supporting documentation for completeness and correctness and shows his concurrence via signature.

KIA staff has reviewed the documentation for financial compliance with the State Revolving Fund Loan program. KIA shows its concurrence via the signature of the Executive Director.

Division of Water staff has reviewed the documentation for technical compliance with the State Revolving Fund Loan program. The Energy and Environment Cabinet shows its concurrence via the signature of the Director of the Division of Water.

Please return all documents to KIA upon execution.

Sincerely,

A handwritten signature in cursive script that reads "Tammy J. McCall".

Tammy J. McCall
Financial Analyst

Enclosure

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:

KENTUCKY INFRASTRUCTURE
AUTHORITY

Sandy Williams
SECRETARY
Title: _____

By: [Signature]
EXECUTIVE DIRECTOR
Title: _____

ATTEST:

GOVERNMENTAL AGENCY:
BREATHITT COUNTY WATER DISTRICT

[Signature]
Title: Secretary

By: Boyer
Title: Chairman

APPROVED:

EXAMINED:

SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

[Signature]
LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENERGY AND ENVIRONMENT CABINET

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

APPROVED
FINANCE AND ADMINISTRATION CABINET

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Breathitt County Water District - Loan Number F11-07**

Loan Summary					
Borrower:	Breathitt County Water District			Approval Date:	07-07-2011
Loan ID:	0758	KIA Loan Number:	F11-07	Maturity Date:	12-01-2035
Status:	Active	Interest Rate:	1.00%	R & M Reserve:	\$62,500.00
Loan Amount:	\$2,500,000.00	Pmt. Frequency	Semi-Annual		
AA Date:	02-01-2012	Supp. AA Date:			

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
06-01-2016	\$33,968.28	\$7,581.87	\$41,550.15	\$1,875.00	\$0.00	\$43,425.15	\$1,466,031.72	\$0.00	\$0.00
12-01-2016	\$34,138.12	\$7,330.16	\$41,468.28	\$1,832.54	\$0.00	\$43,300.82	\$1,431,893.60	\$6,250.00	\$6,250.00
06-01-2017	\$34,308.81	\$7,159.47	\$41,468.28	\$1,789.87	\$0.00	\$43,258.15	\$1,397,584.79	\$0.00	\$6,250.00
12-01-2017	\$34,480.36	\$6,987.92	\$41,468.28	\$1,746.98	\$0.00	\$43,215.26	\$1,363,104.43	\$6,250.00	\$12,500.00
06-01-2018	\$34,652.76	\$6,815.52	\$41,468.28	\$1,703.88	\$0.00	\$43,172.16	\$1,328,451.67	\$0.00	\$12,500.00
12-01-2018	\$34,826.02	\$6,642.26	\$41,468.28	\$1,660.56	\$0.00	\$43,128.84	\$1,293,625.65	\$6,250.00	\$18,750.00
06-01-2019	\$35,000.15	\$6,468.13	\$41,468.28	\$1,617.03	\$0.00	\$43,085.31	\$1,258,625.50	\$0.00	\$18,750.00
12-01-2019	\$35,175.15	\$6,293.13	\$41,468.28	\$1,573.28	\$0.00	\$43,041.56	\$1,223,450.35	\$6,250.00	\$25,000.00
06-01-2020	\$35,351.03	\$6,117.25	\$41,468.28	\$1,529.31	\$0.00	\$42,997.59	\$1,188,099.32	\$0.00	\$25,000.00
12-01-2020	\$35,527.78	\$5,940.50	\$41,468.28	\$1,485.12	\$0.00	\$42,953.40	\$1,152,571.54	\$6,250.00	\$31,250.00
06-01-2021	\$35,705.42	\$5,762.86	\$41,468.28	\$1,440.71	\$0.00	\$42,908.99	\$1,116,866.12	\$0.00	\$31,250.00
12-01-2021	\$35,883.95	\$5,584.33	\$41,468.28	\$1,396.08	\$0.00	\$42,864.36	\$1,080,982.17	\$6,250.00	\$37,500.00
06-01-2022	\$36,063.37	\$5,404.91	\$41,468.28	\$1,351.23	\$0.00	\$42,819.51	\$1,044,918.80	\$0.00	\$37,500.00
12-01-2022	\$36,243.69	\$5,224.59	\$41,468.28	\$1,306.15	\$0.00	\$42,774.43	\$1,008,675.11	\$6,250.00	\$43,750.00
06-01-2023	\$36,424.90	\$5,043.38	\$41,468.28	\$1,260.84	\$0.00	\$42,729.12	\$972,250.21	\$0.00	\$43,750.00
12-01-2023	\$36,607.03	\$4,861.25	\$41,468.28	\$1,215.31	\$0.00	\$42,683.59	\$935,643.18	\$6,250.00	\$50,000.00
06-01-2024	\$36,790.06	\$4,678.22	\$41,468.28	\$1,169.55	\$0.00	\$42,637.83	\$898,853.12	\$0.00	\$50,000.00
12-01-2024	\$36,974.01	\$4,494.27	\$41,468.28	\$1,123.57	\$0.00	\$42,591.85	\$861,879.11	\$6,250.00	\$56,250.00
06-01-2025	\$37,158.88	\$4,309.40	\$41,468.28	\$1,077.35	\$0.00	\$42,545.63	\$824,720.23	\$0.00	\$56,250.00
12-01-2025	\$37,344.68	\$4,123.60	\$41,468.28	\$1,030.90	\$0.00	\$42,499.18	\$787,375.55	\$6,250.00	\$62,500.00
06-01-2026	\$37,531.40	\$3,936.88	\$41,468.28	\$984.22	\$0.00	\$42,452.50	\$749,844.15	\$0.00	\$62,500.00
12-01-2026	\$37,719.06	\$3,749.22	\$41,468.28	\$937.31	\$0.00	\$42,405.59	\$712,125.09	\$0.00	\$62,500.00
06-01-2027	\$37,907.65	\$3,560.63	\$41,468.28	\$890.16	\$0.00	\$42,358.44	\$674,217.44	\$0.00	\$62,500.00
12-01-2027	\$38,097.19	\$3,371.09	\$41,468.28	\$842.77	\$0.00	\$42,311.05	\$636,120.25	\$0.00	\$62,500.00
06-01-2028	\$38,287.68	\$3,180.60	\$41,468.28	\$795.15	\$0.00	\$42,263.43	\$597,832.57	\$0.00	\$62,500.00
12-01-2028	\$38,479.12	\$2,989.16	\$41,468.28	\$747.29	\$0.00	\$42,215.57	\$559,353.45	\$0.00	\$62,500.00
06-01-2029	\$38,671.51	\$2,796.77	\$41,468.28	\$699.19	\$0.00	\$42,167.47	\$520,681.94	\$0.00	\$62,500.00
12-01-2029	\$38,864.87	\$2,603.41	\$41,468.28	\$650.85	\$0.00	\$42,119.13	\$481,817.07	\$0.00	\$62,500.00
06-01-2030	\$39,059.19	\$2,409.09	\$41,468.28	\$602.27	\$0.00	\$42,070.55	\$442,757.88	\$0.00	\$62,500.00
12-01-2030	\$39,254.49	\$2,213.79	\$41,468.28	\$553.45	\$0.00	\$42,021.73	\$403,503.39	\$0.00	\$62,500.00
06-01-2031	\$39,450.76	\$2,017.52	\$41,468.28	\$504.38	\$0.00	\$41,972.66	\$364,052.63	\$0.00	\$62,500.00
12-01-2031	\$39,648.02	\$1,820.26	\$41,468.28	\$455.07	\$0.00	\$41,923.35	\$324,404.61	\$0.00	\$62,500.00
06-01-2032	\$39,846.26	\$1,622.02	\$41,468.28	\$405.51	\$0.00	\$41,873.79	\$284,558.35	\$0.00	\$62,500.00
12-01-2032	\$40,045.49	\$1,422.79	\$41,468.28	\$355.70	\$0.00	\$41,823.98	\$244,512.86	\$0.00	\$62,500.00
06-01-2033	\$40,245.72	\$1,222.56	\$41,468.28	\$305.64	\$0.00	\$41,773.92	\$204,267.14	\$0.00	\$62,500.00
12-01-2033	\$40,446.94	\$1,021.34	\$41,468.28	\$255.33	\$0.00	\$41,723.61	\$163,820.20	\$0.00	\$62,500.00
06-01-2034	\$40,649.18	\$819.10	\$41,468.28	\$204.78	\$0.00	\$41,673.06	\$123,171.02	\$0.00	\$62,500.00

**Kentucky Infrastructure Authority - Loan Amortization Schedule
Breathitt County Water District - Loan Number F11-07**

Amortization Table									
Payment Date	Principal Due	Interest Due	Principal & Interest	Service Fee	Credit Due	Total Payment	Principal Balance	R&M Reserve Due	R&M Reserve Total
12-01-2034	\$40,852.42	\$615.86	\$41,468.28	\$153.96	\$0.00	\$41,622.24	\$82,318.60	\$0.00	\$62,500.00
06-01-2035	\$41,056.69	\$411.59	\$41,468.28	\$102.90	\$0.00	\$41,571.18	\$41,261.91	\$0.00	\$62,500.00
12-01-2035	\$41,261.91	\$206.37	\$41,468.28	\$51.58	\$0.00	\$41,519.86	\$0.00	\$0.00	\$62,500.00
Totals:	\$1,500,000.00	\$158,813.07	\$1,658,813.07	\$39,682.77	\$0.00	\$1,698,495.84		\$62,500.00	

BOND SCHEDULE, 4/15/2009

Name of Borrower: Breathitt Co. Water District			
Amount of Loan	350000	Annual Interest Rate	0.0275
Number of Initial Interest Only Payments	2	Number of principal and/or Interest Payments	40
Payment Frequency	Annual	This is a split payment bond.	false
Principal Payment Units	500	Interest Payment Units	1

YEAR	PERIOD	NUMBER	PAYMENT	INTEREST	PRINCIPAL	BALANCE
2010	1	1	9625	9625	0	350000
2011	1	2	9625	9625	0	350000
2012	1	3	15125	9625	5500	344500
2013	1	4	14974	9474	5500	339000
2014	1	5	14823	9323	5500	333500
2015	1	6	15172	9172	6000	327500
2016	1	7	15007	9007	6000	321500
2017	1	8	14842	8842	6000	315500
2018	1	9	15177	8677	6500	309000
2019	1	10	14998	8498	6500	302500
2020	1	11	14819	8319	6500	296000
2021	1	12	15140	8140	7000	289000
2022	1	13	14948	7948	7000	282000
2023	1	14	14755	7755	7000	275000
2024	1	15	15063	7563	7500	267500
2025	1	16	14857	7357	7500	260000
2026	1	17	15150	7150	8000	252000
2027	1	18	14930	6930	8000	244000
2028	1	19	15210	6710	8500	235500
2029	1	20	14977	6477	8500	227000
2030	1	21	14743	6243	8500	218500
2031	1	22	15009	6009	9000	209500
2032	1	23	14762	5762	9000	200500
2033	1	24	15014	5514	9500	191000
2034	1	25	14753	5253	9500	181500
2035	1	26	14992	4992	10000	171500
2036	1	27	14717	4717	10000	161500
2037	1	28	14942	4442	10500	151000
2038	1	29	15153	4153	11000	140000
2039	1	30	14850	3850	11000	129000
2040	1	31	15048	3548	11500	117500
2041	1	32	14732	3232	11500	106000
2042	1	33	14915	2915	12000	94000
2043	1	34	15085	2585	12500	81500
2044	1	35	14742	2242	12500	69000
2045	1	36	14898	1898	13000	56000
2046	1	37	15040	1540	13500	42500
2047	1	38	15169	1169	14000	28500
2048	1	39	14784	784	14000	14500
2049	1	40	14899	399	14500	0
TOTALS			587464	237464	350000	

BOND RESOLUTION

BREATHITT COUNTY WATER DISTRICT

AUTHORIZING

BREATHITT COUNTY WATER DISTRICT

WATERWORKS REVENUE BONDS, SERIES 2009

IN THE PRINCIPAL AMOUNT OF

\$350,000

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BOND RESOLUTION

RESOLUTION OF THE BREATHITT COUNTY WATER DISTRICT AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF \$350,000 PRINCIPAL AMOUNT OF BREATHITT COUNTY WATER DISTRICT WATERWORKS REVENUE BONDS, SERIES 2009 FOR THE PURPOSE OF FINANCING THE COST (NOT OTHERWISE PROVIDED) OF THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE EXISTING WATERWORKS SYSTEM OF SAID DISTRICT; SETTING FORTH TERMS AND CONDITIONS UPON WHICH SAID BONDS MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE REVENUES OF SAID WATERWORKS SYSTEM; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the waterworks system (the "System") of the Breathitt County Water District (the "District") is owned and operated by said District pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes (the "Act"), and

WHEREAS, it is the desire and intent of the District at this time to authorize and provide for the issuance of revenue bonds in the principal amount of \$350,000 (the "Current Bonds"), for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the System of the District, in accordance with plans and specifications prepared by Nesbitt Engineering, Inc. and to prescribe the covenants of the District, the rights of Bondowners and the details of the issuance and sale of the proposed Current Bonds, and

WHEREAS, the Public Service Commission of Kentucky has granted to the District a Certificate of Public Convenience and Necessity, authorizing the construction of said extensions, additions and improvements, and

WHEREAS, the proceeds of the Current Bonds will be supplemented by Grant Proceeds (as hereinafter defined) in the amount of approximately \$750,000,

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF THE BREATHITT COUNTY WATER DISTRICT AS FOLLOWS:

**ARTICLE 1. DEFINITIONS; PURPOSE; AUTHORIZATION OF BONDS;
SECURITY.**

Section 101. Definitions. As used in this Resolution, unless the context requires otherwise:

"Act" refers to Chapters 58 and 74 of the Kentucky Revised Statutes.

"ARC Grant" refers to the Appalachian Regional Commission grant described in Section 805 of this Resolution.

"Beginning Month" refers to the month following the month in which the Current Bonds authorized herein are issued, sold and delivered to the Purchaser thereof.

"Bond Counsel" refers to an attorney or firm of attorneys recognized nationally as experts in the field of municipal bond law and shall be deemed to refer to Rubin & Hays, Louisville, Kentucky, or their successors.

"Bondowner" or "Owner" refer to registered Owners of the Current Bonds at the time issued and outstanding hereunder.

"Bonds" collectively refers to the outstanding Current Bonds the Parity Bonds.

"Chairman" refers to the elected or appointed Chairman or Chairperson of the Commission.

"Code" refers to the Internal Revenue Code of 1986, as amended, and the Treasury Regulations relating thereto.

"Commission" refers to the Board of Commissioners of the District, or such other body as shall be the governing body of said District under the laws of Kentucky at any given time.

"Construction Account" refers to the Breathitt County Water District Waterworks Construction Account, created in Section 301(B) of this Current Bond Resolution.

"Contractors" refers to the general contractors who have been employed by the District to construct the Project.

"Current Bond Resolution" or "Resolution" refer to this Resolution authorizing the Current Bonds.

"Current Bonds" refers to the \$350,000 of Breathitt County Water District Waterworks Revenue Bonds, Series 2009 authorized by this Resolution, to be dated as of the date of issuance thereof.

"Current Sinking Fund" refers to the Breathitt County Water District Waterworks Sinking Fund, created in Section 401 of this Resolution.

"Depository Bank" refers to the bank, which shall be a member of the FDIC, which bank is Citizens Bank & Trust Company of Jackson, Jackson, Kentucky, or its successor.

"Depreciation Fund" refers to the Breathitt County Water District Waterworks Depreciation Reserve Fund, described in Section 402 of this Resolution.

"District" refers to the Breathitt County Water District.

"Engineers" refers to the Engineers or any one of them, who prepared the plans and specifications for the construction of the Project and who will supervise the construction thereof and/or will furnish full time resident inspection of the construction of the Project, and shall be deemed to refer to Nesbitt Engineering, Inc., or a member of said firm, or their successors.

"Event of Default" refers to one or more of the Events of Default set forth in Section 701 of this Resolution.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors.

"Fiscal Year" refers to the annual accounting period of the District, beginning on January 1, and ending on December 31, of each year.

"Funds" refers to the Construction Account, the Revenue Fund, the Sinking Fund, the Depreciation Fund and the Operation and Maintenance Fund.

"Government" refers to the United States of America, or any agency thereof, including RD.

"Grant Proceeds" refers to the proceeds of the RD Grant and the ARC Grant.

"Independent Consulting Engineer" refers to a consulting engineer or a firm of consulting engineers of recognized excellent reputation in the field of waterworks system engineering, and such definition includes the Engineers named above.

"Interim Lender" refers to Citizens Bank & Trust Company of Jackson, Jackson, Kentucky, its successors or assigns; or any other financial institution or governmental agency approved by the District.

"Local Counsel" refers to Brendon D. Miller, Esq., Jackson, Kentucky, or any other attorney or firm of attorneys designated by the District.

"Multiple Advances" refers to the advance of loan funds from the RD as described in Section 302 of this Resolution.

"Note" refers to a single note or any number of notes, in such form as may be prescribed by the Interim Lender, including any revenue bond anticipation notes issued pursuant to Chapter 58 of the Kentucky Revised Statutes, including any renewal or extensions of the Note, issued by the District evidencing the interim financing for the Project as prescribed in Section 302 of this Resolution.

"Operation and Maintenance Fund" refers to the Breathitt County Water District Waterworks Operation and Maintenance Fund described in Section 401 of this Resolution.

"Outstanding Bonds" refers to the outstanding Bonds, and does not refer to, nor include, any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of Bonds; provided all Outstanding Bonds of any series held by the RD shall be deemed to constitute Outstanding Bonds until paid regardless of the deposit of funds to pay for same.

"Parity Bonds" refers to bonds which may be issued in the future which, pursuant to this Resolution, rank on a basis of parity with the outstanding Bonds, as to priority, security and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the outstanding Bonds.

"Project" refers specifically to the construction of the currently proposed extensions, additions and improvements to the System of the District, which Project is being financed by the Current Bonds and by other funds.

"Purchaser" refers to the agency, person, firm or firms, or their successors, to whom the Current Bonds herein authorized are awarded at the public sale of the Current Bonds.

"RD" refers to the Rural Development of the Department of Agriculture of the United States of America.

"RD Grant" refers to the RD grant described in Section 804 of this Resolution.

"Required Signatures" refers to the signatures necessary to be obtained with reference to the approval of the expenditures to be made from the Construction Account, which required signatures shall consist of the signatures of (1) the Chairman; (2) the Engineers; and (3) the Purchaser; provided, however, any expenditures for issuance and administrative costs and the costs of any equipment which is not permanently affixed to the real estate shall not require the signature or the approval of the Engineers.

"*Revenue Fund*" refers to the Breathitt County Water District Waterworks Revenue Fund, described in Section 401 of this Resolution.

"*Secretary*" refers to the elected or appointed Secretary of the Commission.

"*Sinking Fund*" refers to the Breathitt County Water District Waterworks Sinking Fund, described in Section 401 of this Resolution.

"*System*" refers to the existing waterworks system of the District, together with all extensions, additions and improvements to said System.

"*Treasurer*" refers to the elected or appointed Treasurer of the Commission.

"*U.S. Obligations*" refers to bonds or notes which are the direct obligations of the United States of America, or obligations the principal of and interest on which are guaranteed by the United States of America.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa. Unless otherwise indicated, references to Articles or Sections refers to those in this Resolution.

Section 102. Purpose. The Current Bonds shall be issued for the purpose of financing the cost (not otherwise provided) of the Project, as set out in the plans and specifications prepared by the Engineers. The Commission hereby declares the System of the District, including the extensions, additions and improvements to be constructed, to constitute a revenue producing public project, and said System shall continue to be owned, controlled, operated and maintained by the District as a revenue producing public project pursuant to the Act, so long as any Bonds remain outstanding.

Section 103. Construction Award Approved; Work Authorized. The Commission hereby authorizes, approves, ratifies and confirms its previous action in advertising for and taking steps toward awarding the contracts for the construction of the Project to the lowest and best bidders, and further approves the action of the District officials in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Project according to the plans and specifications heretofore prepared by the Engineers for the District, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness. The Commission hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the Project.

Section 105. Authorization of Bonds. The District has heretofore determined that the total cost of the Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, initial

deposits required and all incidental expenses, will not exceed \$1,100,000. Therefore, it is hereby determined to be necessary in order for the District to finance the cost (not otherwise provided) of the Project that the District issue a total of \$350,000 of Current Bonds, based on the following calculation:

Total cost of Project		\$1,100,000
Less:		
RD Grant	\$250,000	
ARC Grant	500,000	
Total Non-Bond Funds:		<u>(750,000)</u>
Balance to be financed by Current Bonds		\$350,000

Accordingly, for the purpose of financing the cost (not otherwise provided) of the Project, under the provisions of the Act, there is hereby authorized to be issued and sold \$350,000 principal amount of Breathitt County Water District Waterworks Revenue Bonds, Series 2009.

The Current Bonds shall be dated as of the date of delivery to the Purchaser thereof; shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Current Bonds, as hereinafter provided; and shall be issued and delivered as prescribed in Section 202 hereof.

Interest on the Current Bonds shall be payable semiannually on January 1 and July 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Current Bonds to the ensuing January 1 or July 1, as the case may be. Principal of the Current Bonds shall be payable on January 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Current Bonds Shall be Payable on Out of Gross Revenues. The Current Bonds and any additional Parity Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable out of the gross revenues of the System.

Section 107. Lien on Contracts. In addition to the revenue pledge securing the Bonds, a lien is hereby created and granted in favor of the Bondowners on all contracts, and on all other rights of the District pertaining to the System, enforceable by assignment to any receiver or other operator proceeding by authority of any court.

ARTICLE 2. THE BONDS; BOND FORM; PREPAYMENT.

Section 201. Principal Payments. Principal payments due on the Current Bonds shall be as set forth in the schedule of maturities set out in **Exhibit A** attached to this Resolution and incorporated herein.

Section 202. Issuance of Current Bonds; Bond Form. The Purchaser of the Current Bonds at the public sale shall take delivery of the Current Bonds in the form of one or more fully registered bonds, as set forth in **Exhibit B** attached hereto and incorporated herein, amounting in the aggregate to the principal amount of the Current Bonds authorized herein, maturing as to principal as set out in Section 201. The Current Bonds shall be numbered R-1 and consecutively upward thereafter. Such Current Bonds shall, upon appropriate execution on behalf of the District as prescribed, constitute the entire bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), registered as to principal and interest and payable as directed by the registered Owner.

Section 203. Place of Payment and Manner of Execution. Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Current Bond. The Current Bonds shall be executed on behalf of the District by the manual or facsimile signature of the Chairman of the District, with the Corporate Seal of the District affixed thereto and attested by the manual or facsimile signature of the Secretary of said District.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery.

Section 204. Provisions as to Prepayment. Except when all of the Current Bonds are held by the Government, principal maturities falling due prior to January 1, 2019, shall not be subject to prepayment. Principal maturities falling due on and after January 1, 2019, shall be subject to prepayment by the District on any date falling on and after January 1, 2018, at par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are owned by the Government, all or any of the Current Bonds, or in a multiple of \$100, may be prepaid at any time in inverse chronological order of the principal maturities due, at par plus accrued interest without any prepayment penalty.

Notice of such prepayment shall be given by certified mail to the Bondowner or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Bondowner.

**ARTICLE 3. CONSTRUCTION ACCOUNT; INTERIM FINANCING;
APPLICATION OF PROCEEDS; ARBITRAGE LIMITATIONS.**

Section 301. Construction Account; Application of Proceeds of Bonds; Other Transfers and Deposits. The Treasurer, or such other District official as shall be designated by the Commission, shall be the custodian of all funds belonging to and associated with the System. All moneys in excess of the amount insured by the FDIC in the Construction Account shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176. The officials of the District entrusted with the receipt and disbursement of revenues of the System and the custody of valuable property shall be covered by a fidelity bond in the amount of not less than \$15,000 (the "Fidelity Bond"), or such larger amount as the RD may require, which Fidelity Bond shall be effective and secured by a surety company approved by the RD so long as it is owner of any of the Current Bonds. The RD and the District shall be named co-obligees in such Fidelity Bond and the amount thereof shall not be reduced without the written consent of the RD. Whenever sums in the Funds shall exceed \$15,000, the Fidelity Bond shall be increased accordingly as requested by and with the approval of the RD.

A. Covenants Applicable if RD Purchases Current Bonds. It is acknowledged that all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures and the necessity of using RD forms (the "RD Forms"), shall apply only if the RD is the Purchaser of the Current Bonds and only so long as the RD holds the Current Bonds thereafter. In the event that the RD shall not be the Purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to an Owner who shall not be the Government, all covenants herein with reference to the necessity for approval of the RD, the necessity of observing RD regulations and procedures, and the necessity of using RD Forms, shall not be applicable.

B. Application of Proceeds of Current Bonds. The proceeds of the Current Bonds shall be applied as follows:

(1) Payment of Interim Financing, Costs of Project and Costs of Issuance. Simultaneously with the delivery of the Current Bonds, there shall immediately be paid to the Interim Lender (or the RD if Multiple Advances are made) an amount sufficient to pay principal of and interest on any temporary loans borrowed by the District in anticipation of the sale and delivery of the Current Bonds and/or of the receipt of Grant Proceeds. Also, at the time of delivery of the Current Bonds, there shall be paid all amounts then due and payable in connection with the costs of the Project and in connection with the issuance of the Current Bonds.

(2) Construction Account. If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest, principal and costs referred to in subparagraph B(1) of this Section, such excess amount shall immediately be deposited in the "Breathitt County Water District Waterworks Construction Account"

hereby created, which shall be established at the Depository Bank. There shall also be deposited in said Construction Account the Grant Proceeds, as and when received, or said Grant Proceeds may be applied, to the extent necessary, to liquidate or reduce any interim financing owed by the District at the time of receipt of Grant Proceeds.

(3) Withdrawal of Funds From Construction Account. Prior to the expenditure by the District of any moneys from the Construction Account, the District must obtain written approval from the RD as to such expenditures, if the RD is the Owner of any Outstanding Bonds. The proceeds of said Construction Account shall be withdrawn only on checks signed by the Chairman, the Treasurer (or by such other official of the District as may be authorized by the Commission), provided such official shall be covered by the Fidelity Bond required by Section 301 of this Resolution, in payment for services and/or materials supplied in connection with the Project, as evidenced by (1) a Requisition Certificate; and (2) invoices and/or partial payment estimates bearing the written approval of the Engineers and the Chairman (or by such other official of the District as may be authorized by the Commission), and which invoices and/or partial payment estimates must have been reviewed and approved for payment by the designated RD official.

Written approval or certification of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition and related items.

During construction, the District shall disburse Construction Account funds in a manner consistent with RD Instruction 1780.

The District shall prepare and submit any and all RD Forms required by the RD. Periodic audits of the District's Construction Account records shall be made by RD as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Sinking Fund. There shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest (initially estimated at \$9,000) during the construction of the Project, as approved by the Engineers and by the RD. If and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project, such amount so transferred from the Construction Account shall be deposited in the Sinking Fund.

(5) Investment of Funds in Construction Account. Pending disbursement of amounts on deposit in the Construction Account, all such funds, or such portion of said amounts on deposit in said Construction Account as is designated by the Commission, shall be invested for the benefit of such Construction Account in Certificates of Deposit, savings accounts or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of

the Project (as determined by the Engineers, the Chairman and the RD), provided that to the extent that any amounts on deposit in said Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, the same shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes. Investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed, if the RD has purchased any of the Bonds, and investments in Certificates of Deposit or savings accounts may be made only in such Certificates or accounts of an FDIC bank. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) Statements of Contractors, Engineers and Attorneys as to Payment. Prior to the delivery of the Current Bonds, if the RD is the Purchaser of the Current Bonds, the District will be required to provide the RD with statements from the Contractors, Engineers and attorneys for the District that they have been paid to date in accordance with their contract or other agreements and, in the case of any Contractor, that he has paid his suppliers and subcontractors. Any exceptions must be authorized under RD Instruction 1780.

(7) Disposition of Balance in Construction Account After Completion of Project. When the Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the District and/or by the RD, any balance then remaining in the Construction Account may, with the consent of the RD, be applied to the cost of constructing additional extensions, additions and improvements to the System (the "Additional Construction"). If such Additional Construction is to be undertaken by the Contractors previously engaged in the Project, such Additional Construction may be authorized by a change order.

If there is a balance remaining in the Construction Account after such Additional Construction, such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from Grant Proceeds) shall be transferred to the Sinking Fund, whereupon said Construction Account shall be closed. Such remaining balance in the Construction Account so transferred to the Sinking Fund shall be used by the District immediately to prepay principal installments due on the Current Bonds in the inverse order of maturities without prepayment penalty, provided further that any balance insufficient to prepay at least \$100 of the principal payment falling due in any year on the Bonds will be transferred to the Depreciation Fund.

Section 302. Interim Financing Authorization.

A. Interim Financing. The District shall use interim financing for the Project during construction of that portion of the cost of the Project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$350,000 from the Interim Lender is hereby authorized; and the Chairman is hereby authorized to execute the Note in the name and on behalf of the District. Each advance under the Note shall evidence a loan by the Interim Lender to the District for services rendered and/or materials supplied in connection with the Project, as evidenced by a Requisition Certificate.

Interim financing shall be disbursed as follows:

(1) At the direction of the District, the Interim Lender shall disburse the proceeds of the Note by cashier's checks directly to the parties entitled thereto as set forth in the Requisition Certificate; or

(2) At the direction of the District, the Interim Lender shall deposit the proceeds of the Note in the Construction Account, in which event amounts of the District on deposit therein shall, until expended to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The aggregate of the principal amount of all Notes shall not exceed \$350,000. Each Note which is renewed or superseded shall be simultaneously cancelled by the Interim Lender and transmitted to the Treasurer. The rate of interest applicable to each Note shall not exceed a reasonable rate, which rate is subject to the approval of the RD.

The total authorized interim financing of \$350,000 shall be the maximum indebtedness which the District may owe at any one time to the Interim Lender for the purpose of providing temporary construction financing for the Project; provided, however, that the District may reduce the amount owed by the District to the Interim Lender from time to time as and when funds are available to the District, whether derived from the proceeds of the Grant Proceeds, the proceeds of the sale of the Current Bonds or otherwise, and may reborrow from the Interim Lender additional amounts in anticipation of the further receipt by the District of additional proceeds from the Current Bonds and/or Grant Proceeds.

The District hereby covenants and agrees with the Interim Lender that upon the issuance and delivery of the Current Bonds and/or the receipt of said Grant Proceeds, the District will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of the Note, together with accrued interest thereon to the date of such payment; and the proceeds of the Current Bonds and Grant Proceeds are hereby pledged therefor, and such pledge shall constitute a first and prior charge against said proceeds.

Although the proceeds of the Current Bonds and Grant Proceeds are pledged to the repayment of said interim financing, it is recognized that the Grant Proceeds may be applied to the extent required at the time of receipt of the Grant Proceeds, to the payment of costs of the Project due and owing by the District at the time of receipt of such Grant Proceeds, rather than to the repayment of portions of the interim financing at that time. If and to the extent that the Grant Proceeds are in excess of any costs of the Project due and owing at the time of receipt thereof, such Grant Proceeds may be applied, in the same manner as set out hereinabove, to the reduction of the amount of the interim financing, after which, such interim financing may again be increased as theretofore. The District further pledges the revenues of the System to the repayment of said interim financing.

It is understood that the foregoing constitutes an alternative method of obtaining interim financing, and does not preclude the authorization and sale, by public advertisement or otherwise, of bond anticipation notes and/or grant anticipation notes to the most favorable bidder on the open market, by concurrent or subsequent proceedings of the District.

B. Multiple Advances by RD. In the event the Current Bonds are purchased by the RD, and in the event the District is unable to obtain a commitment for interim financing for the Project from any Interim Lender at reasonable rates and terms, the Chairman is authorized to request Multiple Advances of loan funds from the RD.

If the RD agrees to make Multiple Advances to the District pending the delivery of the Current Bonds, the Chairman is hereby authorized to execute in the name and on behalf of the District any number of Notes. Each such Note, evidencing an advance of funds by the RD to the District, shall be in the form prescribed by the RD.

Each request for an advance from the RD shall be accompanied by a Requisition Certificate. The District will also furnish to the RD, prior to the receipt of each Multiple Advance, whatever additional documentation shall be requested by the RD, including an updated supplemental title opinion of Local Counsel and an updated supplemental preliminary legal opinion of Bond Counsel.

The proceeds of any Multiple Advances shall be either (i) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project; or (ii) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301 hereof, in which event amounts on deposit in such Construction Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U.S. Obligations.

The proceeds of the Current Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The District further pledges the revenues of the System to the repayment of said Multiple Advances.

Section 303. Arbitrage Limitations on Investment of Proceeds. The District covenants and certifies, in compliance with the Code, on the basis of known facts and reasonable expectations on the date of adoption of this Resolution, that it is not expected that the proceeds of the Current Bonds will be used in a manner which would cause the Current Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code. The District covenants to the Owners of the Current Bonds that (1) the District will make no use of the proceeds of said Current Bonds which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds"; and (2) the District will comply with all of the requirements of the Code to whatever extent is necessary to assure that the Current Bonds shall not be treated as or constitute "arbitrage bonds" and that the interest on the Bonds shall be excludable from gross income for federal income tax purposes.

Prior to or at the time of delivery of the Current Bonds, the Chairman and/or the Treasurer (who are jointly and severally charged with the responsibility for the issuance of the Current Bonds) are authorized to execute such certifications as shall be required by Bond Counsel, setting out all known and contemplated facts concerning the anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by Section 148 of the Code in order to assure that interest on the Current Bonds shall be excludable from gross income for federal income tax purposes and that the Current Bonds will not be treated as "arbitrage bonds".

ARTICLE 4. FLOW OF FUNDS.

Section 401. Funds. There is hereby created in this Bond Resolution the following funds and accounts:

- (a) Breathitt County Water District Waterworks Revenue Fund
- (b) Breathitt County Water District Waterworks Sinking Fund
- (c) Breathitt County Water District Waterworks Depreciation Reserve Fund
- (d) Breathitt County Water District Waterworks Operation and Maintenance Fund

All of the Funds shall be maintained with the Depository Bank so long as any Bonds remain outstanding, subject to the right of the District to name another bank as a depository for the Funds.

Section 402. Flow of Funds. After the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The District covenants and agrees that it will deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall be used, disbursed and applied by the District only for the purpose and in the manner and order of priorities specified in this Bond Resolution, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. It is hereby recognized that the District is obligated upon the issuance of the Current Bonds to provide for debt service requirements of the Current Bonds.

At or after the delivery of the Current Bonds, there shall be transferred from the Construction Account to the Sinking Fund an amount sufficient to provide for capitalized interest (initially estimated at \$9,000) on the Current Bonds during the construction of the Project, if and to the extent not theretofore expended in paying interest on interim financing and if and to the extent then needed to pay interest during the remaining period of construction of the Project.

There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Current Bonds, a sum equal to the total of the following:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Current Bonds, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Current Bonds maturing on the next succeeding January 1.

If the District for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Current Bonds, as same fall due, such excess may be used for redemption or prepayment of any Current Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Depreciation Fund. It is hereby determined that upon the issuance of the Current Bonds, and upon completion of the Project, as certified by the Engineers and by RD, there shall next be transferred from the Revenue Fund the sum of at least \$125 each month which shall be deposited into the Depreciation Fund until there is accumulated in such Depreciation Fund the sum of at least \$15,000, which amount shall be maintained, and when necessary, restored to said sum of \$15,000, so long as any of the Bonds are outstanding and unpaid.

As further security for the Bondowners and for the benefit of the District, it is hereby provided that in addition to the monthly transfers required to be made from the Revenue Fund into the Depreciation Fund, there shall be deposited into said Depreciation Fund all proceeds of connection fees collected from potential customers (except the amounts necessary to pay the actual costs and service connections applicable to said potential customers) to aid in the financing of the cost of future extensions, additions and improvements to the System, plus the proceeds of any property damage insurance (not otherwise used to replace damaged or destroyed property); and any such amounts or proceeds so deposited shall be used solely and only for the purposes intended.

Moneys in the Depreciation Fund may be withdrawn and used by the District, upon appropriate certification of the Commission, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

D. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the District's annual budget.

E. Monthly Principal and Interest Payments if Requested by the RD. So long as any of the Bonds are held or insured by the RD, the District shall, if requested by the RD,

make the payments required by this Section 402, in monthly installments to the RD or to the insured Owners of the Bonds.

F. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Depreciation Fund for application in accordance with the terms of this Resolution or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Current Bonds.

G. Investment and Miscellaneous Provisions. All monies in the Sinking Fund and the Depreciation Fund shall be deposited in the Depository Bank, or such portion thereof as is designated by the Commission. All monies in the Sinking Fund and the Depreciation Fund shall be invested for the benefit of such respective Funds in Certificates of Time Deposit or savings accounts of the Depository Bank or in U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for the purposes for which such funds may be expended, provided that to the extent that any amount of the District on deposit in the Depository Bank shall cause the total deposits of the District in said Depository Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with Section 66.480 of the Kentucky Revised Statutes.

If the RD has purchased any of the Outstanding Bonds, investments in Certificates of Deposit may be made only if a separate RD Form 402-4 Agreement is executed. Any such investments will be a part of the respective Funds from which the proceeds invested are derived, and income from such investments will be credited to such respective Funds. All investments of funds derived from proceeds of the Outstanding Bonds shall be subject to the applicable limitations set out in Section 303 hereof.

All payments into the Funds shall be made on or before the twentieth (20th) day of each month, except that when the twentieth (20th) day of any month shall be a Saturday, Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All monies held in any of the Funds shall be kept apart from all other District funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the District therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U.S. Obligations, having a market value equivalent to such deposit.

The Treasurer shall keep appropriate records as to payment of principal and interest installments and as to payment of principal of and interest on any Bonds.

ARTICLE 5. COVENANTS OF DISTRICT

Section 501. Rates and Charges. The District shall charge such rates and charges for all services and facilities rendered by the System, which rates and charges shall be reasonable, taking into account and consideration the cost and value of the System, the cost of maintaining, repairing and operating same and the amounts necessary for the payment of principal of and interest on Outstanding Bonds against the System. The District shall charge such rates and charges as shall be adequate to meet the requirements of Articles 4 and 5 hereof.

The District covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer that the annual net revenues (defined as gross revenues less operating expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then Outstanding Bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts; Audit. The District shall maintain proper records and accounts relating to the operation of the System and the District's financial affairs; and the Bondowners, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts and data relating thereto. An annual audit shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than ninety (90) days after the close of each Fiscal Year, copies of such audit reports certified by such Certified Public Accountant shall be promptly mailed to the RD without request, so long as the Government is the Owner of any of the Bonds, and to any Bondowner that may have made a written request for same.

Monthly operating reports shall be furnished to the RD and to any Bondowner requesting same, during the first two (2) years of operation after completion of the Project, and whenever and so long as the District is delinquent in any of the covenants set out in this Current Bond Resolution. Thereafter, quarterly operating reports shall be furnished at all other times to the RD and to any Bondowner requesting the same.

Section 503. System to Continue to be Operated on Fiscal Year Basis; Annual Budget. While any of the Bonds are outstanding and unpaid, and to the extent permitted by law, the System shall continue to be operated and maintained on a Fiscal Year basis.

Not later than sixty (60) days before the end of each Fiscal Year, the District agrees to cause to be prepared a proposed annual budget of operating expenses (the "Proposed Budget") of the System for the then ensuing Fiscal Year, itemized on the basis of monthly requirements. A copy of said Proposed Budget shall be mailed to any Bondowner who may request in writing a copy of such

Proposed Budget and to the RD without request, if the Government is the Owner of any of the Bonds.

For the purpose of the Proposed Budget, operating expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining and insuring the System, but shall exclude depreciation and debt service payments. The District covenants that the operating expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the District will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for operating expenses in the annual budget, except upon resolution by the District that such expenses are necessary to operate and maintain the System.

Not later than sixty (60) days before the end of each Fiscal Year, the District shall prepare an estimate of gross revenues to be derived from the operation of the System for said Fiscal Year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing Fiscal Year, (b) to accumulate and maintain all required reserves enumerated herein and (c) to pay operating expenses, the District shall revise the rates and charges sufficiently to provide the funds so required.

If the Owners of at least 50% of the principal amount of the Outstanding Bonds, or the Government so long as it is the Owner of any of said Outstanding Bonds, so request, the Commission shall hold an open hearing not later than thirty (30) days before the beginning of the ensuing Fiscal Year, at which time any Bondowner may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least fifteen (15) days prior to the hearing to each registered Bondowner and to the Government.

The District covenants that annually before the first day of the Fiscal Year, the annual budget for the upcoming Fiscal Year will be adopted substantially in accordance with the Proposed Budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such Fiscal Year unless directed by said District by a specific resolution duly adopted.

Section 504. General Covenants. The District, through its Commission, hereby covenants and agrees with the Owners of the Bonds that:

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Resolution;

- (4) Unless the written consent of the Owners of a majority of the principal amount of the Outstanding Bonds has been obtained, the District agrees not to sell, lease, mortgage or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions and improvements that may be made thereto, until all of the Outstanding Bonds shall have been paid or provided for in full, as provided herein; subject to the provisions of Section 607 hereof;
- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues will be sufficient at all times (i) to pay the interest on and principal of the Outstanding Bonds as same become due; (ii) to pay the cost of operating and maintaining the System; and (iii) to provide for an adequate depreciation account;
- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities or corporations which own and maintain waterworks systems under similar conditions; and so long as the Government is the Owner of any of the Outstanding Bonds, the Government will be listed as co-beneficiary on any such policy; and the District shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks and structures).

Section 505. Other Covenants Applicable So Long as RD Owns Any Bonds. So long as the RD shall own any of the Bonds, the District shall comply with such RD regulations, requirements and requests as shall be made by the RD, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the RD, the carrying of insurance of such types and in such amounts as the RD may specify, with insurance carriers acceptable to the RD and compliance with all of the terms and conditions of the Loan Resolution (RD Form 1780-27) adopted and executed by the District, which is hereby authorized, approved, ratified and confirmed.

Section 506. Insurance on Motors, Tanks and Structures. The District shall (a) immediately after the adoption of this Resolution and (b) at the time of final acceptance of the Project, insure all electric motors, elevated water storage tanks, pumping stations and major structures of the System in an amount recommended by the Engineers and approved by the RD, so long as the RD is the Owner of any of the Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the Engineers, without the necessity of approval by the RD if and whenever the District has Outstanding Bonds against the System and none of such Outstanding Bonds are owned by the RD.

ARTICLE 6. INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds. Except as hereinafter provided below in this Article, the District shall not, so long as any Bonds are outstanding, issue any additional bonds payable from the revenues of the System unless the security and/or pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Bonds.

The District expressly reserves the right at any time to issue its bonds or other obligations payable from the revenues of the System and not ranking on a parity basis with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the RD must be obtained prior to the issuance of any inferior bonds so long as the RD owns any of the Bonds, and provided further that, after the initial completion of the Project, such inferior bonds may be issued only for the purpose of providing for future extensions, additions and improvements to the System, and only in express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Outstanding Bonds; provided further, that nothing in this Section is intended to restrict or shall be construed as a restriction upon, the ordinary refunding all or a portion of the Outstanding Bonds.

Section 602. Parity Bonds to Complete the Project. The District hereby certifies, covenants and agrees that in the event that the cost of completion of the construction of the Project shall exceed the moneys available to the District from any and all sources, the District shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of Parity Bonds, provided the District has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of Parity Bonds in order to enable the District to pay the cost (not otherwise provided) of the completion of the Project, and provided the District has complied with the provisions of Section 603 below or has obtained:

- (a) the consent of (1) the RD if the Government is the purchaser of the Current Bonds; or (2) the Owners of at least 75% of the principal amount of the Current Bonds outstanding, if the Current Bonds have been issued, sold and delivered and are held by Owners other than the Government.

Section 603. Parity Bonds to Finance Future Improvements. The District reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Parity Bonds, but only under the conditions specified in the Current Bond Resolution, which conditions are as follows:

The District further reserves the right to add new waterworks facilities and/or to finance future extensions, additions and improvements to the System by the issuance of one or more additional series of Parity Bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, provided:

(a) The facilities to be constructed from the proceeds of the additional Parity Bonds are made a part of the System and their revenues are pledged as additional security for the additional Parity Bonds and for the Outstanding Bonds.

(b) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(c) The annual net revenues (defined as gross revenues less operating expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Bonds are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such additional Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

(d) The annual net revenues referred to above may be adjusted for the purpose of the foregoing computations to reflect:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Bonds;

provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

(e) Compliance with Section 603(a) through (d) shall not be necessary for the issuance of Parity Bonds if the District has obtained (1) the written consent of the RD for the issuance of such Parity Bonds, if the Government is the Owner of any Bonds at the time of issuance of such Parity Bonds; and (2) the written consent of the Owners of all of the then outstanding Prior Bonds, and no other prerequisite need be complied with by the District in order to issue Parity Bonds.

Section 604. Covenants to be Complied with at Time of Issuance of Parity Bonds. The District hereby covenants and agrees that in the event any Parity Bonds are issued, the District shall:

(a) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the average annual debt service requirements of the Parity Bonds;

(b) Adjust the minimum annual amount to be deposited monthly into the Depreciation Fund on the same basis as that prescribed in the provisions establishing such Depreciation Fund, taking into account the future debt service requirements of all Bonds which will then be outstanding against the System; and

(c) Make such Parity Bonds payable as to principal on January 1 of each year in which principal falls due and payable as to interest on January 1 and July 1 of each year until the final maturity of such Parity Bonds.

Section 605. Prepayment Provisions Applicable to Parity Bonds. If, in connection with any subsequently issued series of Parity Bonds, it is provided that excess revenues in the Revenue Fund shall be used to prepay Outstanding Bonds in advance of scheduled maturity, or if the District at its option undertakes to prepay Outstanding Bonds in advance of scheduled maturity, it is agreed and understood, for so long as the Government owns any of the Outstanding Bonds, that no such prepayment will be effected without the approval of the RD.

Section 606. Consent of the RD Regarding Future Bonds. Notwithstanding any other provisions of this Resolution, the District agrees that so long as the Government owns any Outstanding Bonds against and/or payable from the revenues of the System, the District will not issue any future bonds, notes or other obligations against, secured by or payable from the revenues of the System without the written consent of the RD.

Section 607. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities. The District covenants and agrees that so long as any of the Prior Bonds and/or Bonds are outstanding, the District will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the District will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Outstanding Bonds. Notwithstanding the foregoing, the District may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

(a) The District is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds, and the required reserves for such Outstanding Bonds will have been accumulated;

(b) The District will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity; or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;

- (c) The District certifies, in good faith, prior to any abandonment of use, that the facilities to be abandoned are no longer economically feasible of producing net revenues; and
- (d) The District certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding Fiscal Year, plus the estimated net revenues of the facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of Parity Bonds.

Notwithstanding any other provisions hereof, so long as any Bonds are held by the Government, the District shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the RD.

ARTICLE 7. DEFAULT AND CONSEQUENCES

Section 701. Events of Default. The following items shall constitute an Event of Default on the part of the District:

- (a) The failure to pay principal of the Bonds as and when same shall become due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installment of interest on the Bonds when the same shall become due and payable or, if any or all of the Outstanding Bonds are owned by the RD, within thirty (30) days thereafter.
- (c) The default by the District in the due or punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds, or in this Resolution.
- (d) The failure to promptly repair, replace or reconstruct facilities of the System that have been damaged and/or destroyed.
- (e) The entering of any order or decree with the consent or the acquiescence of the District, appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree shall be entered without the acquiescence or consent of the District, its failure to have the order vacated, discharged or stayed on appeal within sixth (60) days after entry.

Section 702. Consequences of Event of Default. Any Owner of the Current Bonds may enforce and compel the performance of all duties and obligations of the District set forth herein. Upon the occurrence of an Event of Default, then upon the filing of a suit by any Owner of said the Current Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the District with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Outstanding Bonds and to provide and apply the income and revenues in conformity with this Resolution and with the laws of the Commonwealth of Kentucky.

The District hereby agrees to transfer to any bona fide receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the District's obligations, all contracts and other rights of the District pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. Upon the occurrence of an Event of Default, the Owner of any of the Outstanding Bonds may require the governing body of the District by appropriate order to raise the rates a reasonable amount consistent with the requirements of this Resolution.

**ARTICLE 8. CONTRACTUAL PROVISIONS; GRANT APPROVAL;
MISCELLANEOUS PROVISIONS.**

Section 801. Resolution Contractual with Bondowners. The provisions of this Resolution constitute a contract between the District and its Commission and the Owners of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Current Bonds, no change, alteration or variation of any kind of the provisions of this Resolution shall be made in any manner which will affect an Owner's rights except as herein provided or except with the written consent of all Bondowners until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Commission may adopt any resolution for any purpose not inconsistent with the terms of this Resolution and which shall not impair the security of the Owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any resolution or other proceedings pertaining hereto.

It is further agreed that the Owners of 75% in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Resolution, subject to the conditions that (a) this Resolution shall not be so modified in any manner that may adversely affect the rights of the Owners of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain Owners of the Outstanding Bonds without similarly affecting the rights of all Owners of such Outstanding Bonds, or to reduce the percentage of the number of Owners whose consent is required to effect a further modification and (b) no such change may be effected without the consent of the RD so long as the RD owns any of the Outstanding Bonds.

Section 802. All Current Bonds are Equal. The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. District Obligated to Refund Current Bonds Owned by Government Whenever Feasible; Defeasement Prohibited. So long as the Government is the Owner of any of the Current Bonds, if it appears to the Government that the District is able to refund such Current Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the District in the open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the District will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government and will take all such action as may be required in connection therewith.

In addition, so long as the Government is the Owner of any of the Current Bonds, the District shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating

the lien of the Current Bonds without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Approval and Acceptance of RD Grant Agreement. The RD has agreed to make a grant to the District in the amount of \$250,000 (the "RD Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the RD has requested the District to approve, accept and execute RD Form 1780-12 (the "RD Grant Agreement"), setting out the terms and conditions upon which said RD Grant will be made. Said RD Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said RD Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other RD Grants offered to the District in connection with the Project and to execute any and all RD Grant Agreements and any other documents as may be requested by the RD in connection with RD Grants which have been and/or which may hereafter be approved for such Project.

Section 805. Approval and Acceptance of ARC Grant Agreement. The Appalachian Regional Commission (the "ARC") has agreed to make a grant to the District in the amount of \$500,000 (the "ARC Grant") to supplement the proceeds of the Current Bonds in order to provide the total cost of the Project, and the ARC has requested the District to approve, accept and execute a certain ARC Grant Agreement (the "ARC Grant Agreement"), setting out the terms and conditions upon which said ARC Grant will be made. Said ARC Grant Agreement is hereby approved, and the Chairman and the Secretary are authorized to execute said ARC Grant Agreement on behalf of the District. The Chairman and Secretary are also authorized on behalf of the District to accept any and all other ARC Grants offered to the District in connection with the Project and to execute any and all ARC Grant Agreements and any other documents as may be requested by the ARC in connection with ARC Grants which have been and/or which may hereafter be approved for such Project.

Section 806. Authorization, Ratification and Confirmation of Approval and Execution of Various Documents. The Commission hereby authorizes, approves, ratifies and confirms the previous action of the officers of the District in approving and executing various documents related to the financing of the Project, including the following:

- (a) Legal Services Agreement with Bond Counsel.
- (b) Legal Services Agreement with Local Counsel.
- (c) Letter of Intent to Meet Conditions of RD Letter of Conditions (RD Form 1942-46).
- (d) Loan Resolution (RD Form 1780-27).
- (e) Agreement for Engineering Services with the Engineers.

Section 807. Authorization of Condemnation to Acquire Easements and/or Sites. In the event that (a) any necessary deeds of easement to allow construction of the Project over the property of any property owner or (b) any necessary deed to the necessary site of any waterworks facility of the Project shall not be obtained through negotiation within ten (10) days after the date of adoption of this Resolution and in the event that (1) such waterworks lines cannot be located within the right-of-way of the State and/or County road involved; and/or (2) such waterworks facilities cannot be located on a site already owned by the District, Local Counsel is hereby authorized and directed to file condemnation actions to obtain such necessary rights-of-way and/or sites forthwith, without further authorization or direction from the District or the Commission. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line extensions and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way and/or sites for completion of the Project and whenever the necessary deed is not obtained by negotiation at least ten (10) days prior to the date on which construction is contemplated in the respective easement, right-of-way and/or site.

The District further approves the payment from the funds available therefor allocated to the costs of the Project to pay any judgment award, or compromise, determined by Local Counsel with the acquiescence of the Commission, toward the costs of such easements, rights-of-way and/or sites; provided, in each instance, that the payment of such funds to satisfy any judgment, award or compromise must first be approved by the RD; and the Commission further determines that if and to whatever extent the funds available from the proceeds of the financing contemplated by this Resolution shall be inadequate to pay any judgment, award or compromise amount for such easements, rights-of-way and/or sites, or if the District is unable to obtain the approval of the RD for any such payment, the Commission shall take all reasonably necessary actions, within the powers and authority of the Commission, to make such additional amount available from all other available District resources.

Section 808. Authorization to File Required Financing Statements. In the event that it is determined by Bond Counsel or Local Counsel that the District is required to file any financing statements under the Kentucky Uniform Commercial Code in order to perfect the pledge of the gross revenues of the District's System as security for the Current Bonds, Bond Counsel and/or Local Counsel are hereby authorized to prepare and file with the appropriate officials such financing statements as they deem necessary.

ARTICLE 9. SALE OF CURRENT BONDS

Section 901. Sale of Current Bonds. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Commission shall designate.

A suggested form of "Notice of Bond Sale", a suggested form of "Official Notice of Sale of Bonds" and a suggested form of "Bid Form", having been prepared in advance by Bond Counsel, and all of such documents having been found to be in satisfactory form, a copy of each is hereby ordered to be filed in the records of the Secretary with the Minutes of the meeting at which this Resolution is adopted. The Notice of Bond Sale shall be signed by the Secretary and may be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of such documents shall be furnished to any interested parties who may request same.

In the event that there is no bid or that all bids are rejected, the District may readvertise the sale pursuant to this Resolution.

Section 902. Adjustment in Maturities, Prepayment Provisions and Other Dates, with Consent of Purchaser if Delivery is Delayed. In the event that delivery of the Current Bonds authorized herein is delayed for any reason and the District, with the consent of the Purchaser of the Current Bonds, determines it is in the District's best interest to change the maturities, the applicable prepayment date or any other dates, the District may adjust the same by a Resolution of the Commission approving the adjustments.

ARTICLE 10. CONCLUDING PROVISIONS

Section 1001. Covenant of District to Take All Necessary Action To Assure Compliance with the Code. In order to assure the Owners of the Current Bonds that such Current Bonds shall continue to be legal and that interest thereon will continue to be excludable from gross income for federal income tax purposes and exempt from all Kentucky income taxation, the District covenants to and with the Owners of the Current Bonds to take the following action:

(a) The District will (1) take all actions necessary to comply with the provisions of the Code necessary to assure that interest on the Current Bonds will be excludable from gross income for federal income tax purposes; (2) will take no actions which will violate any of the provisions of the Code; and (3) not use the proceeds of the Current Bonds for any purpose which will cause interest on the Current Bonds or on interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof to become includable in gross income for federal income tax purposes.

(b) The District hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the District, or any subordinate entity of the District, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the District hereby designates the Current Bonds and all interim financing obligations, including, but not limited to the Note, issued pursuant to Section 302 hereof as "qualified tax-exempt obligations".

(c) The District further certifies that the Current Bonds and any and all interim financing obligations of the District are not "private activity bonds" within the meaning of the Code.

(d) The District covenants and agrees to comply with the rebate requirements on certain excess earnings imposed by Section 148 of the Code, and in the event it is determined by the District, upon the advice of Bond Counsel, that the Construction Account, or any other Fund established hereunder, is subject to said rebate requirements and does in fact generate earnings from "non-purpose investments" in excess of the amount which said investments would have earned at a rate equal to the "yield" on the Current Bonds, plus any income attributable to such excess, there shall be established a separate and special fund with the Depository Bank, which fund shall be designated the "Excess Earnings and Rebate Fund", which shall be utilized for the collection and payment of any excess generated from investments and the remittance thereof to the United States of America on or before the anniversary of the fifth (5th) year from the date of the Current Bonds, and once every five (5) years thereafter until the final retirement of the Current Bonds; the last installment, to the extent required, to be made no later than sixty (60) days following the date on which funds sufficient for the complete retirement of the Current Bonds are deposited with any escrow agent. The District further covenants to file any and all reports, if any, as may be required

to be filed with the Government with regard to the liability or non-liability of the District as to any such rebate requirements and to maintain records in regard thereto for the period of time required by applicable Treasury regulations.

Section 1002. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, which shall continue in full force and effect.

Section 1003. All Provisions in Conflict Repealed. All motions, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the District payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. The District covenants to correct by appropriate proceedings any required procedure previously taken invalidly.

Section 1004. Effective Immediately Upon Adoption. This Resolution shall take effect and be effective immediately upon its adoption.

Adopted this June 17, 2009.

Breathitt County Water District


Chairman

(Seal of District)

Attest:

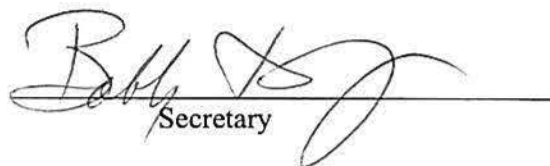

Secretary

CERTIFICATION

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Breathitt County Water District, and that the foregoing Resolution is a true copy of a Resolution duly adopted by the Board of Commissioners of said District, signed by the Chairman of said District and attested under Seal by me as Secretary, at a properly convened meeting of said Board of Commissioners held on June 17, 2009, as shown by the official records of said District in my custody and under my control.

I further certify that said meeting was duly 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 Resolution has not been modified, amended, revoked or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as Secretary and the official Seal of the District this June 17, 2009.


Secretary

(Seal of District)

EXHIBIT A

Schedule of Principal Payments

<u>Payment Due January 1</u>	<u>Principal Payment</u>	<u>Payment Due January 1</u>	<u>Principal Payment</u>
2011	\$5,500	2030	\$9,000
2012	5,500	2031	9,000
2013	5,500	2032	9,500
2014	6,000	2033	9,500
2015	6,000	2034	10,000
2016	6,000	2035	10,000
2017	6,500	2036	10,500
2018	6,500	2037	11,000
2019	6,500	2038	11,000
2020	7,000	2039	11,500
2021	7,000	2040	11,500
2022	7,000	2041	12,000
2023	7,500	2042	12,500
2024	7,500	2043	12,500
2025	8,000	2044	13,000
2026	8,000	2045	13,500
2027	8,500	2046	14,000
2028	8,500	2047	14,000
2029	8,500	2048	14,500

EXHIBIT B

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
BREATHITT COUNTY WATER DISTRICT
WATERWORKS REVENUE BONDS, SERIES 2009

No. R-_____ Interest Rate: _____ % \$_____

KNOW ALL PERSONS BY THESE PRESENTS:

That the Breathitt County Water District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Breathitt County, Kentucky, for value received, hereby promises to pay to

the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

_____ DOLLARS (\$_____),

on the first day of January, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

[Here the printer of the Current Bond will print the maturities of the Current Bonds purchased by the registered Owner]

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing waterworks system of the District (said existing waterworks system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Bond has been issued in full compliance with the Current Bond Resolution and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Breathitt County Water District Waterworks Sinking Fund", created in the Current Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Current Bonds are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Current Bonds, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Current Bonds, and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or its duly authorized attorney, which transfer shall be noted upon this Bond and upon the registration book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2018, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple

of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or its assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at its option, institute all rights and remedies provided by law or by said Current Bond Resolution.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Breathitt County Water District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is

BREATHITT COUNTY WATER DISTRICT

By _____
Chairman

Attest:

Secretary

(Seal of District)

PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name of Registered Owner	Signature of Bond Registrar

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____, this ____ day of _____, _____.

By: _____

EXHIBIT C

REQUISITION CERTIFICATE

Re: Breathitt County Water District Waterworks Revenue Bonds, Series 2009, in the principal amount of \$350,000

The undersigned hereby certify as follows:

- 1. That they are the signatories required for construction and/or administrative draws pursuant to the Bond Resolution adopted by the Breathitt County Water District (the "District").
- 2. That the named firms and/or persons set forth on Exhibit A attached hereto are now entitled to the aggregate sum of \$ _____, itemized as set forth in said Exhibit A and as per approved invoices attached hereto:
- 3. That upon said amount being lent to said District and/or obtained by said District from the proceeds of the Current Bonds and/or other sources, the undersigned approve such expenditure and the payment of said amounts to said firms and/or persons, either directly or from amounts deposit in the "Breathitt County Water District Waterworks Construction Account".
- 4. That we hereby certify that we have carefully inspected the work and, as a result of our inspection and to the best of our knowledge and belief, the amounts shown in this Requisition Certificate are correct and the work has been performed in accordance with the agreements between the District and the parties requesting payment.

IN TESTIMONY WHEREOF, witness the signature of the undersigned, this ____ day of _____, 20__.

Breathitt County Water District

Nesbitt Engineering, Inc.

By _____
Chairman

By _____
Registered Professional Engineer
State of Kentucky No. _____

Approved on _____

Approved on _____

Rural Development

Amount expended heretofore \$ _____

By _____
Authorized RD Official

Amount approved herein _____

Total _____

Approved on _____

EXHIBIT A TO REQUISITION CERTIFICATE

Name of Entity/Person

Amount

Attachment #10

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between BCWD ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Eva mae fugate
(Print Name)

Eva m. Fugate
(Signed)

Secretary
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Breathitt

Subscribed and sworn to before me by Eva Mae Fugate
(Name)

this 9th day of June, 2022

[Signature]
NOTARY PUBLIC
State-at-Large 12-18-2022

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between BWD ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Sammie Turner
(Print Name)


(Signed)

Vice Ch.
(Position/Office)

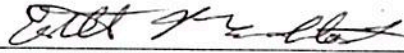
* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Breathitt

Subscribed and sworn to before me by Sammie Turner
(Name)

this 9th day of June, 20 22.


NOTARY PUBLIC
State-at-Large LL-28-22

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between BCWD ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Cheryl Spicer Campbell
(Print Name)

Cheryl Spicer Campbell
(Signed)

Treasurer/BCWD
(Position/Office)

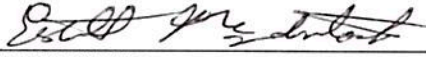
* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Breathitt

Subscribed and sworn to before me by Cheryl Spicer Campbell
(Name)

this 9th day of June, 20 22.


NOTARY PUBLIC
State-at-Large 12-28-2012

**STATEMENT OF DISCLOSURE OF
RELATED PARTY TRANSACTIONS**

I swear or affirm to the best of my knowledge and belief the information set forth below represents all present transactions and those transactions occurring within the past twenty-four (24) months between Breathitt Co Water Dist. ("Utility") and related parties that exceed \$25.00 in value. For the purpose of this statement, "related party transactions" include, all transactions and payments in excess of \$25.00, except regular salary, wages and benefits, made directly to or on behalf of: 1) the Utility's current or former employees; 2) current or former members of the Utility's board of commissioners or board of directors; 3) persons who have a 10 percent or greater ownership interest in the Utility; 4) family members* of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or 5) a business enterprise in which any current or former Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or a family member of such person has an ownership interest.

Name of Related Party (Individual or Business)	Type of Service Provided By Related Party	Amount of Compensation
<u>Breathitt Advocate</u>	<u>newspaper advertising</u>	<u>< \$1,000 in 24 mo. ^{Approx}</u>

- Check this box if the Utility has no related party transactions.
- Check box if additional transactions are listed on the supplemental page.
- Check box if any employee of the Utility is a family member of the Utility's chief executive officer, a Utility commissioner, or any person with a 10 percent or greater ownership interest in the Utility. The name of each employee and the official to whom they are related and the nature of the relationship are listed on the supplemental page entitled "Employees Related to Utility Officials."

Bobby Thorpe Jr.
(Print Name)


(Signed)

Chairman - BCWD
(Position/Office)

* "Family Member" means any person who is the spouse, parent, sibling, child, mother-in-law, father-in-law, son-in-law, daughter-in-law, grandparent, or grandchild of any current Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility; or is a dependent for tax purposes of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility or his or her spouse; or who is a member of the household of any Utility employee, director, commissioner or person with a 10 percent or greater ownership interest in the Utility.

COMMONWEALTH OF KENTUCKY

COUNTY OF Breathitt

Subscribed and sworn to before me by Bobby Thorpe Jr.
(Name)

this 9th day of June, 20 22.

[Signature]
NOTARY PUBLIC
State-at-Large 11-28-2022