

PECK SHAFFER

TRANSCRIPT OF PROCEEDINGS

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY INFRASTRUCTURE AUTHORITY
AND
JESSAMINE SOUTH ELKHORN WATER DISTRICT
FUND F07-02
DATED: JANUARY 1, 2008

Approving Opinion: PECK, SHAFFER & WILLIAMS LLP Covington, Kentucky



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June 19, 2008

TO: Addressees on the attached distribution list.

RE: Assistance Agreement Between The Kentucky Infrastructure Authority and the
Jessamine South Elkhorn Water District Fund F07-02

Ladies and Gentlemen:

We are enclosing a volume of the Transcript of Proceeding for the above-referenced issue. We would like to take this opportunity to say how much we enjoyed working on this transaction with the various members of the team and to seeing the financing to a successful conclusion.

Should questions arise in the future concerning this transaction please do not hesitate to call. Again, it was our pleasure working with each of you on this transaction and we look forward to working with you again in the future.

Very truly yours,

Peck, Shaffer & Williams LLP



Dirk M. Bedarff

DMB/mmw
Encl.

DISTRIBUTION LIST

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ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
JESSAMINE SOUTH ELKHORN WATER DISTRICT

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams LLP
Covington, Kentucky

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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.

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BRUCE E. SMITH
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January 2, 2008

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Jessamine
South Elkhorn Water District, dated as of January 1, 2008

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 Jessamine South Elkhorn 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.

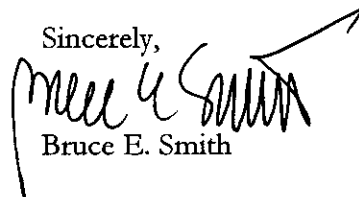
6) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Agency, (ii) the right or title of the 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.

Sincerely,



Bruce E. Smith

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Jessamine South Elkhorn Water District (the "Governmental Agency"), dated as of January 1, 2008

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 2 day of JAN, 2008.

**GOVERNMENTAL AGENCY:
JESSAMINE SOUTH ELKHORN WATER
DISTRICT**

By: 
Name: L. Nicholas Strong, Chairman
Title: Chairman

ATTEST:

By: 

Name: GEORGE DALE ROBINSON
Title: Secretary

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F07-02

BORROWER: Jessamine South Elkhorn Water District

BORROWER'S ADDRESS: 107 South Main Street
PO Box 731
Nicholasville, Kentucky 40356

DATE OF ASSISTANCE AGREEMENT: January 1, 2008

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 (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.

(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

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 ninety (90) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting 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.

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:

M. Denise Pitt
Title: SECRETARY

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: *Tim Thomas*
Title: TIM THOMAS, EXECUTIVE DIRECTOR

ATTEST:

Joe Pat Colson
Title: SECRETARY

**GOVERNMENTAL AGENCY:
JESSAMINE SOUTH ELKHORN WATER
DISTRICT**

By: *L. M. H.*
Title: CHAIRMAN

APPROVED:

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

EXAMINED:

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

ENVIRONMENTAL AND PUBLIC PROTECTION
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: *[Signature]*
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

E. Jeffrey Mosley
APPROVED
FINANCE AND ADMINISTRATION CABINET



EXHIBIT A
JESSAMINE SOUTH ELKHORN WATER DISTRICT
PROJECT SPECIFICS
F07-02

GOVERNMENTAL AGENCY:

Name: JESSAMINE SOUTH ELKHORN WATER DISTRICT
 107 South Main Street
 Nicholasville, Kentucky 40356

Contact Person: L. Nicholas Strong, Chairman
 859-621-6200

SYSTEM: Drinking Water

PROJECT: The Water District is proposing to construct new 6-inch water lines that will re-pipe the Keene system to eliminate line breaks, water outages and low flow problems. Also, to improve hydraulics and water quality, the Keene area will be connected to recently installed up-sized lined along KY-1267. Additionally, unserved areas will receive service with the construction of hydraulic reinforcement loop lines.

PROJECT BUDGET:

	Fund F	
	Loan	Total
Administrative Expenses	50,000	\$ 50,000
Legal Expenses	17,000	\$ 17,000
Engineering Fees	250,000	\$ 250,000
Construction	1,313,850	\$ 1,313,850
Contingency	69,150	\$ 69,150
Other	50,000	50,000
Total	1,750,000	1,750,000

FUNDING SOURCES:

	Amount	%
Fund F Loan	\$ 1,750,000	100%
Total	\$ 1,750,000	100%

KIA DEBT SERVICE:

Construction Loan	\$ 1,750,000
Interest Rate	3.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 116,994.86
Administrative Fee (0.25%)	\$ 4,375.00
Total Estimated Annual Debt Service	\$ 121,369.86

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/01/07).

Full principal and interest payments will commence within one year of initiation of operation (estimated 12/01/08).

REPLACEMENT RESERVE ACCOUNT: \$ 15,000 ANNUAL AMOUNT
 \$ 150,000 TOTAL AMOUNT

The annual replacement cost is \$15,000. This amount should be added to the replacement account each December 1 until the balance reaches \$150,000 and maintained for the life of the system.

ADMINISTRATIVE F 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

None

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	<u>\$ 3,000,000</u>
Death or Personal Injury (per occurrence)	<u>\$ 5,000,000</u>
Property Damage on System	<u>\$ 15,000,000</u>

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED JANUARY 1, 2008
LOAN NO. F07-02**

Request No. _____

Dated: _____

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

Copy sent to: Branch Manager
Resource Planning and Program Support Branch
Division of Water
Natural Resources and
Environmental Protection Cabinet
14 Reilly Road
Frankfort, Kentucky 40601

FROM: JESSAMINE SOUTH ELKHORN 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]

JSEWD - RATES
(EFFECTIVE MARCH 1, 2005)

5/8" Meter - Connection Fee \$650.00

First 2,000 gallons	\$ 21.72	Minimum Bill	=	\$ 21.72
Next 2,000 gallons	5.21 per 1,000 gals		=	10.42
Next 2,000 gallons	5.11 per 1,000 gals		=	10.22
Next 10,000 gallons	5.01 per 1,000 gals		=	50.10
Next 8,000 gallons	4.91 per 1,000 gals		=	39.28
Over 24,000 gallons	4.81 per 1,000 gals		=	

1" Meter - Connection Fee \$775.00

First 10,000 gallons	\$ 62.40	Minimum Bill	=	\$ 62.40
Next 6,000 gallons	5.01 per 1,000 gals		=	30.06
Next 8,000 gallons	4.91 per 1,000 gals		=	39.28
Over 24,000 gallons	4.81 per 1,000 gals		=	

2" Meter

First 24,000 gallons	\$ 131.74	Minimum Bill	=	\$ 131.74
Over 24,000 gallons	4.81 per 1,000 gals		=	

* 3% Utility Tax on all usage

** 6% Sales Tax on Commercial usage

*** \$6.50/per month Surcharge on all Southeast customers

**** All Renters - \$50.00 Reimbursable Deposit

***** Billing 20th of each month - 10% penalty after 10 days - service locked after 20 days - \$25 reconnecting fee

EXHIBIT D

RESOLUTION

RESOLUTION OF THE JESSAMINE SOUTH ELKHORN WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF JANUARY 1, 2008 BETWEEN THE JESSAMINE SOUTH ELKHORN WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Jessamine South Elkhorn 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, 2008 (the "Assistance Agreement") with the Authority.

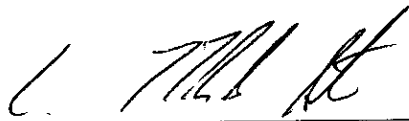
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Jessamine South Elkhorn Water District, as follows:

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.

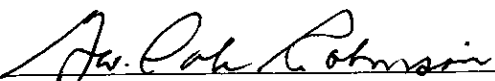
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on JAN 2, 2008.



Chairman

Attest:



Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Jessamine South Elkhorn Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on JAN 2, 2008; 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 2 day of Jan, 2008.

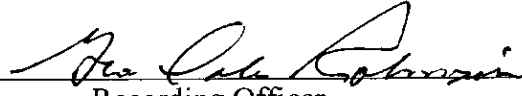

Recording Officer

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Jessamine South Elkhorn Water District, dated as of January 1, 2008

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 Jessamine South Elkhorn 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
JESSAMINE SOUTH ELKHORN 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: _____

**JESSAMINE SOUTH ELKHORN WATER
DISTRICT**
Governmental Agency

By: L. T. H. H.

Title: CHAIRMAN

ATTEST:

Dr. Dale Robinson

Title: SECRETARY

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

39245.1

RESOLUTION

RESOLUTION OF THE JESSAMINE SOUTH ELKHORN WATER DISTRICT RATIFYING THE EXECUTION AND DELIVERY OF AN ASSISTANCE AGREEMENT DATED AS OF JANUARY 1, 2008 BETWEEN THE JESSAMINE SOUTH ELKHORN WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Jessamine South Elkhorn 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, 2008 (the "Assistance Agreement") with the Authority; and

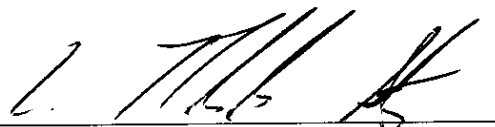
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Jessamine South Elkhorn Water District, as follows:

SECTION 1. That the Governing Authority hereby ratifies and approves the execution and delivery of the Assistance Agreement between the Governmental Agency and the Authority for the purpose of providing the necessary financing to the Governmental Agency for the acquisition and construction of the Project.

SECTION 2. That the actions of the Chairman and Secretary of the Governmental Agency in executing the Assistance Agreement are hereby ratified and approved, and said officials are further authorized, directed and empowered to execute any additional necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

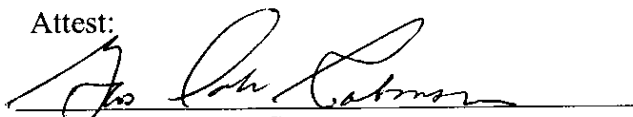
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on JAN 2, 2008.



Chairman

Attest:



Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Jessamine South Elkhorn Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on Jan 2, 2008; 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 2 day of Jan, 2008.


Recording Officer

January 2, 2008

The Board of Commissioners of the Jessamine South Elkhorn **Water** District met on January 2, 2008, with the following Commissioners present: Nick Strong, John Blackford, George Dale Robinson, Jerry Haws and J F Hall. Bruce Smith, John Horne, Christopher Horne, Tom Smith and Diana Clark were also present.

There was a lengthy discussion on the **Henry Ln** condemnation. Mr. Smith reported that the Commission reduced the value of the easement. It was suggested to explore all other options of serving the households at the end of Henry Ln before making an offer to obtain the easement. Mr. Smith is checking on some litigating issues in case the Board decided to go that route.

Garland Thompson refused to sign the easement for service to Pekin Lane. Other options were discussed to provide service to Pekin Lane.

There was a discussion on the Roadway Prioritization for water service. David Bain's request for service to Collier Ln was also discussed and added to the prioritization list. A motion to consider Rhineheimer Ln, Parker Ln, Ichthus, and Stirling Ln for system looping as priority with Pekin Ln and Henry Ln added based on funding availability and approval of change orders was made by Mr. Haws, seconded by Mr. Hall – approved.

There was a discussion on the pressure issue in the Keene area.

A motion to approve Pay Estimate #3 and the KIA request for the **Keene Reconstruction Project** was made by Mr. Hall, seconded by Mr. Haws – approved.

A motion to approve Pay Estimate #3 and the KIA request for the **Unserved Rural Project** was made by Mr. Hall, seconded by Mr. Robinson – approved.

A motion to approve the interim funding for the **Keene Reconstruction Project** by First Southern at a rate of 4.5% was made by Mr. Blackford, seconded by Mr. Robinson – approved.

A motion to authorize the signing of the KIA loan agreement for the **Keene Reconstruction Project** was made by Mr. Haws, seconded by Mr. Robinson – approved.

A motion to adopt the Resolution (see attachment) for the **Keene Reconstruction Project** was made by Mr. Robinson, seconded by Mr. Blackford – approved.

There was a discussion on the replacement of lines along US 68. Mr. Horne recommended to wait until approval from the State is received on what lines can be replaced through the **US 68 Project** and then to re-evaluate what needs to be replaced. Mr. Strong directed Mr. Horne to submit project profiles to obtain possible funding including grants from the State for upcoming projects.

There was a discussion on the maintenance contract with **Ron Eldridge Excavating**. It was suggested to set up a meeting with Ron to discuss items of the proposed contract.

A motion to approve the minutes of the December meeting was made by Mr. Robinson, seconded by Mr. Hall - approved.

A motion to approve the December bills and pre-approve the contractual payables was made by Mr. Robinson, seconded by Mr. Hall - approved.

Minutes
January 2, 2008
Page 2

The Commissioners were given the following reports for review: Water Loss and contractual payables for pre-approval. The financial statements will be given to the Commissioners after the close of the month.

There was a discussion on the Southeast Surcharge.

There was a discussion on submitting a purchase water adjustment due to the rate increase by Ky Am. A motion to apply for a pass-through increase was made by Mr. Haws, seconded by Mr. Robinson – approved.

There being no further business to come before the Board, meeting adjourned.

ATTEST:





Chairman

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: June 21, 2007 – 1:30 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Mike Burnside, Finance and Administration Cabinet
(proxy for Secretary John Farris, FAC)
Mr. Lloyd Cress, Deputy Secretary, Environmental and Public Protection Cabinet
(proxy for Secretary Teresa Hill, EPPC)
Mr. George Burgess, Economic Development Cabinet
(proxy for Secretary John Hindman, EDC)
Ms. Colleen Chaney, Acting Commissioner, Governor's Office for Local Development
Mr. Bob Amato, Deputy Executive Director, Public Service Commission
(proxy for Ms. Beth O'Donnell, Executive Director, PSC)
Mr. Damon Talley, representing the Kentucky Rural Water Association
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Lyn Bailey, Mayor, City of Cadiz, representing the Kentucky League of Cities

Members absent:

Mr. Gregory Heitzman, representing the American Water Works Association
Mr. Larry B. Whitaker, McLean County Judge/Executive, representing the Kentucky Association
of Counties

Guests:

Mr. Tony Harover, Strand Associates
Mr. David Morgan, DOW
Ms. Kristi Culpepper, Legislative Research Commission
Mr. Nick Strong, Jessamine South Elkhorn Water District
Mr. John Horne, Jessamine South Elkhorn Water District
Ms. Donna Marlin, DOW
Ms. Lola Lyle, DOW
Mr. John Weil, Legislative Research Commission
Mr. Roger Recktenwald, KACo
Mr. Jason Hamilton, OFM
Mr. Daniel Howard, City of Harlan
Mr. Tim Schwendeman, Cumberland Valley ADD
Mr. Rodney Hitch, Morehead-Rowan County E.D.C
Ms. Gail Wright, Gateway ADD
Mr. David Bowles, Monarch Engineering
Mr. Lenny Stone, Adair County Water District

PROCEEDINGS

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

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Full Board Meeting of May 10, 2007

Mr. Damon Talley moved to approve the minutes. Mr. Bob Amato seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING THE ELECTION OF A CHAIR OF THE KENTUCKY INFRASTRUCTURE AUTHORITY.

Mr. Damon Talley nominated Colleen Chaney for the position of Board Chair. There were no further nominations.

Mr. Damon Talley moved that nominations cease and the resolution authorizing the election of the Chair be approved. Ms. Linda Bridwell seconded, and the motion carried.

At that time, Ms. Chaney assumed the duties of Chair to conduct the remainder of the meeting.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND (FUND A) LOAN FOR THE CITY OF BEAVER DAM IN THE AMOUNT OF \$598,549.

Ms. Sandy Williams, KIA, and Mr. Shafiq Amawi, Division of Water, presented the project to the board. The loan is for rehabilitation of approximately 23,000 linear feet of sewer line. The system is currently subject to excessive inflow and infiltration, and the City is under an Agreed Order to repair the system. The City currently treats its own waste, but the Ohio County Regional Wastewater Authority will begin taking flows from Beaver Dam in the summer of 2008. The system serves approximately 1,436 customers. The City's Median Household Income level in 2000 was \$28,066, lower than the median household income level of \$33,672 for the Commonwealth, qualifying the project for a 1% interest rate. The Fund A loan will be repayable over 20 years, and a balance of \$40,000 must be set aside in a borrower held replacement reserve. KIA staff recommended approval of the loan.

Mr. Damon Talley made a motion to adopt the resolution. Mr. George Burgess seconded, and the motion carried unanimously.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND (FUND A) LOAN FOR THE CITY OF FALMOUTH IN THE AMOUNT OF \$2,812,255.

Ms. Sandy Williams, KIA, and Mr. Shafiq Amawi, Division of Water, presented the project to the board. The project is for construction of a new wastewater treatment plant, pumping station and force main, all of which are to replace existing facilities now located in an area subject to flooding. The project is at the recommendation of the recent 201 Facility Plan and an Agreed Order between the Division of Water and the Pendleton County Regional Wastewater Planning Authority. The City serves approximately 1,026 customers. Falmouth's Median Household Income level in 2000 was \$25,114, lower than the median household income level of \$33,672 for the Commonwealth, qualifying the project for a 1% interest rate. The Fund A loan will be repayable over 20 years, and a balance of \$250,000 must be set aside in a borrower held replacement reserve. KIA staff recommended approval of the loan with the condition that the City of Falmouth must enact a sewer rate increase of 50% prior to December 2007, to go into effect no later than July 2008. Ms. Williams stated that a letter has been received from the city indicating that they are aware of the need for the required rate increase and that they are willing to enact the increase.

Mr. Bob Amato inquired as to how the amount of replacement reserve required is determined. Ms. Williams explained that the borrower and the borrower's engineer estimate potential replacement costs, based upon the type of project being undertaken.

Ms. Linda Bridwell made a motion to adopt the resolution. Mr. Bob Amato seconded, and the motion carried unanimously.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A CONDITIONAL COMMITMENT FOR A GRANT THROUGH THE INFRASTRUCTURE REVOLVING FUND (FUND B) FOR THE CITY OF HARLAN IN THE AMOUNT OF \$200,000.

Mr. Chris Whitaker, KIA, presented the project to the board. The funding is being requested for planning, design and environmental review for a sewer collection system project. The proposed project will involve construction of collection trunk lines with force mains, gravity lines, pump stations, and associated appurtenances. Municipal sewer service is to be provided to 500 residential customers in the Rosspoint community, Rosspoint Elementary School, and the new Harlan County High School scheduled to open in August 2008. The project will eliminate approximately 400 failing septic systems, approximately 100 straight pipes and a failing innovative wetlands system at the elementary school. Proposed funding sources for construction of the project include EPA Grant, PRIDE Grant, KIA Grant and a possible KIA loan. The City's goal is to have the project completed prior to the beginning of the 2008 school year. The City of Harlan had a Median Household Income of \$17,370 in 2000. The Median

Household Income for Harlan County was \$18,665. The Median Household Income for the Commonwealth is \$33,672. KIA staff recommended approval of the grant with three conditions: 1) not more than 50% of the grant budgeted for planning and design will be released to the grantee prior to submittal of the plans and specifications to the Kentucky Division of Water (DOW); 2) the remaining planning and design grant amount will be available to draw after DOW approves the plans and specifications; and 3) monthly draws for planning and design will be allowed upon certification by the engineer and the grantee.

Ms. Linda Bridwell raised a question regarding the aggressive schedule for completion of the project. Harlan Mayor Daniel Howard provided an overview of their proposed timetable for design of the project, submission of the plans for approval, and construction. He explained that there have been a number of meetings among all parties involved to consider the scheduled required for timely completion. He told the board that the school system has expressed willingness to push back the opening date or make other temporary arrangements in the event that the project is not completed by the scheduled beginning of the school year.

Ms. Linda Bridwell made a motion to adopt the resolution. Mr. Bob Amato seconded, and the motion carried unanimously.

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS FOR APPROVAL OF A CONDITIONAL COMMITMENT FOR A GRANT THROUGH THE INFRASTRUCTURE REVOLVING FUND (FUND B) FOR THE WESTERN PULASKI COUNTY WATER DISTRICT IN THE AMOUNT OF \$620,000

Ms. Sandy Williams, KIA, presented the project to the board. The project is for the construction of an eight-inch distribution water main along Highway 80 to Kentucky 196 at Nancy and Kentucky 196 to Amy Lane, and extend service to Alligator Boat Ramp to improve water service to Western Pulaski County. The project will extend water service to the new location of Alligator Boat Dock and is necessary to provide sufficient water to the boat dock. Additionally, approximately 4,000 underserved residential customers will receive benefit from the increased flow. As of 2000, Pulaski County's Median Household Income level was \$27,370. The Median Household Income for the Commonwealth is \$33,672. KIA staff recommended approval of the grant with three conditions: 1) upon determination of the lowest responsive, responsible bidder, the Water District must submit to the Authority a revised, as-bid budget; 2) the Executive Director of the Kentucky Infrastructure Authority, after consultation with the Water District, will determine if the grant amount needs to be decreased as a result of bids being lower than the project estimate; and 3) if project bids come in well above the funding available, the grant commitment will be rescinded unless the water district can provide additional funding for the project or the project scope can be revised to complete the project within the funding available.

Mr. Damon Talley inquired about how this project related to the proposed grant for Western Pulaski County Water District discussed at the last board meeting. Ms. Williams explained that at the May meeting, the full board authorized the Executive Committee to approve action on the resolution. However, there was no meeting of the Executive Committee in the intervening period, so the

resolution was presented for action at the regular June board meeting. Mr. Talley also verified that the funding for this project will not actually run a water line directly to the Alligator Dock., but will place a public service line in a location that will enable the Dock to run a private line from their property to connect to water service.

Mr. Bob Amato inquired about five conditions for grant approval that were placed on the project during discussion at the last meeting. Ms. Williams informed him that those conditions have either been subsequently addressed or are included in the resolution to be acted upon.

Mr. Damon Talley made a motion to adopt the resolution. Mr. Mike Burnside seconded, and the motion carried unanimously.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (FUND F) LOAN TO THE ADAIR COUNTY WATER DISTRICT IN THE AMOUNT OF \$1,000,000.

Mr. Chris Whitaker, KIA, and Ms. Donna Marlin, Division of Water, presented the project to the board. The project is for the installation of approximately 41,000 linear feet of 12-inch transmission water main and the erection of a 500,000 gallon elevated water storage tank which will enhance the district's operation, particularly in the northeast portion of the service area. The amount of water line to be installed is 41,000 linear feet, a change from the 26,000 linear feet as listed in the Board Book. The water line will extend from the Columbia/Adair County Industrial Park following Kentucky Highways 551 and 1323 to Vester Road and to Kentucky Highway 206, ending at the site of the existing water tank. The project will eliminate a potentially serious health hazard in the communities it will serve. It is anticipated that over 500 homes will be immediately affected by the project in addition to the day to day operation of the entire water system. The county's Median Household Income level in 2000 was \$25,055, lower than the median household income level of \$33,672 for the Commonwealth, qualifying the project for a 1% interest rate. The Fund F loan will be repayable over 20 years. The system currently sets aside \$301,200 each year in a sinking fund, so no additional reserve will be required. KIA staff recommended approval of the loan with two conditions: 1) the District will provide certification that it is in compliance with bond covenants for all outstanding debt; and 2) the District will implement at a minimum the proposed rates set forth in the letter of conditions from USDA Rural Development (an approximate 4.8% increase).

Mr. Damon Talley made a motion to adopt the resolution. Mr. George Burgess seconded, and the motion carried unanimously. Mr. Bob Amato abstained from voting on the resolution.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (FUND F) LOAN TO THE JESSAMINE SOUTH ELKHORN WATER DISTRICT IN THE AMOUNT OF \$1,750,000.

Ms. Sandy Williams, KIA, and Ms. Donna Marlin, Division of Water, presented the project to the board. The project is for the construction of new 6-inch water lines that will re-pipe the Keene system to eliminate line breaks, water outages, and low flow problems. Also, to improve hydraulics and water quality, the Keene area will be connected to recently installed up-sized lines along Kentucky 1267. Unserved areas will receive service with the construction of hydraulic reinforcement loop lines. Jessamine County has a Median Household Income of \$39,041, which is greater than the Median Household Income level of \$33,672 for the Commonwealth, qualifying the project for a 3% interest rate. The Fund F loan will be repayable over 20 years and a balance of \$150,000 must be set aside in a borrower held replacement reserve. Information on the loan as presented in the Board Book recommended approval based upon two conditions: 1) upon determination of the lowest responsive, responsible bidder, the Water District must submit to the Authority a revised, as-bid budget; and 2) The Executive Director of the Kentucky Infrastructure authority, after consultation with the Water District, will determine if the loan amount needs to be decreased as a result of bids being lower than the project estimate. However, the board was informed that bids have now been received by Jessamine South Elkhorn Water District, thus eliminating the need for the listed conditions. KIA staff recommended approval of the loan with no conditions

Mr. Lyn Bailey made a motion to adopt the resolution. Mr. Damon Talley seconded, and the motion carried unanimously. Ms. Linda Bridwell and Mr. Bob Amato abstained from voting on the resolution.

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

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 the resolution.

APPLICANT	FUND	AMOUNT
City of Beaver Dam	A	\$ 598,549
City of Falmouth	A	\$2,812,255
Adair County Water District	F	\$1,000,000
Jessamine/S Elkhorn Water District	F	\$1,750,000

Mr. George Burgess made a motion to adopt the resolution. Ms. Linda Bridwell seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Executive Director Jody Hughes reminded board members that he will be retiring effective July 31, 2007, and that the meeting scheduled for July 19, 2007 will be his last in an official capacity. That meeting is planned for policy review and consideration of staff recommendations. Mr. Hughes expressed his appreciation for the support he has received from the board during his tenure.

III. STATUS REPORTS FOR FUNDS

- A. 2003 Coal/Tobacco Development Fund Grants
- B. 2005 IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A1, B, B1, C, E, F, F1

Mr. Jody Hughes, KIA, noted that the status reports are included in the board book for information purposes.

IV. KIA EXECUTIVE DIRECTOR

A. NEW KIA EXECUTIVE DIRECTOR

Chair Chaney called for a motion to go into closed session, pursuant to KRS 61.810(f), to discuss personnel matters regarding the Authority's Executive Director position.

Mr. Damon Talley moved to approve the motion to go into executive session. Mr. Bob Amato seconded and the motion carried unanimously.

After discussion Chair Chaney called for a motion to return to open session. *Ms. Linda Bridwell moved to approve the motion to return to open session. Mr. Bob Amato seconded and the motion carried unanimously.*

Mr. Damon Talley made a motion to extend an offer of employment to Tim Thomas as Executive Director of the Kentucky Infrastructure Authority, with his commencement date to be July 1, with Mr. Thomas to assume full duties upon the retirement of Jody Hughes, on August 1. Mr. Lloyd Cress seconded and the motion carried unanimously.

B. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY HONORING JODY E. HUGHES IN RECOGNITION OF DEDICATED SERVICE

Chair Chaney read out a resolution expressing the board's heartfelt appreciation and best wishes to Mr. Hughes upon his retirement.

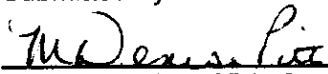
Mr. Damon Talley made a motion to authorize adoption of the resolution. Mr. Lyn Bailey seconded and the motion carried unanimously.

V. ANNOUNCEMENTS/NOTIFICATIONS

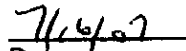
- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, July 19, 2007,
1024 Capital Center Drive, Suite 340
Frankfort, KY

There being no further business, Mr. George Burgess moved to adjourn. Mr. Bob Amato seconded and the motion carried unanimously.

Submitted by:



M. Denise Pitts, CPA, Secretary
Kentucky Infrastructure Authority



Date



KENTUCKY INFRASTRUCTURE AUTHORITY

Ernie Fletcher
Governor

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

Jody E. Hughes
Executive Director

June 27, 2007

L. Nicholas Strong, Chairman
Jessamine South Elkhorn Water District
P.O. Box 731
Nicholasville, Kentucky 40356

KENTUCKY INFRASTRUCTURE AUTHORITY FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (F07-02)

Dear Mr. Strong:

The Kentucky Infrastructure Authority (KIA) commends your efforts to improve public service facilities in your community. Your loan application to the KIA to construct the Keene system water main and hydraulic reinforcement loop lines was approved by KIA on June 21, 2007. The total cost of the project shall not exceed \$1,750,000 of which the KIA loan shall provide 100% of the funding. The credit analysis and the Application for Loan Assistance incorporated herein by reference fully describe the project.

An Assistance Agreement will be executed between KIA and the Jessamine South Elkhorn Water District upon satisfactory performance of the conditions set forth in this letter. A period of six months from the date of this letter (December 27, 2007) will be allowed for you to meet the conditions set forth in this letter. Funds will be available for disbursement only after execution of the loan agreement.

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

1. The KIA project loan shall not exceed \$1,750,000.
2. The loan shall bear interest at the rate of 3.0% per annum commencing with the first draw of funds.

L. Nicholas Strong, Chairman
June 27, 2007
Page Two

3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on 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.
6. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to KIA as a part of each interest payment.
7. Loan funds will be disbursed after execution of the loan agreement as project costs are incurred.
8. KIA loan funds must be expended within six months of official date of initiation of operation.
9. KIA 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. KIA 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 agreement. Any required documentation must be submitted to the Division of Water (DOW).

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 7 to 10 days of bid opening.

L. Nicholas Strong, Chairman
June 27, 2007
Page Three

2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The district must agree to expend all KIA loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than KIA as reflected in the credit analysis shall be provided prior to preparation of the loan 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. (KIA)
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. The district must complete and return to KIA the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

Any special conditions listed below and/or stated in the credit analysis must be resolved.

1. MBE/WBE documentation must be submitted and approved by DOW.
2. The district must provide an executed tentative award resolution.

Please inform KIA 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.

Sincerely,



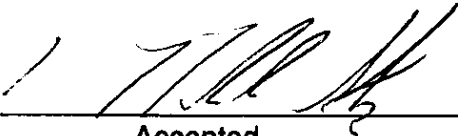
Sandy Williams
Financial Analyst

L. Nicholas Strong, Chairman
June 27, 2007
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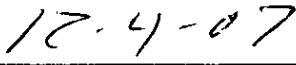
Attachments

cc: Mr. John G. Horne, P.E., Horne Engineering, Inc.
Ms. Lola Lyle, Division of Water
Mr. Dirk Bedarff, Peck, Shaffer & Williams LLP
Mr. Dan Waits, State Local Debt Office, GOLD

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



Date

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND F07-02)**

Borrower Information:

Name: _____

Address: _____

City: _____ **State:** KY **Zip:** _____

Telephone: _____ **Contact:** _____

Federal I.D. # _____

Financial Institution Information:

Bank Name: _____

Branch: _____ **Phone No:** _____

City: _____ **State:** ____ **Zip:** _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ **Date:** _____

Name Printed: _____ **Job Title:** _____

Please return completed form to:

**Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
phone: 502-573-0260
fax: 502-573-0157**

EXECUTIVE SUMMARY
KENTUCKY INFRASTRUCTURE AUTHORITY
FUND F, FEDERALLY ASSISTED DRINKING WATER
REVOLVING LOAN FUND

Reviewer: Sandy Williams
 Date: June 7, 2007
 KIA Loan Number: F07-02
 WRIS Number: WX21113001

BORROWER: JESSAMINE SOUTH ELKHORN WATER DISTRICT
 Jessamine County

BRIEF DESCRIPTION: The Water District is proposing to construct new 6-inch water lines that will re-pipe the Keene system to eliminate line breaks, water outages and low flow problems. Also, to improve hydraulics and water quality, the Keene area will be connected to recently installed up-sized lined along KY-1267. Additionally, unserved areas will receive service with the construction of hydraulic reinforcement loop lines.

PROJECT FINANCING:		PROJECT BUDGET	
Fund F Loan	\$ 1,750,000	Administrative Expenses	\$ 50,000
TOTAL	1,750,000	Legal Expenses	17,000
		Engineering Fees	250,000
		Construction	1,313,850
		Contingency	69,150
		Other	50,000
		TOTAL	1,750,000

REPAYMENT		Est. Annual	
Rate	3.00%	Payment	\$121,370
Term	20 years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	
Engineer	Home Engineering, Inc.
Bond Counsel	Peck, Shafer, & Williams

PROJECT SCHEDULE	
Bid Opening:	May 2007
Construction Start:	July 2007
Construction Stop:	April 2008

DEBT PER CUSTOMER	
Existing:	\$ 1,676.42
Proposed:	\$ 2,531.09

OTHER DEBT See Attached

OTHER STATE-FUNDED PROJECTS LAST 5 YRS See Attached

RESIDENTIAL RATES		Users	Avg. Bill
Current	2,050	\$ 32.14	(for 4,000 gallons)
Proposed	2,055	\$ 32.14	(for 4,000 gallons)

REGIONAL COORDINATION This project is consistent with regional planning recommendations.

CASHFLOW	Cash Available for		Income after Debt		Coverage Ratio
	Debt Service	Debt Service	Service	Service	
Audited 2004	476,287	189,660	286,627	2.51	
Audited 2005	579,343	357,607	221,736	1.62	
Audited 2006	536,524	319,953	216,571	1.68	
Projected 2007	568,203	243,343	324,860	2.33	
Projected 2008	558,442	373,231	185,211	1.50	
Projected 2009	557,103	440,617	116,486	1.26	

Reviewer: Sandy Williams
Date: June 7, 2007

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
JESSAMINE SOUTH ELKHORN WATER DISTRICT
JESSAMINE COUNTY CREDIT ANALYSIS
WX21113001
F07-02**

I. PROJECT DESCRIPTION

The Jessamine South Elkhorn Water District is requesting a Fund F loan in the amount of \$1,750,000. The Water District is proposing to construct new 6-inch water lines that will re-pipe the Keene system to eliminate line breaks, water outages and low flow problems. Also, to improve hydraulics and water quality, the Keene area will be connected to recently installed up-sized lined along KY-1267. Additionally, unserved areas will receive service with the construction of hydraulic reinforcement loop lines.

II. <u>PROJECT BUDGET</u>	Fund F	
	Loan	Total
Administrative Expenses	50,000	50,000
Legal Expenses	30,000	30,000
Planning	10,000	10,000
Engineering Fees	253,000	253,000
Construction	1,250,000	1,250,000
Contingency	117,000	117,000
Other	50,000	50,000
Total	1,750,000	1,750,000

III. PROJECT FUNDING

A. Funding Sources	
KIA Fund F Loan	<u>\$1,750,000</u>
Total Funding	\$1,750,000
B. KIA Debt Service	
Construction Loan	\$1,750,000
Interest Rate	3.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 116,995
Administrative Fee (0.25%)	4,375
Total Estimated Annual Debt Service	<u>\$ 121,370</u>

IV. PROJECT SCHEDULE

Bid Opening: May 2007
Construction Start: July 2007
Construction Stop: April 2008

V. CONTACTS

L. Nicholas Strong, Chairman
Jessamine South Elkhorn Water District
107 South Main Street
PO Box 731
Nicholasville, Kentucky 40356
859-621-6200

John G. Horne, PE, PLS
Horne Engineering, Inc.
216 S. Main Street
Nicholasville, Kentucky 40356
859-885-9441

VI. DEBT OBLIGATIONS

	Outstanding	Maturity
KIA Loan C91-01	\$ 671,666.67	2013
KIA Loan A104-01	\$ 196,861.00	2012
Farmers Bank	\$ 356,865.00	2010
1971 Revenue Bonds	\$ 32,000.00	2011
2000 Revenue Bonds	\$ 2,162,500.00	2039
Total	\$ 3,419,892.67	

VII. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

<u>WRIS</u>	<u>Project Title</u>	<u>Amount</u>	<u>Type</u>
WX21113004	Southeast Water Lines	\$800,000.00	2003 TDF
WX21113002	Haggin Ln Extension - JSEWD	\$50,000.00	KIA 2020

VIII. DEMOGRAPHICS/RATE STRUCTURE

A. DEMOGRAPHICS

Jessamine County is located in the central Bluegrass Region along the Kentucky River. It was established in 1798 and Nicholasville is the county seat. Jessamine County has a population of 30,089 with a median household income of \$39,041, which is greater than the median household income for the Commonwealth of \$33,672. Based on median household income the project will

qualify for the 3% interest rate. The Water District purchases water from the Kentucky American Water Company at two master metering points.

B. CUSTOMER MIX

	Current	Proposed	Total
Residential	1988	5	1993
Commercial	62	0	62
Industrial	0	0	0
	<hr/>	<hr/>	<hr/>
	2,050	5	2,055

C. RATE STRUCTURE

First 2,000 gallons	\$ 21.72	Minimum Bill
Next 2,000	\$ 5.21	per 1,000 gallons
Next 2,000	\$ 5.11	per 1,000 gallons
Next 10,000	\$ 5.01	per 1,000 gallons
Next 8,000	\$ 4.91	per 1,000 gallons
All over 24,000	\$ 4.81	per 1,000 gallons

The current monthly charge for 4,000 gallons of residential water service is \$32.14. The water rates were last adjusted in April 2005. The rates were increased to accommodate the debt service for this project.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Exhibit 1 represents audited financials for the Water District from FY2004 through FY2006 with anticipated projections through FY2009.

A. HISTORICAL

Revenue growth of 25% (\$309,002) was achieved in 2005 primarily due to an increase in water rates and the addition of sewer services at the request of the County Judge Executive. During the same time period, expenses increased \$212,266 leading to an increase of 39% (\$84,433) in net cash income for the period. In 2006, revenue saw a slight decrease of \$78,106 but net cash income remained strong at \$239,247. Water rates were increased in April 2005 in anticipation of the project.

The balance sheet shows a low debt to equity ratio in 2006 of 0.66 to 1. This indicates that system growth has not been entirely financed through debt and that some growth has most likely been financed from system revenues.

B. PROFORMA

Projections based on the following assumptions:

- Revenues for 2007 reflect a 3% increase.
- Revenues for 2008 and 2009 are held constant.
- Expenses are projected to increase by 1% annually. Expenses after project implementation are actually expected to decrease.
- The replacement reserve will be funded at \$15,000 annually.
- Debt service of \$60,685 is projected to begin in December 2008.
- Annual debt service will be \$121,370.

Based on the above assumptions, the system will maintain adequate debt coverage over the next three years.

C. REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$15,000. This amount should be added to the replacement account each December 1 until the balance reaches \$150,000 and maintained for the life of the loan.

X. REGIONAL COORDINATION

This project is consistent with regional planning recommendations.

XI. RECOMMENDATIONS

KIA staff recommends approval of the loan.

**EXHIBIT 1
JESSAMINE SOUTH ELKHORN WATER DISTRICT
UTILITY FUND
CASHFLOW ANALYSIS**

	Completed 2004	% Change	Audited 2005	% Change	Audited 2006	% Change	Projected 2007	Projected 2008	Projected 2009
Revenues									
Utility Sales	1,236,219	25%	1,545,221	-5%	1,467,115	3%	1,511,128	1,511,128	1,511,128
Penalties	18,285	-3%	17,707	10%	19,488	-5%	18,493	18,563	18,563
Service Charges	39,534	0%	39,425	5%	41,305	-3%	40,088	40,273	40,273
Total Revenues	1,294,038	24%	1,602,353	-5%	1,527,908	3%	1,569,710	1,569,964	1,569,964
Expenses									
Administrative & Operating Expense	825,921	26%	1,038,187	-2%	1,012,259	1%	1,022,382	1,032,605	1,018,944
Depreciation	253,812	5%	265,428	4%	276,402	0%	276,402	276,402	320,152
Replacement Reserve	0		0		0		0	0	15,000
Total Expenses	1,079,733	21%	1,303,615	-1%	1,288,661	1%	1,298,784	1,309,007	1,354,096
Net Income Cash	214,305	39%	298,738	-20%	239,247	13%	270,926	260,956	215,867
Non-Operating Revenues and Expenses									
Investment Income	8,170	86%	15,177	38%	20,875	0%	20,875	21,084	21,084
Total Non-Operating Rev & Exp	8,170	86%	15,177	38%	20,875	0%	20,875	21,084	21,084
Add Non-Cash Expenses									
Depreciation	253,812		265,428		276,402		276,402	276,402	320,152
Cash Available for Debt Service	476,287		579,343		536,524		568,203	558,442	557,103
Debt Service									
Existing Debt	189,660		357,607		319,953		243,343	312,546	319,247
New KIA Fund F Loan	0		0		0		0	60,685	121,370
Total Debt Service	189,660		357,607		319,953		243,343	373,231	440,617
Income After Debt Service	286,627		221,736		216,571		324,860	185,211	116,486
Debt Coverage Ratio	2.51		1.62		1.68		2.33	1.50	1.26

**JESSAMINE SOUTH ELKHORN WATER DISTRICT
BALANCE SHEETS**

	ASSETS			Upon Project Completion
	2004	2005	2006	
Current Assets				
Cash and Cash Equivalents	133,588	322,224	346,397	462,883
Investments	106,000	106,038	313,957	313,957
Accounts Receivable	44,327	59,318	66,568	56,583
Other	8,804	10,432	11,270	11,270
Total Current Assets	292,719	498,012	738,192	844,693
Restricted Assets				
Customer Deposits	7,863	7,658	39,483	39,483
Construction Accounts	478,228	309,412	102,958	77,219
Reserve Accounts for Revenue Bonds	96,490	93,986	101,737	104,280
Total Restricted Assets	582,581	411,036	244,178	220,982
Property, Plant and Equipment				
Utility Systems	10,152,208	10,365,517	10,804,442	12,554,442
Less Depreciation	(2,293,213)	(2,558,641)	(2,835,043)	(2,878,793)
Total Fixed Assets	7,858,995	7,806,876	7,969,399	9,675,649
Other Assets				
Unamortized Bond Costs	83,957	76,383	68,809	61,235
Total Other Assets	83,957	76,383	68,809	61,235
Total Assets	8,818,252	8,792,307	9,020,578	10,802,559
LIABILITIES				
Current Liabilities				
Accounts Payable	224,323	50,714	104,073	107,195
Other Payables	26,875	0	0	0
Accrued Liabilities	3,850	3,032	2,795	2,795
Total Current Liabilities	255,048	53,746	106,868	109,990
Current Liabilities Payable From Restricted Assets				
Current Maturities of Long Term Debt	155,776	124,830	139,281	226,166
Total Current Liabilities	155,776	124,830	139,281	226,166
Long Term Liabilities				
Customer Deposits	7,790	7,540	8,175	8,175
Notes Payable, Less Current Portion	1,314,680	1,242,685	1,139,884	2,846,718
Revenue Bonds, Less Current Portion	2,238,000	2,203,500	2,157,500	2,128,500
Total Long Term Liabilities	3,560,470	3,453,725	3,305,559	4,983,393
Total Liabilities	3,971,294	3,632,301	3,551,708	5,319,550
FUND EQUITY				
Net Assets				
Invested in Capital Assets	4,207,821	4,312,244	4,601,543	4,601,543
Reserved	337,847	159,699	205,740	205,740
Unreserved	301,490	688,063	661,587	675,726
Total Net Assets	4,846,958	5,160,006	5,468,870	5,483,009
Total Liabilities and Net Assets	8,818,252	8,792,307	9,020,578	10,802,559
Balance Sheet Analysis				
Current Ratio	1.15	9.27	6.91	7.68
Debt to Equity	0.82	0.70	0.65	0.97
Working Capital	(118,105)	319,436	492,043	508,537

