

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY INFRASTRUCTURE AUTHORITY
AND
JESSAMINE SOUTH-ELKHORN WATER DISTRICT
DATED: APRIL 1, 2013
FUND: F11-12



Legal Counsel.

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September 11, 2014

Mr. L. Nicholas Strong, Chairman
Jessamine South-Elkhorn Water District
801 South Main Street
Nicholasville, KY 40356

RE: Assistance Agreement Between The Kentucky Infrastructure Authority and the Jessamine South-Elkhorn Water District - Fund F11-12

Dear Mr. Strong:

We are enclosing a volume of the Transcript of Proceedings 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,
a division of Dinsmore & Shohl LLP


Dirk M. Bedarff

DMB/mmw
Encl.

4000166v1

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

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and Jessamine South-Elkhorn Water District (the "Governmental Agency"), dated as of April 1, 2013

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

DISTRIBUTION LIST

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BRUCE E. SMITH
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April 24, 2013

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 April 1, 2013

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,

A handwritten signature in blue ink, appearing to read "Alex E. Smith", is written below the closing text.

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Jessamine South-Elkhorn Water District (the "Governmental Agency"), dated as of April 1, 2013

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.

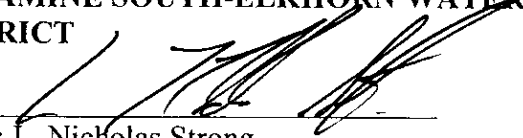
8. All actions taken by the Governmental Agency in connection with the Assistance Agreement and the loan described therein and the Project, as defined in the Assistance Agreement, have been in full compliance with the provisions of the Kentucky Open Meetings Law, KRS 61.805 to 61.850.

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.

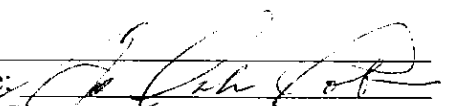
10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Governmental Agency indicated after their respective names and the signatures subscribed above their names are their genuine signatures.

WITNESS our signatures, this 24 day of April, 2013.

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

By: 
Name: L. Nicholas Strong
Title: Chairman

Attest:

By: 
Name: _____
Title: Secretary

75858v1

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND F

PROJECT NUMBER: F11-12
BORROWER: Jessamine South-Elkhorn Water District
BORROWER'S ADDRESS: 801 S Main Street
PO Box 731
Nicholasville, Kentucky 40356
DATE OF ASSISTANCE AGREEMENT: April 1, 2013
CFDA NO.: 66.458

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KENTUCKY INFRASTRUCTURE
AUTHORITY

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AUTHORITY
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MAY 16 2013
SRF/SPAF SECTION

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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.

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

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

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

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

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

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

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

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

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

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

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

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

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

(3) Advice as to whether the Project is meeting the Project performance standards (including three quarterly reports and one project performance report).

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

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

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

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

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

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

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

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

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

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

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

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

ARTICLE V

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

Section 5.1. Imposition of Service Charges. The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Assistance Agreement, pursuant to which the Loan is to be made by the Authority to the Governmental Agency as specified herein and in the Act and the Indenture. The Governmental Agency hereby further irrevocably covenants and agrees that it already has, or will, to the extent necessary, immediately impose Service Charges upon all persons, firms and entities to whom or which services are provided by the System, such Service Charges to be no less than as set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

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

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, to make the required deposits to the Maintenance and Replacement Reserve and to provide for the operation of the System, the Governmental Agency hereby covenants and agrees that it will, upon notice by the Authority, to the full extent authorized by law, both federal and state, immediately adjust and increase such Schedule of Service Charges, or immediately commence proceedings for a rate adjustment and increase with all applicable regulatory authorities, so as to provide funds sufficient to pay to the Authority the minimum sums set forth in the Schedule of Payments, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

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

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the

Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

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

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

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

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

(D) That it will notify the Authority in writing of its intention to issue bonds or notes payable from the revenues of the System not less than thirty (30) days prior to the sale of said obligations. It further covenants that it will not issue any notes, bonds or other obligations payable from the revenues of the System, if the pledge of the revenues of the System to the repayment of such obligations is to rank on a parity with, or superior to, the pledge of the revenues of the System for the repayment of the Loan granted under this Assistance Agreement, unless the Governmental Agency has secured the consent of the Authority not less than fifteen (15) days prior to the issuance of such obligations.

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

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

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

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

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

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

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in accordance with the "Uniform System of

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

Section 6.8. Financial Statements. Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity.

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

Section 6.10. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act, the Federal Act and this Assistance Agreement in accordance with the terms of such provisions including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

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

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

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

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

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

(1) Federal Cross-Cutters

Environmental Authorities

- (a) Archeological and Historic Preservation Act of 1974, Pub. L. 86-523, as amended
- (b) Clean Air Act, Pub. L. 84-159, as amended
- (c) Coastal Zone Management Act, Pub. L. 93-583, as amended
- (d) Endangered Species Act, Pub. L. 93-205, as amended
- (e) Environmental Justice, Executive Order 12898
- (f) Floodplain Management, Executive Order 11988 as amended by Executive Order 12148
- (g) Protection of Wetlands, Executive Order 11990
- (h) Farmland Protection Policy Act, Pub. L. 97-98
- (i) Fish and Wildlife Coordination Act, Pub. L. 85-624, as amended
- (j) National Historic Preservation Act of 1966, PL 89-665, as amended
- (k) Safe Drinking Water Act, Pub. L. 93-523, as amended
- (l) 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 151
- (b) KRS 224
- (c) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (d) KRS Chapter 337, Labor Laws
- (e) 401 KAR Chapter 8

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:

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

Sandy Williams
Title: SECRETARY

By: [Signature]
Title: EXECUTIVE DIRECTOR

ATTEST:

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

[Signature]
Title: Secretary

By: [Signature]
Title: Chairman

APPROVED:

EXAMINED:

Steve Ruckel
SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

ENERGY AND ENVIRONMENT CABINET

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

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY
[Signature]
APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
JESSAMINE SOUTH-ELKHORN WATER DISTRICT
PROJECT SPECIFICS
F11-12

GOVERNMENTAL AGENCY:

Name: Jessamine South-Elkhorn Water District
801 S. Main Street, P.O. Box 731
Nicholasville, KY 40356

Contact
Person: L. Nicholas Strong
(859) 885-9441

SYSTEM: Water

PROJECT:

The Jessamine South-Elkhorn Water District is requesting a DWSRF loan in the amount of \$3,025,300 for the Northwest Main Replacement & Hydraulics and the Dixon Town Replacement. This project involves the replacement and upsizing of approximately 74,000 l.f. in areas that were originally constructed in 1972 and are currently experiencing numerous line breaks and water outages. Some of the existing stub mains will be extended to create appropriate looping configurations, thus increasing flow, residual peak flow pressure and water quality. Original meter services will be replaced with new service employing integral back flow preventers. Additionally, this project will replace, upgrade and provide fire protection through approximately 7,000 l.f. to the residents in the small community of Dixon Town in northwestern Jessamine County. Frequent breaks and undersized lines have plagued this area for years.

PROJECT BUDGET:

	<u>Total</u>
Administrative Expenses	\$ 25,000
Legal Expenses	10,000
Engineering Fees	456,800
Construction	2,200,000
Contingency	330,000
Other	3,500
Total	\$ 3,025,300

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 3,025,300	100%
Total	\$ 3,025,300	100%

KIA DEBT SERVICE:

Construction Loan	\$ 3,025,300
Interest Rate	3.0%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 202,254
Administrative Fee (0.25%)	\$ 7,563
Total Estimated Annual Debt Service	\$ 209,817

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/1/13).

Full principal and interest payments will commence within one year of initiation of operation (estimated 12/1/14).

REPLACEMENT RESERVE ACCOUNT:	\$ 7,600 ANNUAL AMOUNT
	\$ 76,000 TOTAL AMOUNT

The annual replacement cost is \$7,600. This amount should be added to the replacement account each December 1 until the balance reaches \$76,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.0%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>	<u>Maturity</u>
KIA C91-01	\$ 287,500	Jun-13
Farmer's Bank	334,773	Apr-18
Farmer's Bank	433,212	Apr-18
KIA F07-02 (i/a/o \$1.750M)	1,355,116	TBD
Series 2000A, 2000B 2008A, 2008B, 2009A Bonds	3,555,500	various
Total	\$ 5,966,101	

LIABILITY INSURANCE COVERAGE:

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

\$ 1,000,000
1,000,000
4,701,619

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED APRIL 1, 2013
LOAN NO. F11-12

Request No. _____

Dated: _____

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

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

FROM: 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 NOVEMBER 3, 2010)

5/8" Meter - Connection Fee \$850.00

First 2,000 gallons	26.24	Minimum Bill	26.24
Next 2,000 gallons	7.47	per 1000 gals	14.94
Next 2,000 gallons	7.37	per 1000 gals	14.74
Next 10,000 gallons	7.27	per 1000 gals	72.70
Next 8,000 gallons	7.17	per 1000 gals	57.36
Over 24,000 gallons	7.07	per 1000 gals	

1" Meter - Connection Fee \$1050.00

First 10,000 gallons	85.00	Minimum Bill	85.00
Next 6,000 gallons	7.27	per 1000 gals	43.62
Next 8,000 gallons	7.17	per 1000 gals	57.36
Over 24,000 gallons	7.07	per 1000 gals	

2" Meter



First 24,000 gallons	185.98	Minimum Bill	185.98
Over 24,000 gallons	7.07	per 1000 gals	

Sewer

First 2,000 gallons	20.00	Minimum Bill	20.00
Over 2,000 gallons	10.00	per 1000 gals	

* 3% Utility Tax on all usage

** 6% Sales Tax on Commercial usage

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

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

**** All Sewer Renters - \$75.00 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 APRIL 1, 2013 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 April 1, 2013 (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 _____, 2013.

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 Board of Commissioners of said District at a meeting duly held on _____, 2013; 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 61.823; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2013.

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Jessamine South-Elkhorn Water District, dated as of April 1, 2013

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: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

1. The Governmental Agency must receive Division of Water (DOW) approval of the plans and Specifications with regard to SRF funding for each identified contract prior to advertising for bidding.
2. The Authority to advertise for bids will not be given until the Public Service Commission has issued the order approving the indebtedness.
3. The Authority to Award (bid) package, including the Disadvantaged Business Enterprise (DBE) reviews, must be approved by DOW prior to the contract being awarded. DOW must conduct a preconstruction and project management conference.
4. Planning and design costs for Projects will be reimbursed monthly to the Governmental Agency upon presentation to the Authority and DOW of invoices and supporting documentation showing costs incurred. No more than 50% of the loan funds designated for each individual Project's planning and design may be requested by the Governmental Agency prior to presentation of the plans and specifications to DOW.
5. The remaining 50% of the loan funds designated for planning and design for each Project may be requested upon approval of the plans and specifications by DOW.
6. No construction funds for Projects will be reimbursed to the Governmental Agency until the Authority receives from DOW a certification letter that states that a Project has been bid and meets all SRF requirements.
7. Construction costs will be reimbursed monthly to the Governmental Agency upon presentation to KIA and DOW of invoices and supporting documentation showing costs incurred.

75857v1

RESOLUTION

RESOLUTION OF THE JESSAMINE SOUTH-ELKHORN WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF APRIL 1, 2013 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 April 1, 2013 (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.

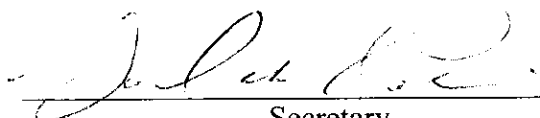
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on 4-24, 2013.



Chairman

Attest:

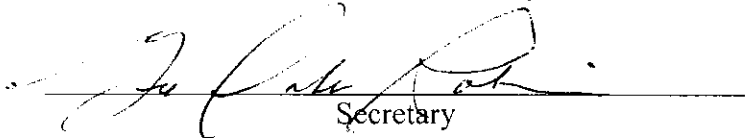


Secretary

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 Board of Commissioners of said District at a meeting duly held on 4.24, 2013; 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 61.823; 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 24 day of April, 2013.


Secretary

75861v1

April 24, 2013

The Board of Commissioners of the Jessamine South Elkhorn **Water** District on April 24, 2013, with the following Commissioners present: Nick Strong, Thomas Beall, George Dale Robinson and J F Hall. John Horne, Bruce Smith, Richard Decker, Diana Clark, Christopher Horne, Ron Eldridge and Tom Smith were also present.

There was a review of the Aged Receivables.

Mr. Smith reported that no response has been received from **Forest Creek** in regards to a settlement, the PSC proceeding is still being held in abeyance and that the appeal to the Court of Appeals has been submitted for a decision.

Mr. Smith reported that no decision had been made by the PSC on the **Catnip Hill Tank/Forest Hills** CPCN proceeding.

Christopher reported that he would be submitting the information for Mr. Smith to file the Tap Fee Tariff.

A motion to adopt the Resolution for the KIA Agreement on the **Northwest Replacement Project** was made by Mr. Robinson, seconded by Mr. Hall – approved.

A motion to authorize the Chairman to sign the KIA Agreement was made by Mr. Beall, seconded by Mr. Robinson – approved.

Mr. Horne presented the plat for the **R J Corman 68 Entrance**. A motion to approve the request to relocate the water main, based on payment by Corman of Ron's cost proposal and payment paid prior to construction, was made by Mr. Beall, seconded by Mr. Hall – approved.

There was a discussion on Lot 30 in Forest Hills. The meter will be set according to the user agreement and the customer will have the responsibility of a long service.

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

A motion to approve the April bills and pre-approval for the contractual payables was made by Mr. Beall, seconded by Mr. Hall – approved.

The Commissioners were given the following reports for review: Income Statement, Balance Sheet, Water Loss Report, Aged Receivables, and contractual payables for pre-approval.

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: November 10, 2011 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Ms. Stacia Peyton, Department for Local Government
(proxy for Commissioner Tony Wilder, DLG)
Mr. Hank List, Energy and Environment Cabinet
(permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Jerry Wuetcher, Public Service Commission
(permanent proxy for Executive Director Jeff Derouen, PSC)
Mr. C. Ronald Lovan, representing the American Water Works Association
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Thomas P. Calkins, representing the Kentucky Municipal Utilities Association
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties

Members absent:

Mr. Jamie Link, Finance and Administration Cabinet
(permanent proxy for Secretary Lori H. Flanery, FAC)
Secretary Larry Hayes, Economic Development Cabinet
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Guests:

Mr. Ashley Willoughby, Lincoln Trail Area Development District
Mr. Bob Smallwood, GRW Engineers
Ms. Laura Gilkerson, GRW Engineers
Mr. David Duttlinger, Bluegrass Area Development District
Ms. MaDonna Hornback, City of Hodgenville
Mayor Terry L. Cruse, City of Hodgenville
Mr. John Horne, Horne Engineering
Mr. Nick Strong, Jessamine South Elkhorn Water District
Judge John Wilson, Garrard County Fiscal Court
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Chris Keil, Strand and Associates
Mr. Chris Jones, Kenvirons
Mr. Joe Burns, Kentucky Rural Water Association
Ms. Jennifer Kantner, Officer of Financial Management
Mr. Shafiq Amawi, Division of Water
Mr. Mike Young, Qk4

PROCEEDINGS

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

Mr. Rusty Anderson, KIA, made maps available for viewing via the Water Resource Information System (WRIS) which showed an overview of the water and sewer projects that were to be considered at this board meeting.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of October 6, 2011

Mr. Tom Calkins moved to approve the minutes of the October 6, 2011 regular board meeting. Mr. Ron Lovan seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A 2020 WATER SERVICE ACCOUNT GRANT IN THE AMOUNT OF \$52,500 TO THE GARRARD COUNTY FISCAL COURT, GARRARD COUNTY, KENTUCKY

Ms. Debby Milton, KIA, presented the project to the Board. The Garrard County Fiscal Court requested a \$52,500 grant from the 2020 Water Service Account Fund Program for a water cost of service study project. As an act of cooperation, this study is mutually supported by the City of Danville and the City of Lancaster. Water plant improvements are needed in the City of Lancaster for compliance with the 2014 disinfection byproduct rule, for capacity needs, and to eliminate an unpermitted discharge from the existing plant. Lancaster has received a \$1.23 million grant from the Economic Development Authority (EDA) which they intend to use on a new water plant if the build local option is the most cost effective. The study will determine if Lancaster can afford to build an estimated \$12 million water plant. This project meets the criteria for the 2020 Water Service Account criteria in regard to (a) regionalization, merger or consolidation of water systems in eliminating structural and administrative duplication, and (b) the project has been reviewed and approved by the Area Water Management Council. KIA staff recommended approval of this grant with the standard grant assistance agreement conditions.

Mr. Jerry Wuetcher asked that the wording in the resolution be changed from "an independent water cost of service study" to "an independent feasibility study", to more accurately describe what the applicant wants.

Mr. Tom Calkins moved to approve the amended resolution with the standard conditions. Mr. Hank List seconded, and the motion carried unanimously.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-18) IN THE AMOUNT OF \$1,000,000 TO THE CITY OF BURKESVILLE, CUMBERLAND COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The City of Burkesville requested a Fund A loan in the amount of \$1,000,000 for the Sanitary Sewer System Overflow Remediation project. This project involves the design and construction of structures and improvements to the wastewater collection systems to contain and transport wet weather overflows in the City's sanitary sewer system. Improvements will include upgrading and expanding improvements to the City's main pumping station, construction of wet weather storage (equalization) and pumping at locations of the City's existing overflow location and construction of wastewater collection system rehabilitation improvements. The City currently experiences chronic overflow episodes from the sanitary sewer system during periods of wet weather. This project will contain or capture the wet-weather induced flows and transfer them to the treatment facility, thereby improving the environment and the health and welfare of the citizens. The project qualified for \$300,000 in Green Project Reserve (GPR) funding under the category of Green Infrastructure. The project also qualified for additional subsidization in the amount of \$300,000. The unforgiven balance of the loan is \$700,000 to be repaid in 20 years with an interest rate of 1% and an estimated annual debt service payment of \$40,104. DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Jerry Wuetcher made a correction to the language in the resolution that addressed the replacement reserve account that is required for the loan. The resolution read that annual reserves of \$2,500 were to be set aside in a borrower held replacement reserve account. He suggested that language be added to specify the amount to be set aside would continue for 10 years (for a total amount of \$25,000) and then maintained for the life of the loan.

Ms. Linda Bridwell moved to approve the amended resolution with the standard conditions. The Resolution will be amended to state that \$2,500 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches 25,000 and maintained for the life of the loan. Mr. Hank List seconded, and the motion carried unanimously.

3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-19) IN THE AMOUNT OF \$2,195,635 TO THE CITY OF BLOOMFIELD, NELSON COUNTY, KENTUCKY

Vice Chair Talley called the Board's attention to the Revised Credit Analysis for the City of Bloomfield that was added as a handout to the board packet.

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Bloomfield requested a Fund A loan in the amount of \$2,195,635 for the construction of the Bloomfield Wastewater Conveyance project. The project involves the construction of two pump stations, two odor control systems, approximately ten miles of twelve inch sewer force main, and a sampling/metering station. This will permit the City to convey it's wastewater to the City of Bardstown for treatment. Due to its age and technology, Bloomfield's existing treatment plant is inadequate to provide ongoing longer term treatment. The plant will be decommissioned and converted to one of two pumping stations and an equalization facility. The first pump station will be constructed at the existing WWTP and the second one will be constructed outside the city near the intersection of Highways 62 and 55. The project was developed as part of an approved Regional Wastewater Facilities Plan that was approved by the Division of Water in August 2010. It will also provide the opportunity for the unincorporated communities of Chaplin and Fairfield to be connected to sanitary sewer. These currently unserved communities have failing on-site systems that are a detriment to local water quality and public health. The project did not qualify for Green Project Reserve (GPR) funding. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2% and an estimated annual debt service payment of \$138,130.

Both DOW and KIA staff recommended approval of the loan with the standard conditions and the following special conditions: (1) The City shall implement a sewer rate increase (or series of rate increases) to begin by January 1, 2012 and be completed by July 1, 2013. The following is an acceptable schedule, but the City may devise an alternate schedule that will produce a similar result: 100% increase by January 1, 2012; 63% increase by July 1, 2012; and a 50% increase by July 1, 2013. (2) The sewer rate increase (or series of rate increases) shall generate an increase in sewer revenue of at least \$240,000 annually by June 30, 2014. (3) The City shall provide to KIA an update to the Bardstown treatment cost estimates (based on Bardstown's 2011 audited financial statements) by no later than March 31, 2012. (4) The City shall provide to KIA an updated sewer rate analysis by no later than March 31, 2012.

Ms. Linda Bridwell moved to approve the amended resolution with the standard conditions and the special conditions indicated in the staff recommendations. The Resolution will be amended to state that \$5,500 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$55,000 and maintained for the life of the loan. Mr. Hank List seconded, and the motion carried unanimously.

4. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-17) IN THE AMOUNT OF \$1,635,000 TO THE CITY OF HODGENVILLE, LARUE COUNTY, KENTUCKY**

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 (F11-13) LOAN IN THE AMOUNT OF \$774,183 TO THE CITY OF HODGENVILLE, LARUE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented both projects to the Board.

The City of Hodgenville requested a Fund A loan in the amount of \$1,635,000 for the Sewer Improvements Project. The project involves the repair and replacement of failing sewer lines within the City. Scattered sites will be addressed with a primary area of concentration along Greensburg Street and through the center of town where storm water collects and causes flooding and infiltration and inflow. The project will replace approximately 6,000 linear feet of sanitary sewer and provide adequate riparian buffering and detention along stream banks and overflow areas. The project qualified for \$200,000 of Green Project Reserve (GPR) funding under the category of Green Infrastructure. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2% and an estimated annual debt service payment of \$102,860.

The City of Hodgenville requested a Fund F loan in the amount of \$774,183 for the High School Tank Rehabilitation Project. The project involves the rehabilitation of an existing 300,000 gallon water tower (High School tank) to conform to current requirements. The tank will be temporarily taken out of service for cleaning, rust removal, repainting (interior and exterior) and interior lining. An existing tank will also be removed from service. The project will also include the upgrade of several mains (Fairview Court and Drive, Livingood Lane, Lincoln Drive, Eagle Lane, Landmark Drive and Greensburg Street). A new booster pump will be installed in the northern tank and new valves for flow control will be installed. These actions will improve water quality and flow throughout these rapidly deteriorating areas. The project qualified for \$311,500 of GPR under the category of Water Efficiency. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2% and an estimated annual debt service payment of \$49,092.

DOW and KIA staff recommended approval of both the Fund A and Fund F loans with the standard conditions and the following special condition: the City will pass an ordinance to implement a rate increase to water and sewer rates no later than March 2012 according to the following schedule or an alternate schedule approved by the Executive Director of KIA: a 6% increase, effective July 1, 2012; a 6% increase, effective July 1, 2013; a 3% increase, effective July 1, 2014; and a 3% increase, effective July 1, 2015.

Ms. Linda Bridwell moved to approve the amended Fund A resolution with the standard conditions and the special conditions indicated in the staff recommendations. The Resolution will be amended to state that \$4,000 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$40,000 and maintained

for the life of the loan. Mr. Ron Lovan seconded, and the motion carried unanimously.

Ms. Linda Bridwell moved to approve the amended Fund F resolution with the standard conditions and the special conditions indicated in the staff recommendations. The Resolution will be amended to state that \$2,000 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$20,000 and maintained for the life of the loan. Mr. Tom Calkins seconded, and the motion carried unanimously.

Vice Chair Damon Talley noted for the record that he is not the City Attorney and has no financial involvement with the City of Hodgenville, he lives outside the city limits and did not consider there was any conflict of interest regarding this project.

5. 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 (F11-11) LOAN IN THE AMOUNT OF \$1,545,000 TO THE EAST CASEY COUNTY WATER DISTRICT, CASEY COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The East Casey County Water District requested a Fund F loan in the amount of \$1,545,000 for the Waterline Extensions project. The project consists of the installation of approximately 48,500 linear feet of three inch waterline, a pump station upgrade, one pneumatic pump station and tank, one water storage tank and all necessary appurtenances. The project will serve approximately 2,500 customers located throughout the County. Thirty-five new customers will be added. The project will provide water service to sparsely populated areas that currently rely on wells, springs and cisterns. These supplies are not reliable or safe due to the mineral and fecal coli form levels. The project did not qualify for Green Project Reserve (GPR) funding. The project did qualify for additional subsidization in the amount of \$540,750 (35% of the assistance amount). The unforgiven balance of the loan is \$1,004,250 for a term of 20 years with an interest rate of 1% and an estimated annual debt service payment of \$58,037. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the amended resolution with the standard conditions. The Resolution will be amended to state that \$3,863 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$38,630 and maintained for the life of the loan. Mr. Hank List seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to the fact that this project will likely come before the Public Service Commission for approval.

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 (F11-12) LOAN IN THE AMOUNT OF \$3,025,300 TO THE JESSAMINE SOUTH-ELKHORN WATER DISTRICT, JESSAMINE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The Jessamine South-Elkhorn Water District requested a Fund F loan in the amount of \$3,025,300 for the Northwest Main Replacement & Hydraulics and the Dixon Town Replacement. This project involves the replacement and upsizing of approximately 74,000 l.f. in areas that were originally constructed in 1972 and are currently experiencing numerous line breaks and water outages. Some of the existing stub mains will be extended to create appropriate looping configurations, thus increasing flow, residual peak flow pressure and water quality. Original meter services will be replaced with new service employing integral back flow preventers. Additionally, this project will replace, upgrade and provide fire protection through approximately 7,000 l.f. to the residents in the small community of Dixon Town in northwestern Jessamine County. Frequent breaks and undersized lines have plagued this area for years. The project qualified for \$3,025,300 of Green Project Reserve (GPR) funding under the category of Water Efficiency. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 3% and an estimated annual debt service payment of \$209,817. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Tom Calkins moved to approve the amended resolution with the standard conditions. The Resolution will be amended to state that \$7,600 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$76,000 and maintained for the life of the loan. Mr. Hank List seconded, and the motion carried unanimously, with Ms. Linda Bridwell and Mr. Jerry Wuetcher and abstaining. Ms. Linda Bridwell abstained because Kentucky American Water Company is a wholesale provider for the District. Mr. Wuetcher abstained due to the fact that this project will likely come before the Public Service Commission for approval.

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 (F11-14) LOAN IN THE AMOUNT OF \$4,000,000 TO THE CITY OF NICHOLASVILLE, JESSAMINE COUNTY, KENTUCKY

Mr. Tom Calkins, Director of Public Utilities/Chief Financial Officer for the City of Nicholasville, recused himself at this time and noted for the record that he would not be participating in the discussion or voting on this action before the Board.

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Nicholasville requested a Fund F loan in the amount of \$4,000,000 for the Water System Improvements project. The project involves the installation of approximately 18,350 l.f. of ten inch ductile iron pipe (DIP) and

13,350 of eight inch DIP along with a 200,000 gallon elevated storage tank and booster pump station. These items are necessary to improve the City's existing distribution system in Eastern Jessamine and Fayette Counties. Rapid growth over the last several years has rendered certain portions of the system incapable of providing the demanded flows during maximum day conditions. The project will improve the static head and quantity of flow for approximately 1,100 existing customers in the service area and provide for future capacity requirements. Approximately 19,800 l.f. of DIP transmission main from the WTP to the City's distribution system will also be constructed. This will permit the City to increase pumping capacity from 7 million gallons per day (gpd) to 15 million gpd. The project is part of a 1990 master plan of improvements for the transmission / distribution system. The project did not qualify for Green Project Reserve (GPR) funding. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2% and an estimated annual debt service payment of \$253,645. Both DOW and KIA Staff recommended approval of the loan with the standard conditions.

Vice Chair Talley noted that the Resolution in the Board Book on the bottom of page 108 would be corrected to read "24" Transmission Project" instead of "20" Backbone project".

Mr. Ron Lovan moved to approve the amended resolution with the standard conditions. The Resolution will be amended to state that \$10,000 from annual revenues must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$100,000 and maintained for the life of the loan. Judge Jody Jenkins seconded, and the motion carried unanimously, with Mr. Tom Calkins having recused himself and Ms. Linda Bridwell abstaining. Ms. Bridwell abstained because Kentucky American Water Company is a wholesale provider for the City.

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

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

APPLICANT	FUND	AMOUNT
City of Bloomfield	A	\$ 2,195,635
City of Burkesville	A	\$ 1,000,000
City of Hodgenville	A	\$ 1,635,000
City of Hodgenville	F	\$ 774,183
East Casey County Water District	F	\$ 1,545,000
Jessamine South-Elkhorn Water District	F	\$ 3,025,300

City of Nicholasville	F	\$ 4,000,000
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Ms. Linda Bridwell moved to approve the resolution. Mr. Tom Calkins seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

Mr. John Covington, KIA, reported on the following items to the Board:

- A. Mr. Covington informed the Board about the ARRA project site visits from the EPA contractor, Tetra Tech. Sandy Williams and Kasi White also attended the site visits. Ms. Williams reported to the Board the reason for the site visits were to review the project documentation related to the stimulus funded loans. Compliance with Davis Bacon and Buy American requirements were reviewed and the project description that was initially submitted was then compared to the actual construction of the project. Fifteen projects were chosen from the 62 projects funded. The only issues that came from the on site visits were the following: the timing of the labor interviews related to the Davis Bacon requirements; and the Buy American documentation, specifically, with North American Pipe Company. The letters from North American Pipe Company stated that all pipe provided was made in America. EPA wanted the documentation to tie the specific batch number to the project, list the project name, and list the specific city and state where the pipe was made. The contractors recommended that the borrowers obtain the more detailed letters from their suppliers and put into their files. The information found from these on-site visits were to be used by EPA to help our borrowers make sure their records were in compliance on the chance that their files might be audited by another government agency.
- B. Mr. Covington presented a 2011 Innovation Award received by KIA from the National Association of Development Organizations for the Kentucky Water Resource Information System.
- C. Mr. Covington presented an Exemplary System Award received by KIA from the Kentucky Association of Mapping Professionals for the Kentucky Water Resource Information System "for Outstanding GIS or Mapping Program in the State of Kentucky".
- D. KIA Staff is preparing the budget submittal to the legislature.
- E. The next scheduled meeting is on the second Thursday of the month, December 8, 2011, as opposed to the first Thursday. In January, the meetings will revert back to the normal schedule, the first Thursday of each month.

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, December 8, 2011
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Ms. Linda Bridwell moved to adjourn. Mr. Hank List seconded and the motion carried unanimously. The November 10, 2011, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

Sandy Williams
Sandy Williams, Secretary
Kentucky Infrastructure Authority

12-2-11
Date



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

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

John E. Covington III
Executive Director

November 14, 2011

Mr. L. Nicholas Strong, Chairman
Jessamine South-Elkhorn Water District
801 S. Main Street, P.O. Box 731
Nicholasville, KY 40356

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED DRINKING WATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (F11-12)**

Dear Mr. Strong:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On November 10, 2011, the Authority approved your loan for the Northwest Water Main Replacement and Hydraulics / Dixon Town Waterline Replacement Project subject to the conditions stated below. The total cost of the project shall not exceed \$3,025,300 of which the Authority loan shall provide \$3,025,300 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Jessamine South-Elkhorn Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (11/14/2012) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$3,025,300.

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

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

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

Mr. L. Nicholas Strong
November 14, 2011
Page 4

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

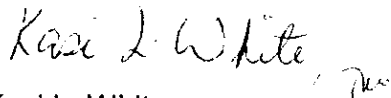
The following is a list of additional conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Borrower shall require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project. The Borrower shall, if applicable, comply with all Davis Bacon related monitoring and reporting.
2. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
3. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.

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

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

Sincerely,



Kasi L. White
Financial Analyst

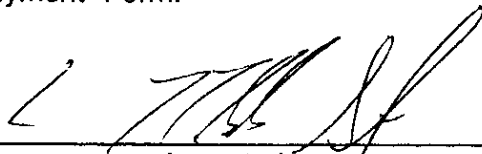
Attachments

cc: John G. Horne, PE, PLS, Horne Engineering, Inc.
Division of Water

Mr. L. Nicholas Strong
November 14, 2011
Page 5

Dirk Bedarff, Peck, Shaffer & Williams LLP
State Local Debt Office, DLG
Borrower File - Jessamine South-Elkhorn Water District - F11-12

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



Accepted

12-14-11

Date

L. Nicholas Strong, Chairman

ATTACHMENT A

**Jessamine South-Elkhorn Water District
F11-12**

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

Reviewer: Kasi White
 Date: November 10, 2011
 KIA Loan Number: F11-12
 WRIS Number: WX21113029,
 WX21113039

BORROWER: JESSAMINE SOUTH-ELKHORN WATER DISTRICT
 JESSAMINE COUNTY

BRIEF DESCRIPTION:

The Jessamine South-Elkhorn Water District is requesting a DWSRF loan in the amount of \$3,025,300 for the Northwest Main Replacement & Hydraulics and the Dixon Town Replacement. This project involves the replacement and upsizing of approximately 74,000 l.f. in areas that were originally constructed in 1972 and are currently experiencing numerous line breaks and water outages. Some of the existing stub mains will be extended to create appropriate looping configurations, thus increasing flow, residual peak flow pressure and water quality. Original meter services will be replaced with new service employing integral back flow preventers. Additionally, this project will replace, upgrade and provide fire protection through approximately 7,000 l.f. to the residents in the small community of Dixon Town in northwestern Jessamine County. Frequent breaks and undersized lines have plagued this area for years.

PROJECT FINANCING:

Fund F Loan \$ 3,025,300
 TOTAL \$ 3,025,300

PROJECT BUDGET

Administrative Expenses \$ 25,000
 Legal Expenses 10,000
 Engineering Fees 456,800
 Construction 2,200,000
 Contingency 330,000
 Other 3,500
 TOTAL \$ 3,025,300

REPAYMENT

Rate 3.0% Est. Annual Payment \$ 209,817
 Term 20 years 1st Payment 6 Mo. after first draw

PROFESSIONAL SERVICES

Engineer Horne Engineering, Inc.
 Bond Counsel Peck, Shaffer, & Williams

PROJECT SCHEDULE

Bid Opening: May, 2012
 Construction Start: August, 2012
 Construction Stop: March, 2013

DEBT PER CUSTOMER

Existing: \$ 2,584
 Proposed: \$ 3,910

OTHER DEBT

See Attached

OTHER STATE-FUNDED PROJECTS LAST 5 YRS

See Attached

RESIDENTIAL RATES

	Users	Avg. Bill
Current	2,309	\$41.18 (for 4,000 gallons)
Additional	0	\$ 41.18 (for 4,000 gallons)

REGIONAL COORDINATION

This project is consistent with regional planning recommendations.

CASHFLOW

	Cash Available for		Income after Debt	
	Debt Service	Debt Service	Service	Coverage Ratio
Audited 2007	837,917	303,952	533,965	2.8
Audited 2008	594,385	539,078	55,307	1.1
Audited 2009	432,606	436,920	(4,314)	1.0
Audited 2010	605,516	471,537	133,979	1.3
Projected 2011	692,706	416,855	275,851	1.7
Projected 2012	682,680	452,918	229,762	1.5
Projected 2013	646,660	548,235	98,425	1.2
Projected 2014	631,180	610,032	21,148	1.0
Projected 2015	613,480	609,868	3,612	1.0

Reviewer: Kasi White
Date: November 10, 2011
Loan Number: F11-12

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER STATE REVOLVING FUND (FUND "F")
JESSAMINE SOUTH-ELKHORN WATER DISTRICT
JESSAMINE COUNTY
PROJECT REVIEW
WX21113029, WX21113039**

I. PROJECT DESCRIPTION

The Jessamine South-Elkhorn Water District is requesting a DWSRF loan in the amount of \$3,025,300 for the Northwest Main Replacement & Hydraulics and the Dixon Town Replacement. This project involves the replacement and upsizing of approximately 74,000 l.f. in areas that were originally constructed in 1972 and are currently experiencing numerous line breaks and water outages. Some of the existing stub mains will be extended to create appropriate looping configurations, thus increasing flow, residual peak flow pressure and water quality. Original meter services will be replaced with new service employing integral back flow preventers. Additionally, this project will replace, upgrade and provide fire protection through approximately 7,000 l.f. to the residents in the small community of Dixon Town in northwestern Jessamine County. Frequent breaks and undersized lines have plagued this area for years.

The District is regulated by the Kentucky Public Service Commission. Water is purchased from Kentucky American Water Company.

II. PROJECT BUDGET

	Total
Administrative Expenses	\$ 25,000
Legal Expenses	10,000
Engineering Fees	456,800
Construction	2,200,000
Contingency	330,000
Other	3,500
Total	\$ 3,025,300

III. PROJECT FUNDING

	Amount	%
Fund F Loan	\$ 3,025,300	100%
Total	\$ 3,025,300	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 3,025,300
Interest Rate	3.0%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 202,254
Administrative Fee (0.25%)	\$ 7,563
Total Estimated Annual Debt Service	\$ 209,817

V. PROJECT SCHEDULE

Bid Opening:	May, 2012
Construction Start:	August, 2012
Construction Stop:	March, 2013

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	2,239
Commercial	70
Total	2,309

B) Rates

The monthly charge for water utility service as of March, 2011 (11.6% increase from previous rate structure is:

	<u>Current</u>
First 2,000 Gallons (minimum)	\$26.24
Rates Per 1,000 Gallons	
Next 2,000 Gallons	7.47
Next 2,000 Gallons	7.37
Next 10,000 Gallons	7.27
Next 8,000 Gallons	7.17
Over 24,000 Gallons	7.07
Cost for 4,000 gallons	\$41.18
Increase %	11.6%
Affordability Index (Rate/MHI)	1.0%

A \$6.50 per month surcharge will be assessed to all Southeast users served by the water expansion project.

VII. DEMOGRAPHICS

In 2010, the County had a population of 45,551 with a Median Household Income (MHI) of \$48,577. The median household income for the Commonwealth is \$41,197. The project will qualify for a 3% interest rate.

VIII. 2011 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for Green Project Reserve (GPR) funding for \$3,025,300. The breakdown of the GPR to the respective "green" categories is listed below:
 - a. Green Infrastructure - \$0
 - b. Water Efficiency - \$3,025,300
 - c. Energy Efficiency - \$0
 - d. Environmentally Innovative - \$0

- 2) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from audited financial statements for the years ended December 31, 2007 through 2010. Amounts for 2011 are estimated. The Water and Sewer Divisions have been consolidated for reporting purposes. Water revenues are 84% of total revenue while sewer revenues are 11%.

HISTORICAL

Revenues increased 26% from \$1,913,256 in 2007 to \$2,407,531 in 2010. Water revenues increased 15%. A 10% increase in customers and a rate increase were partially offset by a 10% reduction in water sold from 2007 to 2010. Sewer revenues increased 244% due to an expansion in the area served. Operating expenses increased 53% from \$1,267,725 to \$1,950,072. The increases were comprised of purchased water 65%, water operating expenses 7% and sewer operating expenses 289%. The average unit cost for purchased water has increased by approximately 68% from \$2.14 per thousand gallons in 2007 to \$3.60 per thousand gallons in 2010. The debt coverage ratio was at or near 1.0 from 2007 through 2010.

At the end of 2010 the operating cash balance was approximately 2.4 months of operating expenses. Days' sales in accounts receivable was 20.0. Various restricted asset accounts are required by ordinance, external parties or by Board reserve. At the end of 2010 the District had \$952,258 in restricted accounts. The balance sheet reflects a debt to equity ratio of 0.4.

PROJECTED

- a) Revenues will increase 3% each year for growth. Water revenues in 2011 and 2012 reflect the 11.6% increase that was put into effect on March 17, 2011.
- b) Purchased water and operating expenses will increase 5% per year.
- c) Total debt service is estimated at \$548,235 beginning in 2013.

The debt coverage ratio is 1.2 in 2013 when principal and interest repayments begin. Based on the proforma assumptions, the utility shows adequate cash flow to repay the KIA Fund F loan.

REPLACEMENT RESERVE

The annual replacement cost is \$7,600. This amount should be added to the replacement account each December 1 until the balance reaches \$76,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA C91-01	\$ 287,500	2013
Farmer's Bank	334,773	2018
Farmer's Bank	433,212	2018
KIA F07-02 (i/a/o \$1.750M)	1,355,116	TBD
Series 2000A, 2000B 2008A, 2008B, 2009A Bonds	3,555,500	various
Total	\$ 5,966,101	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Rural Unserved Areas Project	HB1	217,422	Grant
Catnip Hill Pike Water Storage Tank	HB608	1,000,000	Grant

XII. CONTACTS

Applicant

Name Jessamine South-Elkhorn Water District
Address 801 S. Main Street, P.O. Box 731
Nicholasville, KY 40356
Contact L. Nicholas Strong
Phone (859) 621-6200
Email nickocis@aol.com

Applicant Contact and Engineer

Name John G. Horne, PE, PLS
Firm Horne Engineering, Inc.
Address 216 S. Main Street
Nicholasville, KY 40356
Phone (859) 885-9441
Email john@horneeng.com

XIII. RECOMMENDATIONS

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

**JESSAMINE SOUTH-ELKHORN WATER DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)**

ASSETS	Audited 2007	Audited 2008	Audited 2009	Audited 2010	Upon Completion 2012
Current Assets					
Cash	373,368	537,260	257,030	389,092	894,705
Accounts Receivable	91,854	141,928	103,403	132,013	151,000
Prepaid	9,196	11,381	11,603	11,828	12,000
Total Current Assets	474,418	690,569	372,036	532,933	1,057,705
Restricted Assets					
Customer Deposits	9,046	9,790	0	0	0
Construction Accounts	314,985	340,350	102,148	96,369	96,369
Board Designated Reserves	400,000	472,038	460,000	455,203	455,203
Bond Reserves	128,863	145,153	347,130	400,686	400,686
KIA Depreciation Reserve	0	0	0	0	22,600
Total Restricted Assets	852,894	967,331	909,278	952,258	974,858
Utility Plant					
Land, System, Building and Equipment	10,925,745	12,599,854	18,066,694	24,308,748	27,779,496
Construction in Process	836,130	4,290,291	5,045,178	50,564	0
Total	11,761,875	16,890,145	23,111,872	24,359,312	27,779,496
Less Accumulated Depreciation ()	(3,137,843)	(3,436,537)	(3,814,938)	(4,255,129)	(5,280,129)
Net Fixed Assets	8,624,032	13,453,608	19,296,934	20,104,183	22,499,367
Other Assets					
Unamortized Bond Costs and Discount, Net	58,764	48,719	38,674	61,873	36,873
Total Other Assets	58,764	48,719	38,674	61,873	36,873
Total Assets	10,010,108	15,160,227	20,616,922	21,651,247	24,568,803
LIABILITIES					
Current Liabilities					
Current Portion Long Term Debt	136,048	157,170	169,556	160,600	131,745
Accounts Payable and Accrued Expenses	177,061	322,085	151,175	337,198	175,000
Accrued Interest	2,510	2,191	41,960	30,825	35,000
Customer Deposits	8,810	29,635	15,610	22,915	22,500
Other	0	0	0	31,990	0
Total Current Liabilities	324,429	511,081	378,301	583,528	364,245
Long Term Liabilities					
Notes Payable	1,047,906	3,256,012	3,440,501	2,284,001	2,023,611
Revenue Bonds	2,119,500	2,080,000	2,043,500	3,521,500	3,847,384
Proposed KIA Loan	0	0	0	0	3,025,300
Total Long Term Liabilities	3,167,406	5,336,012	5,484,001	5,805,501	8,896,295
Total Liabilities	3,491,835	5,847,093	5,862,302	6,389,029	9,260,540
Retained Earnings:					
Invested in Capital Assets Net of Related Debt	5,320,578	7,960,426	13,643,377	14,138,082	13,471,327
Restricted	435,755	936,100	462,303	606,317	624,858
Unrestricted - Unreserved	361,940	(43,392)	159,727	171,225	862,078
Unrestricted - Board Designated	400,000	460,000	489,213	346,594	350,000
Total Retained Earnings	6,518,273	9,313,134	14,754,620	15,262,218	15,308,263
Total Liabilities and Equities	10,010,108	15,160,227	20,616,922	21,651,247	24,568,803
Balance Sheet Analysis					
Current Ratio	1.5	1.4	1.0	0.9	2.9
Debt to Equity	0.5	0.6	0.4	0.4	0.6
Working Capital	149,989	179,488	(6,265)	(50,595)	693,460
Percent of Total Assets in Working Capital	1.5%	1.2%	0.0%	-0.2%	2.8%
Days Sales in Accounts Receivable	17.5	24.8	19.5	20.0	20.0

EXHIBIT 1 JESSAMINE SOUTH-ELKHORN WATER DISTRICT CASH FLOW ANALYSIS (DECEMBER YEAR END)													
	Audited 2007	% Change	Audited 2008	% Change	Audited 2009	% Change	Audited 2010	% Change	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues													
Water Revenues	1,769,087	5%	1,862,297	-7%	1,736,749	17%	2,031,373	12%	2,269,044	2,402,920	2,489,430	2,379,050	2,671,900
Sewer Revenues	79,603	94%	154,387	-9%	140,822	95%	274,507	3%	282,742	291,220	298,790	306,560	314,530
Penalties	24,442	0%	24,450	-10%	22,123	19%	26,359	-5%	25,000	25,000	25,000	25,000	25,000
Service Charges	41,124	7%	43,931	-71%	12,882	-5%	12,246	-18%	10,000	10,000	10,000	10,000	10,000
Other	0		0		25,411		63,046		25,000	25,000	25,000	25,000	25,000
Total Revenues	1,913,256	9%	2,085,065	-7%	1,937,987	24%	2,407,531	8%	2,611,786	2,754,140	2,848,220	2,945,610	3,046,430
Operating Expenses													
Purchased Water	664,133	26%	835,313	10%	918,563	19%	1,093,845	5%	1,148,540	1,205,970	1,266,270	1,329,580	1,396,060
Water Operating Expenses	528,592	16%	611,382	6%	647,337	-13%	563,854	5%	592,050	621,650	662,730	685,370	719,640
Sewer Operating Expenses	75,000	83%	137,593	39%	190,934	53%	292,373	5%	306,990	322,340	338,460	355,380	373,150
Depreciation	302,800	-1%	298,694	12%	333,250	52%	505,445	1%	510,000	515,000	615,800	615,800	615,800
Replacement Reserve	0		0		0		0		0	0	22,600	22,600	22,600
Total Expenses	1,570,525	20%	1,862,982	11%	2,090,084	17%	2,455,517	4%	2,557,580	2,664,960	2,895,860	3,008,730	3,127,250
Net Operating Income	342,731	-41%	202,083	-175%	(152,097)	-68%	(47,986)	-213%	54,206	89,180	(47,640)	(63,120)	(80,820)
Non-Operating Income and Expenses													
Interest Income	24,240		22,938		12,333		6,791		3,500	3,500	3,500	3,500	3,500
Connection Fees	168,146		70,670		239,120		141,266		125,000	75,000	75,000	75,000	75,000
Total Non-Operating Income & Expenses	192,386	-51%	93,608	169%	251,453	-41%	148,057	-13%	128,500	78,500	78,500	78,500	78,500
Add Non-Cash Expenses													
Depreciation	302,800	-1%	298,694	12%	333,250	52%	505,445	1%	510,000	515,000	615,800	615,800	615,800
Cash Available for Debt Service	837,917	-29%	594,385	-27%	432,606	40%	605,516	14%	692,706	682,680	646,660	631,180	613,480
Debt Service (enter as positive #s)													
Existing Principal	133,211		341,136		156,120		169,556		160,445	168,945	131,745	73,845	76,445
Existing Interest	170,741		197,942		280,800		301,981		226,410	218,973	210,896	205,000	202,236
KIA F07-02									30,000	40,000	100,685	121,370	121,370
Proposed KIA Loan (F11-12)									25,000	25,000	104,909	209,817	209,817
Total Debt Service	303,952		539,078		436,920		471,537		416,855	452,918	548,235	610,032	609,868
Income After Debt Service	533,965		55,307		(4,314)		133,979		275,851	229,762	98,425	21,148	3,612
Debt Coverage Ratio	2.8		1.1		1.0		1.3		1.7	1.5	1.2	1.0	1.0

