

NUMBER
R-1

The holder of this Bond has consented to the issuance of \$432,000 of bonds ranking on a parity as to security and source of payment with this Bond.



The holder of this Bond has consented to the issuance of \$454,000 of bonds ranking on a parity as to security and source of payment with this Bond.

DOLLARS
\$150,000

UNITED STATES OF AMERICA COMMONWEALTH OF KENTUCKY HARLAN COUNTY

BLACK MOUNTAIN UTILITY DISTRICT

WATER AND SEWER REVENUE BONDS OF 1988
ANNUAL INTEREST RATE: 5%

KNOW ALL MEN BY THESE PRESENTS: That the Black Mountain Utility District (the "District"), acting by and through its Board of Commissioners, a public body corporate, organized and existing pursuant to Chapter 74 of the Kentucky Revised Statutes, in Harlan County, Kentucky, for value received, hereby promises to pay to UNITED STATES OF AMERICA, FARMERS HOME ADMINISTRATION, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the registered owner hereof, or to its registered assigns, solely from the special fund hereinafter identified, the sum of

ONE HUNDRED FIFTY THOUSAND DOLLARS (\$150,000)

on the first day of January, in years and installments as follows:

Year	Principal	Year	Principal	Year	Principal
1995	\$1,000	2008	\$2,500	2021	\$5,000
1996	1,500	2009	3,000	2022	5,000
1997	1,500	2010	3,000	2023	5,500
1998	1,500	2011	3,000	2024	5,500
1999	1,500	2012	3,000	2025	6,000
2000	2,000	2013	3,500	2026	6,500
2001	2,000	2014	3,500	2027	6,500
2002	2,000	2015	4,000	2028	7,000
2003	2,000	2016	4,000	2029	7,500
2004	2,000	2017	4,000	2030	7,500
2005	2,500	2018	4,500	2031	8,000
2006	2,500	2019	4,500	2032	8,500
2007	2,500	2020	4,500		

and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection

charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including Chapter 74 and Sections 58.010 through 58.140 of the Kentucky Revised Statutes (the "Act"), and pursuant to a duly adopted Bond Resolution of the District (the "Bond Resolution"), to which Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations, and duties of the District, for the purpose of financing the cost (not otherwise provided) of the acquisition and construction of the District's new waterworks system and a sewer system which systems have been combined and consolidated in the Bond Resolution into a single combined and consolidated revenue-producing public project or system (the "System").

FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF

This Bond is exempt from taxation in the Commonwealth of Kentucky.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed, precedent to and in the issuance of this Bond, do exist, have happened, and have been performed in due time, form, and manner as required by law and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky

IN WITNESS WHEREOF, said Black Mountain Utility District, in the Commonwealth of Kentucky, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is March 25, 1993.

Attest

Secretary

BLACK MOUNTAIN UTILITY DISTRICT
Harlan County Kentucky

By 
Chairman

This Bond, with the interest hereon, is payable from and secured by a first pledge of the gross revenues to be derived from the operation of the System, a sufficient portion of which gross revenues has been ordered set aside as a special fund and pledged for that purpose and identified as the "Black Mountain Utility District Water and Sewer Revenue Bond and Interest Sinking Fund".

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond, to finance future extensions, additions, and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Bond Resolution are in existence and properly certified.

This Bond does not in any manner constitute an indebtedness of the District within the meaning of the Statutes and Constitution of Kentucky, and the District is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The District, acting by and through its Commission, covenants that so long as any part of this Bond is unpaid, the System will be continuously owned and operated by the District as a revenue-producing public undertaking within the meaning of the aforesaid Statutes, for the security and source of payment of this Bond, and that the District will fix and, if necessary, adjust, from time to time, such rates and charges for the services and facilities of the System and collect and account for the income and revenues therefrom sufficient to pay the principal of and interest on this Bond promptly as the same become due, to pay the cost of operation and maintenance of the System, and to provide for the depreciation thereof.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 1999 in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of Five Hundred Dollars (\$500), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$500, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with the provisions of the Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by the Bond Resolution.

LEGAL OPINION

RUBIN HAYS & FOLEY
ATTORNEYS AT LAW
FIRST TRUST CENTRE
200 SOUTH FIFTH STREET
LOUISVILLE, KENTUCKY 40202

March 25, 1993

Re: Black Mountain Utility District Water and Sewer
Revenue Bonds of 1988, in the amount of \$150,000.

We have acted as Bond Counsel in connection with the issuance by the Black Mountain Utility District of Harlan County, Kentucky (the "District") of \$150,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds of 1988 (the "Bonds"), dated as of the date of this Legal Opinion, bearing interest at the interest rate specified in the Bonds, payable semiannually on January 1 and July 1 of each year, with principal amounts falling due on January 1 in each of the respective years, 1995 through 2032, inclusive.

Said Bonds are issued pursuant to Chapters 58, 74 and 106 of the Kentucky Revised Statutes and a Bond Resolution (the "Bond Resolution") duly adopted by the Commission of the District for the purpose of financing the cost of acquisition and construction to the existing combined and consolidated water and sewer system (the "System") of the District.

We have examined the transcript of proceedings of the District in connection with the issuance of the Bonds and the executed single, fully registered bond, number R-1, representing the total authorized principal amount of said Bonds, as issued and delivered, and an executed counterpart of the Bond Resolution.

Based on such examination, we are of the opinion that the Bonds are valid and legally binding and enforceable upon the District according to the import thereof and that the Bonds are secured by a first statutory mortgage lien against the System and are payable from a pledge of a fixed portion of the gross revenues of the System, and that a sufficient portion of said gross revenues has been ordered by the Commission to be set aside at least semiannually and pledged to the payment of the interest on and principal of the Bonds as the same become due. We express no opinion concerning the sufficiency of such revenues for that purpose.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with the Bonds, if necessary in order to complete the aforesaid acquisition and construction to the System. The District has also reserved the right to issue additional parity bonds to finance future extensions, additions and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Bond Resolution are in existence and properly certified.

Based on current rulings and official interpretations, and assuming that the District complies with certain covenants contained in the Bond Resolution made with respect to compliance with the provisions of the Internal Revenue Code of 1986 (the "Code"), including a covenant to comply with any and all requirements as to rebale (and reports with reference thereto) to the United States of America as to certain investment earnings on the proceeds of the Bonds, we are of the opinion that: (1) interest on the Bonds is excludable from gross income for federal income tax purposes; (2) the Bonds have been validly designated as "qualified tax-exempt obligations" by the District pursuant to the provisions of Section 265(b)(3) of the Code, thus permitting the deduction of a substantial portion of the interest incurred to purchase or carry the Bonds by financial institutions; (3) the Bonds are an issue of "state or local bonds" which are not "private activity bonds" within the meaning of Section 103 of the Code; (4) interest on the Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals; (5) interest on the Bonds may be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the environmental tax, the branch profits tax on foreign corporations, the effect on certain S Corporations with excess passive income, and other tax consequences to certain insurance companies; (6) interest on the Bonds will be included in adjusted current earnings when calculating the alternative minimum taxable income of corporations; (7) an individual who owns any of the Bonds may be required to include in gross income a portion of his or her Social Security or railroad retirement payments; (8) any taxpayer (individuals or corporations) owning the Bonds may have collateral tax consequences if they are deemed to have incurred or have continued to incur indebtedness to purchase or carry tax-exempt obligations; and (9) interest on the Bonds is exempt from Kentucky income taxes, and the principal of the Bonds is exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

No opinion is expressed regarding other federal income tax consequences caused by the receipt of interest on the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

It is provided in the consolidated Farm and Rural Development Act that if the Bonds are sold out of the Agricultural Credit Insurance Fund or out of the Rural Development Insurance Fund as an insured loan, the interest thereon paid to an insured owner shall be included in the taxable income of such owner.

PROVISION FOR REGISTRATION

This Bond shall be registered on the book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or his attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name and Address of Registered Owner	Signature of Secretary of the Black Mountain Utility District, Bond Registrar
March 25, 1993	UNITED STATES OF AMERICA, FARMERS HOME ADMINISTRATION 771 Corporate Drive, Suite 200 Lexington, Kentucky 40503 5477	

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto

_____ this _____ day of _____

By: _____

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF HARLAN

REGISTERED

NUMBER
AR-1

BLACK MOUNTAIN UTILITY DISTRICT

WATER AND SEWER REVENUE BONDS, SERIES 1995A

INTEREST RATE: 4.5%

REGISTERED

PRINCIPAL AMOUNT
\$225,000

KNOW ALL MEN BY THESE PRESENTS: That the Black Mountain Utility District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

TWO HUNDRED TWENTY-FIVE THOUSAND DOLLARS (\$225,000)

on the first day of January, in years and installments as follows:

Year	Principal	Year	Principal	Year	Principal
1998	\$2,000	2011	\$4,000	2024	\$ 7,500
1999	2,000	2012	4,000	2025	8,000
2000	2,500	2013	4,500	2026	8,000
2001	2,500	2014	4,500	2027	9,000
2002	2,500	2015	5,000	2028	9,000
2003	2,500	2016	5,000	2029	9,500
2004	3,000	2017	5,500	2030	9,500
2005	3,000	2018	5,500	2031	10,000
2006	3,000	2019	6,000	2032	10,500
2007	3,500	2020	6,000	2033	11,000
2008	3,500	2021	6,500	2034	12,000
2009	3,500	2022	7,000	2035	13,000
2010	4,000	2023	7,000		

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Series 1995A Bond until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series 1995A Bond is issued by the District in conjunction with \$207,000 of the District's Water and Sewer Revenue Bonds, Series 1995B (the "Series 1995B Bonds") under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond

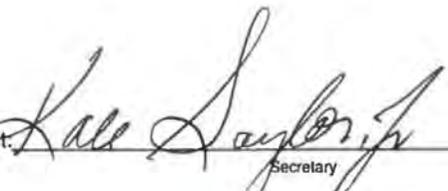
Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Series 1995A Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system of the District (said existing combined and consolidated waterworks and sewer system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Series 1995A Bond is issued on a parity as to security and source of payment with the Series 1995B Bonds and with certain outstanding Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Bonds of 1988"), authorized by a Resolution enacted by the Commission of the District on January 17, 1989 (the "1988 Bond Resolution"); and the outstanding Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994, dated December 15, 1994 (the "Bonds of 1994"), authorized by a Resolution enacted by the Commission of the District on September 13, 1994 (the "1994 Bond Resolution") (hereinafter the Bonds of 1988 and the Bonds of 1994 shall be collectively referred to as the "Prior Bonds", and the 1988 Bond Resolution and the 1994 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"). Accordingly, this Series 1995A Bond, together with the Prior Bonds, the Series 1995B Bonds and any bonds ranking on a parity herewith, is payable from and secured on a first lien basis by a pledge of the gross revenues to be derived from the operation of the System.

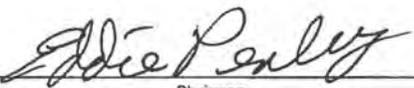
[FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF]

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 1995A Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Series 1995A Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Black Mountain Utility District, by its Board of Commissioners, has caused this Series 1995A Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date **September 7, 1995.**

Attest: 
Secretary

BLACK MOUNTAIN UTILITY DISTRICT
Harlan County, Kentucky

By: 
Chairman

This Series 1995B Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution; and this Series 1995B Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Black Mountain Utility District Water and Sewer Revenue Bond and Interest Sinking Fund", created in the 1988 Bond Resolution.

This Series 1995B Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds, the Series 1995A Bonds and/or this Series 1995B Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds, the Series 1995A Bonds and of this Series 1995B Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, the Series 1995A Bonds, this Series 1995B Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Series 1995B Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Series 1995B Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or his duly authorized attorney, which transfer shall be noted upon this Series 1995B Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2004, in inverse chronological order of the installments due on this Series 1995B Bond, the entire principal amount of this Series 1995B Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Series 1995B Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Series 1995B Bond.

So long as the registered owner of this Series 1995B Bond is the United States of America, or any agency thereof, the entire principal amount of this Series 1995B Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Series 1995B Bond, or upon failure by the District to comply with any other provision of this Series 1995B Bond or with any provision of the Current Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by said Current Bond Resolution.

LEGAL OPINION

Rubin Hays & Foley

ATTORNEYS AT LAW

First Trust Centre, 200 South Fifth Street, Louisville, Kentucky 40202
Telephone (502) 569-7550 Telefax (502) 569-7555

September 7, 1995

Re: Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1995A and Series 1995B (Kanvir Project)

We have acted as Bond Counsel in connection with the issuance by the Black Mountain Utility District of Harlan County, Kentucky (the "District") of \$225,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1995A and \$207,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1995B (collectively the "Current Bonds"), dated as of the date of this Legal Opinion, bearing interest at the interest rate specified in the Current Bonds, payable semiannually on January 1 and July 1 of each year, with principal amounts falling due on January 1 in each of the respective years, 1998 through 2035, inclusive.

Said Current Bonds are issued pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes and a Bond Resolution (the "Current Bond Resolution") duly adopted by the Commission of the District for the purpose of financing the cost of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system (the "System") of the District.

We have examined the transcript of proceedings of the District in connection with the issuance of the Current Bonds and the executed fully registered bonds, number AR-1 and BR-1, representing the total authorized principal amount of said Current Bonds, as issued and delivered, and an executed counterpart of the Current Bond Resolution.

Based on such examination, we are of the opinion that the Current Bonds are valid and legally binding and enforceable upon the District according to the import thereof and rank on a parity as to security and source of payment with the outstanding Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Series 1988 Bonds"), authorized by a Resolution adopted by the District on January 17, 1989 (the "1988 Bond Resolution"); and the outstanding Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994, dated December 15, 1994 (the "Series 1994 Bonds"), authorized by a Resolution adopted by the District on September 13, 1994 (the "1994 Bond Resolution") [hereinafter the Series 1988 Bonds and the Series 1994 Bonds shall be collectively referred to as the "Prior Bonds" and the 1988 Bond Resolution and the 1994 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"] and that the Current Bonds and the Prior Bonds are secured by and are payable from a pledge of a fixed portion of the gross revenues of the System, and that a sufficient portion of said gross revenues has been ordered by the Commission to be set aside at least semiannually and pledged to the payment of the interest on and principal of the Prior Bonds and the Current Bonds as the same become due. We express no opinion concerning the sufficiency of such revenues for that purpose.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with the Prior Bonds and the Current Bonds, if necessary in order to complete the aforesaid extensions, additions and improvements to the System. The District has also reserved the right to issue additional parity bonds to finance future extensions, additions and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Prior Bond Resolution and Current Bond Resolution are in existence and properly certified.

Based on current rulings and official interpretations, and assuming that the District complies with certain covenants contained in the Current Bond Resolution made with respect to compliance with the provisions of the Internal Revenue Code of 1986 (the "Code"), including a covenant to comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America as to certain investment earnings on the proceeds of the Current Bonds, we are of the opinion that: (1) interest on the Current Bonds is excludable from gross income for federal income tax purposes; (2) the Current Bonds have been validly designated as "qualified tax-exempt obligations" by the District pursuant to the provisions of Section 265(b)(3) of the Code; (3) the Current Bonds are an issue of "state or local bonds" which are not "private activity bonds" within the meaning of Section 103 of the Code; (4) interest on the Current Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals; (5) interest on the Current Bonds may be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the environmental tax, the branch profits tax on foreign corporations, the effect on certain Subchapter S Corporations with excess passive income, and other tax consequences to certain insurance companies; (6) interest on the Current Bonds will be included in adjusted current earnings when calculating the alternative minimum taxable income of corporations; (7) an individual who owns any of the Current Bonds may be required to include in gross income a portion of his or her social security or railroad retirement payments; (8) any taxpayer (individuals or corporations) owning the Current Bonds may have collateral tax consequences if they are deemed to have incurred or have continued to incur indebtedness to purchase or carry tax-exempt obligations; (9) interest on the Current Bonds is exempt from Kentucky income taxes; and (10) the principal of the Current Bonds is exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

No opinion is expressed regarding other federal income tax consequences caused by the receipt of interest on the Current Bonds.

It is to be understood that the rights of the holders of the Current Bonds and the enforceability of the Current Bonds and the Current Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter adopted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

It is provided in the Consolidated Farm and Rural Development Act that if the Current Bonds are sold out of the Agricultural Credit Insurance Fund or out of the Rural Development Insurance Fund as an insured loan, the interest thereon paid to an insured owner shall be included in the taxable income of such owner.

Rubin Hays & Foley

PROVISION FOR REGISTRATION

This Series 1995B Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Series 1995B Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name of Registered Owner	Signature of Bond Registrar
September 7, 1995	UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE 771 Corporate Plaza Lexington, Kentucky 40503-5477	<i>Kale Sawyer Jr.</i>

ASSIGNMENT

For value received, this Series 1995A Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto

_____ this _____ day of _____, 19____

By: _____

NUMBER
AR-1



DOLLARS
\$356,000

The holder of this Bond has consented to the issuance of \$32,000 of Bonds ranking on a parity as to security and source of payment with this Bond.

UNITED STATES OF AMERICA - COMMONWEALTH OF KENTUCKY COUNTY OF HARLAN

BLACK MOUNTAIN UTILITY DISTRICT
WATER AND SEWER REVENUE BONDS, SERIES 1994A
INTEREST RATE: 4.50%

KNOW ALL MEN BY THESE PRESENTS: That the Black Mountain Utility District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to UNITED STATES OF AMERICA - FARMERS HOME ADMINISTRATION, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

THREE HUNDRED FIFTY-SIX THOUSAND DOLLARS (\$356,000),

on the first day of January, in years and installments as follows

Year	Principal	Year	Principal	Year	Principal
1997	\$3,500	2010	\$ 6,000	2023	\$12,000
1998	3,500	2011	6,500	2024	12,000
1999	3,500	2012	7,000	2025	13,000
2000	4,000	2013	7,000	2026	13,500
2001	4,000	2014	7,500	2027	14,500
2002	4,000	2015	8,000	2028	15,000
2003	4,500	2016	8,500	2029	15,500
2004	4,500	2017	8,500	2030	16,500
2005	5,000	2018	9,500	2031	17,500
2006	5,000	2019	9,500	2032	18,500
2007	5,500	2020	10,000	2033	19,500
2008	5,500	2021	10,500	2034	20,500
2009	6,000	2022	11,000		

and in like manner solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid at the Interest Rate specified above, semiannually on the first days of January and July in each year beginning with the first January or July after the date of this Series 1994A Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable without deduction for exchange or collection charges in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District

This Series 1994A Bond is issued by the District in conjunction with \$98,000 of the District's Water and Sewer Revenue Bonds Series 1994B (the "Series 1994B Bonds") under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes collectively the "Act" and pursuant to a duly adopted Bond Resolution of the District authorizing same

(the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Series 1994A Bond, and the rights obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system of the District said existing combined and consolidated waterworks and sewer system together with said extensions, additions and improvements, being hereinafter referred to as the "System".

This Series 1994A Bond ranks on a parity as to security and source of payment with the Series 1994B Bonds and with certain outstanding Black Mountain Utility District Water and Sewer Revenue Bonds of 1988 dated March 25 1993 (the "Prior Bonds") authorized by a Resolution adopted by the Commission of the District on January 17, 1989 the "Prior Bond Resolution". Accordingly, this Series 1994A Bond, together with any bonds ranking on a parity herewith, is payable from and secured on a parity lien basis by a pledge of the revenues to be derived from the operation of the System.

This Series 1994A Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution; and this Series 1994A Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Black Mountain Utility District Water and Sewer Revenue Bond and Interest Sinking Fund" created in the Prior Bond Resolution.

FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF.

It is hereby certified recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 1994A Bond, do exist, have happened and have been performed in due time form and manner as required by law and that the face amount of this Series 1994A Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Black Mountain Utility District, by its Board of Commissioners, has caused this Series 1994A Bond to be executed by its Chairman its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Series 1994A Bond, which is

December 15, 1994

Attest:

Kale Taylor J.
Secretary

BLACK MOUNTAIN UTILITY DISTRICT
Harlan County, Kentucky

By *E. J. Penley*
Chairman

This Series 1994B Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds, the Series 1994A Bonds and/or this Series 1994B Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds, the Series 1994A Bonds and of this Series 1994B Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, the Series 1994A Bonds, this Series 1994B Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Series 1994B Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Series 1994B Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered

owner or his duly authorized attorney, which transfer shall be noted upon this Series 1994B Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2003, in inverse chronological order of the installments due on this Series 1994B Bond, the entire principal amount of this Series 1994B Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Series 1994B Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Series 1994B Bond.

So long as the registered owner of this Series 1994B Bond is the United States of America, or any agency thereof, the entire principal amount of this Series 1994B Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Series 1994B Bond, or upon failure by the District to comply with any other provision of this Series 1994B Bond or with any provision of the Current Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by said Current Bond Resolution.

LEGAL OPINION
RUBIN HAYS & FOLEY
 ATTORNEYS AT LAW
 FIRST TRUST CENTRE
 200 SOUTH FIFTH STREET
 LOUISVILLE, KENTUCKY 40202

December 15, 1994

Re: Black Mountain Utility District Water and Sewer Revenue Bonds,
 Series 1994A and Series 1994B

We have acted as Bond Counsel in connection with the issuance by the Black Mountain Utility District of Harlan County, Kentucky (the "District") of \$356,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994A and \$98,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994B (collectively the "Current Bonds"), dated as of the date of this Legal Opinion, bearing interest at the interest rate specified in the Current Bonds, payable semiannually on January 1 and July 1 of each year, with principal amounts falling due on January 1 in each of the respective years, 1997 through 2034, inclusive.

Said Current Bonds are issued pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes and a Bond Resolution (the "Current Bond Resolution") duly adopted by the Commission (the "Commission") of the District for the purpose of financing the cost of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system (the "System") of the District.

We have examined the transcript of proceedings of the District in connection with the issuance of the Current Bonds and the executed single, fully registered bonds, representing the total authorized principal amount of said Current Bonds, as issued and delivered, and an executed counterpart of the Current Bond Resolution.

Based on such examination, we are of the opinion that the Current Bonds are valid and legally binding and enforceable upon the District according to the import thereof and rank on a parity as to security and source of payment with the outstanding Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Prior Bonds"), authorized by a Resolution adopted by the District on January 17, 1989 (the "Prior Bond Resolution") and that the Current Bonds and the Prior Bonds are secured by and are payable from a pledge of a fixed portion of the revenues of the System, and that a sufficient portion of said revenues has been ordered by the Commission to be set aside at least semiannually and pledged to the payment of the interest on and principal of the Prior Bonds and the Current Bonds as the same become due. We express no opinion concerning the sufficiency of such revenues for that purpose.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with the Prior Bonds and the Current Bonds, if necessary in order to complete the aforesaid extensions, additions and improvements to the System. The District has also reserved the right to issue additional parity bonds to finance future extensions, additions and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Prior Bond Resolution and Current Bond Resolution are in existence and properly certified.

Based on current rulings and official interpretations, and assuming that the District complies with certain covenants contained in the Current Bond Resolution made with respect to compliance with the provisions of the Internal Revenue Code of 1986 (the "Code"), including a covenant to comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America as to certain investment earnings on the proceeds of the Current Bonds, we are of the opinion that: (1) interest on the Current Bonds is excludable

from gross income for federal income tax purposes; (2) the Current Bonds have been validly designated as "qualified tax-exempt obligations" by the District pursuant to the provisions of Section 265(b)(3) of the Code; (3) the Current Bonds are an issue of "state or local bonds" which are not "private activity bonds" within the meaning of Section 103 of the Code; (4) interest on the Current Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals; (5) interest on the Current Bonds may be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the environmental tax, the branch profits tax on foreign corporations, the effect on certain Subchapter S Corporations with excess passive income, and other tax consequences to certain insurance companies; (6) interest on the Current Bonds will be included in adjusted current earnings when calculating the alternative minimum taxable income of corporations; (7) an individual who owns any of the Current Bonds may be required to include in gross income a portion of his or her social security or railroad retirement payments; (8) any taxpayer (individuals or corporations) owning the Current Bonds may have collateral tax consequences if they are deemed to have incurred or have continued to incur indebtedness to purchase or carry tax-exempt obligations; (9) interest on the Current Bonds is exempt from Kentucky income taxes; and (10) the principal of the Current Bonds is exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

No opinion is expressed regarding other federal income tax consequences caused by the receipt of interest on the Current Bonds.

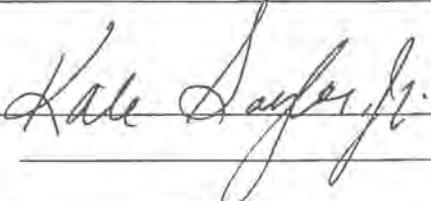
It is to be understood that the rights of the holders of the Current Bonds and the enforceability of the Current Bonds and the Current Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter adopted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

It is provided in the Consolidated Farm and Rural Development Act that if the Current Bonds are sold out of the Agricultural Credit Insurance Fund or out of the Rural Development Insurance Fund as an insured loan, the interest thereon paid to an insured owner shall be included in the taxable income of such owner.



PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Series 1994B Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name of Registered Owner	Signature of Bond Registrar
December 15, 1994	UNITED STATES OF AMERICA, FARMERS HOME ADMINISTRATION 771 Corporate Drive, Suite 200 Lexington, Kentucky 40503-5477	

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____

_____ this _____ day of _____

NUMBER
BR-1

The holder of this bond has consented to the issuance of \$432,000 of bonds ranking on a parity as to security and source of payment with this Bond.



DOLLARS
\$98,000

UNITED STATES OF AMERICA - COMMONWEALTH OF KENTUCKY - COUNTY OF HARLAN

BLACK MOUNTAIN UTILITY DISTRICT
WATER AND SEWER REVENUE BONDS, SERIES 1994B
INTEREST RATE: 4.50%

KNOW ALL MEN BY THESE PRESENTS: That the Black Mountain Utility District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to UNITED STATES OF AMERICA - FARMERS HOME ADMINISTRATION, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

NINETY-EIGHT THOUSAND DOLLARS (\$98,000),

on the first day of January, in years and installments as follows:

Year	Principal	Year	Principal	Year	Principal
1997	\$1,000	2010	\$1,800	2023	\$3,200
1998	1,100	2011	1,900	2024	3,300
1999	1,100	2012	2,000	2025	3,500
2000	1,200	2013	2,000	2026	3,600
2001	1,200	2014	2,200	2027	3,800
2002	1,300	2015	2,200	2028	4,000
2003	1,300	2016	2,400	2029	4,200
2004	1,400	2017	2,400	2030	4,300
2005	1,400	2018	2,600	2031	4,600
2006	1,500	2019	2,700	2032	4,800
2007	1,600	2020	2,800	2033	5,000
2008	1,600	2021	2,900	2034	5,200
2009	1,800	2022	3,100		

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the interest rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Series 1994B Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series 1994B Bond is issued by the District in conjunction with \$356,000 of the District's Water and Sewer Revenue Bonds, Series 1994A (the "Series 1994A Bonds") under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same

(the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Series 1994B Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system of the District (said existing combined and consolidated waterworks and sewer system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Series 1994B Bond ranks on a parity as to security and source of payment with the Series 1994A Bonds and with certain outstanding Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Prior Bonds"), authorized by a Resolution adopted by the Commission of the District on January 17, 1989 (the "Prior Bond Resolution"). Accordingly, this Series 1994B Bond, together with any bonds ranking on a parity herewith, is payable from and secured on a parity lien basis by a pledge of the revenues to be derived from the operation of the System.

This Series 1994B Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution, and this Series 1994B Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Black Mountain Utility District Water and Sewer Revenue Bond and Interest Sinking Fund", created in the Prior Bond Resolution.

FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 1994B Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Series 1994B Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Black Mountain Utility District, by its Board of Commissioners, has caused this Series 1994B Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Series 1994B Bond, which is

December 15, 1994

Attest

Kate Sawyer Jr.
 Secretary

BLACK MOUNTAIN UTILITY DISTRICT
 Harlan County, Kentucky

By *Edley Penley*
 Chairman

This Series 1994A Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds, the Series 1994B Bonds and/or this Series 1994A Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds, the Series 1994B Bonds and of this Series 1994A Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, the Series 1994B Bonds, this Series 1994A Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Series 1994A Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Series 1994A Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered

owner or his duly authorized attorney, which transfer shall be noted upon this Series 1994A Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2003, in inverse chronological order of the installments due on this Series 1994A Bond, the entire principal amount of this Series 1994A Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Series 1994A Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Series 1994A Bond.

So long as the registered owner of this Series 1994A Bond is the United States of America, or any agency thereof, the entire principal amount of this Series 1994A Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Series 1994A Bond, or upon failure by the District to comply with any other provision of this Series 1994A Bond or with any provision of the Current Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by said Current Bond Resolution.

LEGAL OPINION

RUBIN HAYS & FOLEY
ATTORNEYS AT LAW
FIRST TRUST CENTRE
200 SOUTH FIFTH STREET
LOUISVILLE, KENTUCKY 40202

December 15, 1994

Re: Black Mountain Utility District Water and Sewer Revenue Bonds,
Series 1994A and Series 1994B

We have acted as Bond Counsel in connection with the issuance by the Black Mountain Utility District of Harlan County, Kentucky (the "District") of \$356,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994A and \$98,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994B (collectively the "Current Bonds"), dated as of the date of this Legal Opinion, bearing interest at the interest rate specified in the Current Bonds, payable semiannually on January 1 and July 1 of each year, with principal amounts falling due on January 1 in each of the respective years, 1997 through 2034, inclusive.

Said Current Bonds are issued pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes and a Bond Resolution (the "Current Bond Resolution") duly adopted by the Commission (the "Commission") of the District for the purpose of financing the cost of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system (the "System") of the District.

We have examined the transcript of proceedings of the District in connection with the issuance of the Current Bonds and the executed single, fully registered bonds, representing the total authorized principal amount of said Current Bonds, as issued and delivered, and an executed counterpart of the Current Bond Resolution.

Based on such examination, we are of the opinion that the Current Bonds are valid and legally binding and enforceable upon the District according to the import thereof and rank on a parity as to security and source of payment with the outstanding Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Prior Bonds"), authorized by a Resolution adopted by the District on January 17, 1989 (the "Prior Bond Resolution") and that the Current Bonds and the Prior Bonds are secured by and are payable from a pledge of a fixed portion of the revenues of the System, and that a sufficient portion of said revenues has been ordered by the Commission to be set aside at least semiannually and pledged to the payment of the interest on and principal of the Prior Bonds and the Current Bonds as the same become due. We express no opinion concerning the sufficiency of such revenues for that purpose.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with the Prior Bonds and the Current Bonds, if necessary in order to complete the aforesaid extensions, additions and improvements to the System. The District has also reserved the right to issue additional parity bonds to finance future extensions, additions and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Prior Bond Resolution and Current Bond Resolution are in existence and properly certified.

Based on current rulings and official interpretations, and assuming that the District complies with certain covenants contained in the Current Bond Resolution made with respect to compliance with the provisions of the Internal Revenue Code of 1986 (the "Code"), including a covenant to comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America as to certain investment earnings on the proceeds of the Current Bonds, we are of the opinion that (1) interest on the Current Bonds is excludable

from gross income for federal income tax purposes; (2) the Current Bonds have been validly designated as "qualified tax-exempt obligations" by the District pursuant to the provisions of Section 265(b)(3) of the Code; (3) the Current Bonds are an issue of "state or local bonds" which are not "private activity bonds" within the meaning of Section 103 of the Code; (4) interest on the Current Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals; (5) interest on the Current Bonds may be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the environmental tax, the branch profits tax on foreign corporations, the effect on certain Subchapter S Corporations with excess passive income, and other tax consequences to certain insurance companies; (6) interest on the Current Bonds will be included in adjusted current earnings when calculating the alternative minimum taxable income of corporations; (7) an individual who owns any of the Current Bonds may be required to include in gross income a portion of his or her social security or railroad retirement payments; (8) any taxpayer (individuals or corporations) owning the Current Bonds may have collateral tax consequences if they are deemed to have incurred or have continued to incur indebtedness to purchase or carry tax-exempt obligations; (9) interest on the Current Bonds is exempt from Kentucky income taxes; and (10) the principal of the Current Bonds is exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

No opinion is expressed regarding other federal income tax consequences caused by the receipt of interest on the Current Bonds.

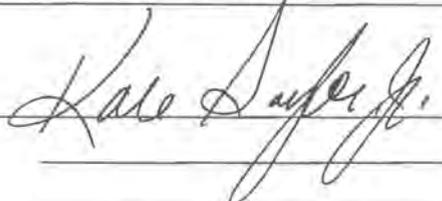
It is to be understood that the rights of the holders of the Current Bonds and the enforceability of the Current Bonds and the Current Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter adopted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

It is provided in the Consolidated Farm and Rural Development Act that if the Current Bonds are sold out of the Agricultural Credit Insurance Fund or out of the Rural Development Insurance Fund as an insured loan, the interest thereon paid to an insured owner shall be included in the taxable income of such owner.



PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Series 1994A Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name of Registered Owner	Signature of Bond Registrar
December 15, 1994	UNITED STATES OF AMERICA, FARMERS HOME ADMINISTRATION 771 Corporate Drive, Suite 200 Lexington, Kentucky 40503-5477	

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____

_____ , this _____ day of _____

By _____

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF HARLAN

REGISTERED

BLACK MOUNTAIN UTILITY DISTRICT

REGISTERED

WATER AND SEWER REVENUE BONDS, SERIES 1995B

INTEREST RATE: 4.5%

NUMBER
BR-1

PRINCIPAL AMOUNT
\$207,000

KNOW ALL MEN BY THESE PRESENTS: That the Black Mountain Utility District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

TWO HUNDRED SEVEN THOUSAND DOLLARS (\$207,000)

on the first day of January, in years and installments as follows:

Year	Principal	Year	Principal	Year	Principal
1998	\$2,000	2011	\$4,000	2024	\$ 7,000
1999	2,500	2012	4,000	2025	7,000
2000	2,500	2013	4,000	2026	7,500
2001	2,500	2014	4,500	2027	7,500
2002	2,500	2015	4,500	2028	8,000
2003	2,500	2016	5,000	2029	8,500
2004	3,000	2017	5,000	2030	9,000
2005	3,000	2018	5,000	2031	9,000
2006	3,000	2019	5,500	2032	9,500
2007	3,000	2020	5,500	2033	10,000
2008	3,500	2021	6,000	2034	10,500
2009	3,500	2022	6,000	2035	11,000
2010	3,500	2023	6,500		

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Series 1995B Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the District.

This Series 1995B Bond is issued by the District in conjunction with \$225,000 of the District's Water and Sewer Revenue Bonds, Series 1995A (the "Series 1995A Bonds") under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond

Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Series 1995B Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system of the District (said existing combined and consolidated waterworks and sewer system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

This Series 1995B Bond is issued on a parity as to security and source of payment with the Series 1995A Bonds and with certain outstanding Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Bonds of 1988"), authorized by a Resolution enacted by the Commission of the District on January 17, 1989 (the "1988 Bond Resolution"); and the outstanding Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994, dated December 15, 1994 (the "Bonds of 1994"), authorized by an Resolution enacted by the Commission of the District on September 13, 1994 (the "1994 Bond Resolution") [hereinafter the Bonds of 1988 and the Bonds of 1994 shall be collectively referred to as the "Prior Bonds", and the 1988 Bond Resolution and the 1994 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"]. Accordingly, this Series 1995B Bond, together with the Prior Bonds, the Series 1995A Bonds and any bonds ranking on a parity herewith, is payable from and secured on a first lien basis by a pledge of the gross revenues to be derived from the operation of the System.

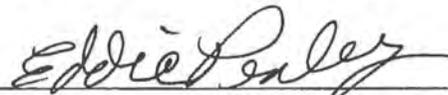
[FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF]

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Series 1995B Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Series 1995B Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Black Mountain Utility District, by its Board of Commissioners, has caused this Series 1995B Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Series 1995B Bond, which is **September 7, 1995.**

Attest: 
Secretary

BLACK MOUNTAIN UTILITY DISTRICT
Harlan County, Kentucky

By: 
Chairman

This Series 1995A Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution; and this Series 1995A Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Black Mountain Utility District Water and Sewer Revenue Bond and Interest Sinking Fund", created in the 1988 Bond Resolution.

This Series 1995A Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds, the Series 1995B Bonds and/or this Series 1995A Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds, the Series 1995B Bonds and of this Series 1995A Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay promptly the principal of and interest on the Prior Bonds, the Series 1995B Bonds, this Series 1995A Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereon.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Series 1995A Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Series 1995A Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or his duly authorized attorney, which transfer shall be noted upon this Series 1995A Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2004, in inverse chronological order of the installments due on this Series 1995A Bond, the entire principal amount of this Series 1995A Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Series 1995A Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Series 1995A Bond.

So long as the registered owner of this Series 1995A Bond is the United States of America, or any agency thereof, the entire principal amount of this Series 1995A Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Series 1995A Bond, or upon failure by the District to comply with any other provision of this Series 1995A Bond or with any provision of the Current Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by said Current Bond Resolution.

LEGAL OPINION

Rubin Hays & Foley

ATTORNEYS AT LAW

First Trust Centre, 200 South Fifth Street, Louisville, Kentucky 40202
Telephone (502) 569-7550 Telefax (502) 569-7555

September 7, 1995

Re: Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1995A and Series 1995B (Kenvir Project)

We have acted as Bond Counsel in connection with the issuance by the Black Mountain Utility District of Harlan County, Kentucky (the "District") of \$225,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1995A and \$207,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1995B (collectively the "Current Bonds"), dated as of the date of this Legal Opinion, bearing interest at the interest rate specified in the Current Bonds, payable semiannually on January 1 and July 1 of each year, with principal amounts falling due on January 1 in each of the respective years, 1998 through 2035, inclusive.

Said Current Bonds are issued pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes and a Bond Resolution (the "Current Bond Resolution") duly adopted by the Commission of the District for the purpose of financing the cost of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system (the "System") of the District.

We have examined the transcript of proceedings of the District in connection with the issuance of the Current Bonds and the executed fully registered bonds, number AR-1 and BR-1, representing the total authorized principal amount of said Current Bonds, as issued and delivered, and an executed counterpart of the Current Bond Resolution.

Based on such examination, we are of the opinion that the Current Bonds are valid and legally binding and enforceable upon the District according to the import thereof and rank on a parity as to security and source of payment with the outstanding Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Series 1988 Bonds"), authorized by a Resolution adopted by the District on January 17, 1989 (the "1988 Bond Resolution"); and the outstanding Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994, dated December 15, 1994 (the "Series 1994 Bonds"), authorized by a Resolution adopted by the District on September 13, 1994 (the "1994 Bond Resolution") [hereinafter the Series 1988 Bonds and the Series 1994 Bonds shall be collectively referred to as the "Prior Bonds" and the 1988 Bond Resolution and the 1994 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"] and that the Current Bonds and the Prior Bonds are secured by and are payable from a pledge of a fixed portion of the gross revenues of the System, and that a sufficient portion of said gross revenues has been ordered by the Commission to be set aside at least semiannually and pledged to the payment of the interest on and principal of the Prior Bonds and the Current Bonds as the same become due. We express no opinion concerning the sufficiency of such revenues for that purpose.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with the Prior Bonds and the Current Bonds, if necessary in order to complete the aforesaid extensions, additions and improvements to the System. The District has also reserved the right to issue additional parity bonds to finance future extensions, additions and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Prior Bond Resolution and Current Bond Resolution are in existence and properly certified.

Based on current rulings and official interpretations, and assuming that the District complies with certain covenants contained in the Current Bond Resolution made with respect to compliance with the provisions of the Internal Revenue Code of 1986 (the "Code"), including a covenant to comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America as to certain investment earnings on the proceeds of the Current Bonds, we are of the opinion that: (1) interest on the Current Bonds is excludable from gross income for federal income tax purposes; (2) the Current Bonds have been validly designated as "qualified tax-exempt obligations" by the District pursuant to the provisions of Section 265(b)(3) of the Code; (3) the Current Bonds are an issue of "state or local bonds" which are not "private activity bonds" within the meaning of Section 103 of the Code; (4) interest on the Current Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals; (5) interest on the Current Bonds may be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the environmental tax, the branch profits tax on foreign corporations, the effect on certain Subchapter S Corporations with excess passive income, and other tax consequences to certain insurance companies; (6) interest on the Current Bonds will be included in adjusted current earnings when calculating the alternative minimum taxable income of corporations; (7) an individual who owns any of the Current Bonds may be required to include in gross income a portion of his or her social security or railroad retirement payments; (8) any taxpayer (individuals or corporations) owning the Current Bonds may have collateral tax consequences if they are deemed to have incurred or have continued to incur indebtedness to purchase or carry tax-exempt obligations; (9) interest on the Current Bonds is exempt from Kentucky income taxes; and (10) the principal of the Current Bonds is exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

No opinion is expressed regarding other federal income tax consequences caused by the receipt of interest on the Current Bonds.

It is to be understood that the rights of the holders of the Current Bonds and the enforceability of the Current Bonds and the Current Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter adopted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

It is provided in the Consolidated Farm and Rural Development Act that if the Current Bonds are sold out of the Agricultural Credit Insurance Fund or out of the Rural Development Insurance Fund as an insured loan, the interest thereon paid to an insured owner shall be included in the taxable income of such owner.

Rubin Hays & Foley

PROVISION FOR REGISTRATION

This Series 1995A Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration blank, and this Series 1995A Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or its attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name of Registered Owner	Signature of Bond Registrar
September 7, 1995	UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE 771 Corporate Plaza Lexington, Kentucky 40503-5477	<i>Kale Sawyer Jr.</i>

ASSIGNMENT

For value received, this Series 1995A Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto

this _____ day of _____ 19____

By: _____

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF HARLAN

REGISTERED

NUMBER
R-1

BLACK MOUNTAIN UTILITY DISTRICT
WATER AND SEWER REVENUE BOND, SERIES 1998
INTEREST RATE: 4.50%

REGISTERED

PRINCIPAL AMOUNT
\$472,000

KNOW ALL MEN BY THESE PRESENTS: That the Black Mountain Utility District (the "District"), acting by and through its Board of Commissioners (the "Commission"), a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE, 771 Corporate Drive, Suite 200, Lexington, Kentucky 40503-5477, the registered owner hereof, or to its registered assigns, solely from the fund hereinafter identified, the sum of

FOUR HUNDRED SEVENTY-TWO THOUSAND DOLLARS (\$472,000)

on the first day of January, in years and installments as follows:

Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment	Payment Due January 1,	Principal Payment
2001	\$ 5,000	2014	\$9,000	2027	\$15,000
2002	5,000	2015	9,000	2028	16,000
2003	5,000	2016	10,000	2029	17,000
2004	6,000	2017	10,000	2030	17,000
2005	6,000	2018	10,000	2031	19,000
2006	6,000	2019	11,000	2032	19,000
2007	6,000	2020	11,000	2033	20,000
2008	7,000	2021	12,000	2034	21,000
2009	7,000	2022	12,000	2035	22,000
2010	7,000	2023	13,000	2036	3,000
2011	8,000	2024	13,000	2037	24,000
2012	8,000	2025	14,000	2038	26,000
2013	8,000	2026	15,000		

the United States of America, at the address of the registered owner shown on the registration book of the District.

This Bond is issued by the District under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Chapters 58 and 74 of the Kentucky Revised Statutes (collectively the "Act"), and pursuant to a duly adopted Bond Resolution of the District authorizing same (the "Current Bond Resolution"), to which Current Bond Resolution reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations and duties of the District, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system of the District (said existing combined and consolidated waterworks and sewer system, together with said extensions, additions and improvements, being hereinafter referred to as the "System").

[FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF]

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond, do exist, have happened and have been performed in due time, form and manner as required by law, and that the face amount of this Bond, together with all other obligations of the District, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said Black Mountain Utility District, by its Board of Commissioners, has caused this Bond to be executed by its Chairman, its corporate seal to be hereunto affixed, and attested by its Secretary, on the date of this Bond, which is **November 17, 1998.**

and in like manner, solely from said fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the Interest Rate specified above, semiannually on the first days of January and July in each year, beginning with the first January or July after the date of this Bond, until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of

BLACK MOUNTAIN UTILITY DISTRICT
Harlan County, Kentucky

Attest:

Kate Sawyer
Secretary



By:

Edw. Pealey
Chairman

This Bond ranks on a parity as to security and source of payment with certain outstanding (i) Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Bonds of 1988"), authorized by a Resolution adopted by the Commission of the District on January 17, 1989 (the "1988 Bond Resolution"); (ii) Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994A and 1994B, dated December 15, 1994 (the "Bonds of 1994"), authorized by a Resolution adopted by the Commission of the District on September 13, 1994 (the "1994 Bond Resolution"); and (iii) Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1995A and 1995B, dated September 7, 1995 (the "Bonds of 1995"), authorized by a Resolution adopted by the Commission of the District on May 16, 1995 (the "1995 Bond Resolution"); [hereinafter the Bonds of 1988, Bonds of 1994 and Bonds of 1995 shall be collectively referred to as the "Prior Bonds", and the 1988 Bond Resolution, the 1994 Bond Resolution and the 1995 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution".] Accordingly, this Bond, together with any bonds ranking on a parity herewith, is payable from and secured on a first lien basis by a pledge of the gross revenues to be derived from the operation of the System.

This Bond has been issued in full compliance with the Current Bond Resolution and the Prior Bond Resolution; and this Bond, and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current Bond Resolution and the Prior Bond Resolution, are and will continue to be payable from revenues which shall be set aside in a fund for that purpose and identified as the "Black Mountain Utility District Bond and Interest Sinking Fund", created in the Prior Bond Resolution.

This Bond does not constitute an indebtedness of the District within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Resolution, the District covenants that so long as any of the Prior Bonds and/or this Bond, are outstanding, the System will be continuously owned and operated by the District as a revenue producing public undertaking within the meaning of the aforesaid Act for the security and source of payment of the Prior Bonds and of this Bond, and that the District will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System and will collect and account for the revenues therefrom sufficient to pay

promptly the principal of and interest on the Prior Bonds, this Bond and all other bonds ranking on a parity therewith as may be outstanding from time to time, to pay the cost of operation and maintenance of the System and to provide for the depreciation thereof.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond in order to complete the Project, and to finance future extensions, additions and improvements to the System, provided the necessary requirements of the Current Bond Resolution have been complied with by the District.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the Secretary of the District as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the book of the District kept for that purpose.

The District, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 2008, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Hundred Dollars (\$100), as the District may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States of America, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$100, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the District to comply with any other provision of this Bond or with any provision of the Current Bond Resolution, the registered owner may, at his option, institute all rights and remedies provided by law or by said Current Bond Resolution.

LEGAL OPINION

Rubin & Hays

ATTORNEYS AT LAW

First Trust Centre, 200 South Fifth Street, Louisville, Kentucky 40202
Telephone (502) 569-7525 Telefax (502) 569-7555

November 17, 1998

Re: Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1998, in the amount of \$472,000

We have acted as Bond Counsel in connection with the issuance by the Black Mountain Utility District of Harlan County, Kentucky (the "District") of \$472,000 of its Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1998 (the "Current Bonds"), dated as of the date of this Legal Opinion, bearing interest at the interest rate specified in the Current Bonds, payable semiannually on January 1 and July 1 of each year, with principal amounts falling due on January 1 in each of the respective years, 2001 through 2038, inclusive.

Said Current Bonds are issued pursuant to Chapters 58 and 74 of the Kentucky Revised Statutes and a Bond Resolution (the "Current Bond Resolution") duly adopted by the Commission of the District for the purpose of financing the cost of extensions, additions and improvements to the existing combined and consolidated waterworks and sewer system (the "System") of the District.

We have examined the transcript of proceedings of the District in connection with the issuance of the Current Bonds and the executed single, fully registered bond, number R-1, representing the total authorized principal amount of said Current Bonds, as issued and delivered, and an executed counterpart of the Current Bond Resolution.

Based on such examination, we are of the opinion that the Current Bonds are valid and legally binding and enforceable upon the District according to the import thereof and rank on a parity as to security and source of payment with the outstanding (i) Black Mountain Utility District Water and Sewer Revenue Bonds of 1988, dated March 25, 1993 (the "Series 1988 Bonds"), authorized by a Resolution adopted by the District on January 17, 1989 (the "1988 Bond Resolution"); (ii) Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1994A and 1994B, dated December 15, 1994 (the "Series 1994 Bonds"), authorized by a Resolution adopted by the District on September 13, 1994 (the "1994 Bond Resolution"); and (iii) Black Mountain Utility District Water and Sewer Revenue Bonds, Series 1995A and 1995B, dated September 7, 1995 (the "Series 1995 Bonds"), authorized by a Resolution adopted by the District on May 16, 1995 (the "1995 Bond Resolution"); [hereinafter the Series 1988 Bonds, the Series 1994 Bonds and the Series 1995 Bonds shall be collectively referred to as the "Prior Bonds" and the 1988 Bond Resolution, the 1994 Bond Resolution and the 1995 Bond Resolution shall be collectively referred to as the "Prior Bond Resolution"] and that the Current Bonds and the Prior Bonds are secured by and are payable from a pledge of a fixed portion of the gross revenues of the System, and that a sufficient portion of said gross revenues has been ordered by the Commission to be set aside at least semiannually and pledged to the payment of the interest on and principal of the Prior Bonds

and the Current Bonds as the same become due. We express no opinion concerning the sufficiency of such revenues for that purpose.

The District has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with the Prior Bonds and the Current Bonds, if necessary in order to complete the aforesaid extensions, additions and improvements to the System. The District has also reserved the right to issue additional parity bonds to finance future extensions, additions and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Prior Bond Resolution and Current Bond Resolution are in existence and properly certified.

Based on current rulings and official interpretations, and assuming that the District complies with certain covenants contained in the Current Bond Resolution made with respect to compliance with the provisions of the Internal Revenue Code of 1986 (the "Code"), including a covenant to comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America as to certain investment earnings on the proceeds of the Current Bonds, we are of the opinion that: (1) interest on the Current Bonds is excludable from gross income for federal income tax purposes; (2) the Current Bonds have been validly designated as "qualified tax-exempt obligations" by the District pursuant to the provisions of Section 265(b)(3) of the Code; (3) the Current Bonds are an issue of "state or local bonds" which are not "private activity bonds" within the meaning of Section 103 of the Code; (4) interest on the Current Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals; (5) interest on the Current Bonds may be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the branch profits tax on foreign corporations, the effect on certain Subchapter S Corporations with excess passive income, and other tax consequences to certain insurance companies; (6) interest on the Current Bonds will be included in adjusted current earnings when calculating the alternative minimum taxable income of corporations; (7) an individual who owns any of the Current Bonds may be required to include in gross income a portion of his or her social security or railroad retirement payments; (8) any taxpayer (individuals or corporations) owning the Current Bonds may have collateral tax consequences if they are deemed to have incurred or have continued to incur indebtedness to purchase or carry tax-exempt obligations; (9) interest on the Current Bonds is exempt from Kentucky income taxes; and (10) the principal of the Current Bonds is exempt from ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

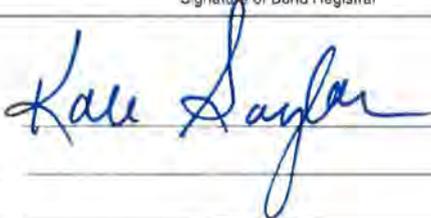
No opinion is expressed regarding other federal income tax consequences caused by the receipt of interest on the Current Bonds.

It is to be understood that the rights of the holders of the Current Bonds and the enforceability of the Current Bonds and the Current Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter adopted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

It is provided in the Consolidated Farm and Rural Development Act that if the Current Bonds are sold out of the Agricultural Credit Insurance Fund or out of the Rural Development Insurance Fund as an insured loan, the interest thereon paid to an insured owner shall be included in the taxable income of such owner.

PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the District kept for that purpose by the Secretary, as Bond Registrar, upon presentation hereof to said Secretary, who shall make notation of such registration in the registration book, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or by its attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name of Registered Owner	Signature of Bond Registrar
November 17, 1998	UNITED STATES OF AMERICA, acting by and through the U.S. DEPARTMENT OF AGRICULTURE 771 Corporate Drive, Suite 200 Lexington, Kentucky 40503-5477	

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____

_____ this _____ day of _____ 19 _____

By: _____

NUMBER

R-1

DOLLARS

\$296,000



UNITED STATES OF AMERICA — COMMONWEALTH OF KENTUCKY — COUNTY OF HARLAN

CITY OF WALLINS CREEK
WATERWORKS REVENUE BOND OF 1988

ANNUAL INTEREST RATE: 5%

KNOW ALL MEN BY THESE PRESENTS: That the City of Wallins Creek, acting by and through its Commission, a public body corporate in Harlan County, Kentucky, for value received, hereby promises to pay to UNITED STATES OF AMERICA FARMERS HOME ADMINISTRATION, the registered owner hereof, or to its registered assigns, solely from the special fund hereinafter identified, the sum of

TWO HUNDRED NINETY-SIX THOUSAND DOLLARS (\$296,000)

on the first day of January, in years and installments as follows:

Year	Principal	Year	Principal	Year	Principal
1990	\$3,000	2003	\$5,000	2016	\$10,000
1991	3,000	2004	6,000	2017	10,000
1992	3,000	2005	6,000	2018	11,000
1993	3,000	2006	6,000	2019	11,000
1994	3,000	2007	6,000	2020	12,000
1995	4,000	2008	7,000	2021	13,000
1996	4,000	2009	7,000	2022	13,000
1997	4,000	2010	7,000	2023	13,000
1998	4,000	2011	8,000	2024	14,000
1999	4,000	2012	8,000	2025	15,000
2000	5,000	2013	9,000	2026	15,000
2001	5,000	2014	9,000	2027	16,000
2002	5,000	2015	9,000		

without deduction for exchange or collection charges, in lawful money of the United States of America; and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, in like coin or currency, at the Annual Interest Rate specified above, semiannually on the first days of January and July in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both

principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, to the registered owner hereof, at the address shown on the registration book of the City.

This Bond is issued by the City pursuant to the Constitution and Statutes of the Commonwealth of Kentucky, including Chapter 106 and Section 82.082 of the Kentucky Revised Statutes, and pursuant to a duly enacted Bond Ordinance of the City, to which Bond Ordinance reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the holder or registered owner of this Bond, and the rights, obligations, and duties of the City, for the purpose of financing the cost (not otherwise provided) of the construction of a new municipal waterworks system (the "System") for the City.

FURTHER PROVISIONS OF THIS BOND ARE SET FORTH ON THE REVERSE HEREOF.

This Bond is exempt from taxation in the Commonwealth of Kentucky.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed precedent to and in the issuance of this Bond, do exist, have happened, and have been performed in due time, form, and manner as required by law and that the face amount of this Bond, together with all other obligations of the City, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, said City of Wallins Creek, in the Commonwealth of Kentucky, by its Commission, has caused this Bond to be executed by the Mayor of said City, its corporate seal to be hereunto affixed, and attested by its City Clerk, on the date of this Bond, which is August 24, 1988.

Attest:

CITY OF WALLINS CREEK, KENTUCKY

Linda Long
 City Clerk

By *Clifford Bailey*
 Mayor

This Bond, with the interest hereon, is payable from and secured by a first pledge of the gross income and revenues to be derived from the operation of the System, a sufficient portion of which income and revenues to pay the principal of and interest on this Bond and any additional parity bonds, has been ordered set aside as a special fund and pledged for that purpose and identified as the "City of Wallins Creek Waterworks Revenue Bond and Interest Sinking Fund."

The City has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond, to finance future extensions, additions, and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Bond Ordinance are in existence and properly certified.

This Bond does not in any manner constitute an indebtedness of the City within the meaning of the Statutes and Constitution of Kentucky, but is payable solely out of the revenues of the System, and the City is not and shall not be obligated to pay this Bond or the interest hereon except from said special fund. The City, acting by and through its Commission, covenants that so long as this Bond is outstanding, the System will be continuously owned and operated by the City as a revenue-producing undertaking, within the meaning of the aforesaid Statutes, for the security and source of payment of this Bond, and that the City will fix and revise such rates and charges for the services and facilities of the System and collect and account for the income and revenues therefrom sufficient to pay the principal of and interest on this Bond promptly as the same become due, to pay the cost of operation and maintenance of the System, and to provide for the depreciation thereof.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the City Clerk as the Bond Registrar, with a written assignment duly acknowledged by the registered owner or his duly authorized attorney, which assignment shall be noted upon this Bond and upon the book of the City kept for that purpose.

The City, at its option, shall have the right to prepay, on any interest payment date on and after January 1, 1998, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Thousand Dollars (\$1,000), as the City may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least thirty days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States Government, or any agency thereof, the entire principal amount of this Bond, or installments in a multiple of \$1,000, may be prepaid at any time in inverse chronological order of the installments due.

A first statutory mortgage lien upon the System is created by Section 106.080 of the Kentucky Revised Statutes and by the aforesaid Bond Ordinance, to and in favor of the registered owner of this Bond, and same is hereby recognized as valid and binding; and said System and all appurtenances thereof and extensions thereto shall remain subject to said statutory mortgage lien until payment in full of the principal of and interest on this Bond.

Upon default in the payment of any principal or interest payment on this Bond or upon failure by the City to comply with any other provision of this Bond or with the provisions of the Bond Ordinance, the registered owner may, at his option, institute all rights and remedies provided by law or by said Ordinance.

RUBIN & HAYS

ATTORNEYS AT LAW

SECOND FLOOR NORTH, FIRST TRUST CENTRE

200 SOUTH FIFTH STREET

LOUISVILLE, KENTUCKY 40202

TELEPHONE (502) 585-2153

August 24, 1988

Re: City of Wallins Creek (Harlan County, Kentucky) Waterworks Revenue Bonds of 1988, in the amount of \$296,000.

We hereby certify that we have examined a transcript of the proceedings of the Commission of the City of Wallins Creek, Harlan County, Kentucky, in connection with the issuance by said City of the above-styled Bonds (the "Bonds") in the principal amount of \$296,000, dated as of the date of this legal opinion, bearing interest from that date at the annual rate of interest set forth in the Bonds, payable semiannually on January 1 and July 1 of each year, with principal installments falling due on January 1 in each of the respective years 1990 through 2027, provided, however, principal installments falling due on or after January 1, 1999, are optional for prepayment prior to maturity on any interest payment date falling on or after January 1, 1998, in the manner and upon the terms provided in said Bonds.

Said Bonds are issued pursuant to a Bond Ordinance (the "Bond Ordinance") duly enacted by the Commission of the City for the purpose of defraying the cost (not otherwise provided) of the construction of a new waterworks system (the "System") for said City.

We are of the opinion that such proceedings show lawful authority for said issue under the laws of the Commonwealth of Kentucky, including Section 82.082 and Chapter 106 of the Kentucky Revised Statutes, and the proceedings of said City Commission now in force; provided, however, that said Bonds have been initially issued in the form of a single, Fully Registered Installment Bond, payable to the registered owner (initially the Farmers Home Administration), numbered R-1.

We further certify that we have examined said executed single, Fully Registered Installment Bond, numbered R-1, in the amount of \$296,000, as issued and delivered, and an executed counterpart of the Bond Ordinance of the City authorizing same. Based on such examination, it is our opinion that said issue, in the amount stated, is valid and legally binding upon said City according to the import thereof, is secured by a first statutory mortgage lien against, and is payable from a first pledge of the gross revenues of the System, a sufficient portion of said revenues having been ordered set aside and pledged to the payment of the interest on and principal installments of said Bond as the same become due. We express no opinion as to the sufficiency of such revenues for the purpose of meeting such requirements.

The City has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with said Bond, if necessary in order to complete the aforesaid construction. The City has also reserved the right to issue additional parity bonds to finance future extensions, additions, and/or improvements to said System, provided the necessary showings as to the earnings coverage required by the Bond Ordinance are in existence and properly certified.

Based on current rulings and official interpretations, and assuming that the City complies with certain covenants set forth in the Current Bond Ordinance as to compliance with the Internal Revenue Code of 1986 (the "Code"), and in particular the requirement to rebate to the United States certain investment income pursuant to Section 148 of the Code, if applicable, it is our opinion that (a) the receipt of interest on the Current Bonds will be excludable from gross income for Federal income tax purposes and will be exempt from Kentucky income taxes, and the Current Bonds will be exempt from Kentucky ad valorem taxes; (b) the Current Bonds are an issue of "state and local bonds" which are not "private activity bonds" within the meaning of Section 103 of the Code, and (c) the interest thereon is not included as an item of tax preference in calculating the alternative minimum tax for individuals.

The City has validly designated the Current Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code relating to the deductibility of interest incurred to carry tax-exempt bonds by financial institutions.

The excludability of interest on the Current Bonds from gross income for Federal income taxation is subject to the qualifications that such interest may be taken into account in the computation of certain taxes that may be imposed with respect to corporations, including, without limitation, the environmental tax, the branch profits tax on foreign corporations, the effect on certain S Corporations with excess passive income, and other tax consequences to certain insurance companies, and that such interest will be included in adjusted net book income and adjusted current earnings when calculating alternative minimum taxable income of corporations.

It is provided in the Consolidated Farm and Rural Development Act that if said Current Bonds are sold out of the Agricultural Credit Insurance Fund or out of the Rural Development Insurance Fund as an insured loan, the interest thereon paid to an insured holder shall be included in taxable income of such holder.

Rubin & Hays

PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the City kept for that purpose by the City Clerk, as Bond Registrar, upon presentation hereof to said City Clerk, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or his attorney, such transfer to be made on said book and endorsed hereon.

Date of Registration	Name and Address of Registered Owner	Signature of the City Clerk of the City of Wallins Creek, Kentucky, Bond Registrar
August 24, 1988	UNITED STATES OF AMERICA, FARMERS HOME ADMINISTRATION 333 Waller Avenue Lexington, Kentucky 40504	<i>Lorida Long</i>

ASSIGNMENT

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto _____

this _____ day of _____,

By _____

2

ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
BLACK MOUNTAIN UTILITY 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 Black Mountain Utility District (the "Governmental Agency"), dated as of December 1, 2009

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

DISTRIBUTION LIST

Mr. Raymond Cox, Chairman
Black Mountain Utility District
609 Fourmile Road
Baxter, Kentucky 40806

Ms. Kasi White
Kentucky Infrastructure Authority
1024 Capital Center Drive
Suite 340
Frankfort, Kentucky 40601

Ms. Cathy Arnett
SRF Section
Division of Water
Energy and Environmental Cabinet
200 Fair Oaks, 4th Floor
Frankfort, Kentucky 40601

Mr. Charles Lush, Jr
U.S. Bank National Association
Corporate Trust Services
Locator CN-KY-0850
One Financial Square
Louisville, Kentucky 40202

Dirk M. Bedarff, Esq.
Peck, Shaffer & Williams LLP
50 East Rivercenter Blvd.
Suite 1150
Covington, Kentucky 41011

SIDNEY B. DOUGLASS

ATTORNEY AT LAW
117 SOUTH SECOND STREET
P. O. DRAWER 839
HARLAN, KENTUCKY 40831-0839

Telephone (606) 573-1985

Fax (606) 573-6413

December 8, 2009

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

Re: Assistance Agreement by and
between Kentucky Infrastructure
Authority and Black Mountain
Utility District, dated as of December
1, 2009

Dear Sir or Madam:

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 Black Mountain Utility 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

December 8, 2009

Re: Assistance Agreement by and between Kentucky Infrastructure Authority and Black Mountain Utility District, dated as of December 1, 2009

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

Page 3

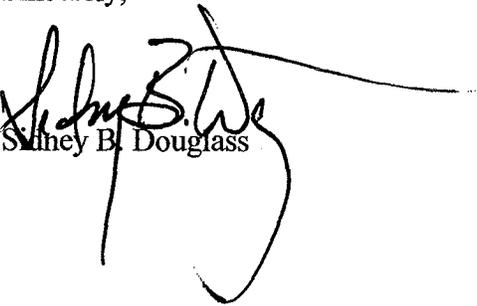
December 8, 2009

Re: Assistance Agreement by and between Kentucky Infrastructure Authority and Black Mountain Utility District, dated as of December 1, 2009

construction of the Project.

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

Sincerely,



Sidney B. Douglass

SBD/rrf

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

GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY

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

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

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

3. The Governmental Agency is a duly organized and validly existing municipal corporation 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 8th day of December, 2009.

**GOVERNMENTAL AGENCY:
BLACK MOUNTAIN UTILITY DISTRICT**

By: Raymond Cox
Name: Raymond Cox
Title: Chairman

Attest:

By: [Signature]
Name: [Signature]
Title: Secretary

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

FUND F

PROJECT NUMBER:	F2 09-10
BORROWER:	Black Mountain Utility District
BORROWER'S ADDRESS:	609 Fourmile Road Baxter, Kentucky 40806
DATE OF ASSISTANCE AGREEMENT:	December 1, 2009
CFDA NO.:	66.468

ASSISTANCE AGREEMENT

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1. Representations and Warranties of Authority6
SECTION 2.2. Representations and Warranties of the Governmental Agency6

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

SECTION 3.1. Determination of Eligibility9
SECTION 3.2. Principal Amount of Loan Established; Loan Payments;
Disbursement of Funds9
SECTION 3.3. Governmental Agency's Right to Prepay Loan9
SECTION 3.4. Subordination of Loan9

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT;
REQUISITION FOR FUNDS

SECTION 4.1. Covenants of Governmental Agency and Conditions of Loan 11
SECTION 4.2. Additional Conditions to Disbursement Required
Under the Federal Agreement and ARRA 13
SECTION 4.3. Disbursements of Loan; Requisition for Funds 15

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 16
SECTION 5.2. Governmental Agency's Obligation to Repay Loan 16
SECTION 5.3. Covenant to Adjust Service Charges 16
SECTION 5.4. Adequacy of Service Charges 16
SECTION 5.5. Covenant to Establish Maintenance and Replacement Reserve 17
SECTION 5.6. Covenant to Charge Sufficient Rates; Reports; Inspections 17
SECTION 5.7. Segregation of Funds 17

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

SECTION 6.1.	Further Assurance	18
SECTION 6.2.	Completion of Project	18
SECTION 6.3.	Establishment of Completion Date	18
SECTION 6.4.	Commitment to Operate.....	18
SECTION 6.5.	Continue to Operate	18
SECTION 6.6.	Tax Covenant	18
SECTION 6.7.	Accounts and Reports	18
SECTION 6.8.	Financial Statements	19
SECTION 6.9.	General Compliance With All Duties	19
SECTION 6.10.	General	19
SECTION 6.11.	Further Covenants Under the Federal Agreement	19
SECTION 6.12.	Covenants Under ARRA.....	19
SECTION 6.13	Continuing Disclosure Obligation	21

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

SECTION 7.1.	Maintenance of System	22
SECTION 7.2.	Additions and Improvements	22
SECTION 7.3	System Not to be Disposed of.....	22
SECTION 7.4.	Compliance with State and Federal Standards.....	22
SECTION 7.5.	Access to Records	22
SECTION 7.6.	Covenant to Insure - Casualty.....	22
SECTION 7.7.	Authority as Named Insured	23
SECTION 7.8.	Covenant to Insure - Liability	23
SECTION 7.9.	Covenant Regarding Workers' Compensation	23
SECTION 7.10.	Application of Casualty Insurance Proceeds.....	23
SECTION 7.11.	Eminent Domain	23
SECTION 7.12.	Flood Insurance.....	24

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1.	Events of Default Defined.....	25
SECTION 8.2.	Remedies on Default	25
SECTION 8.3.	Appointment of Receiver	26
SECTION 8.4.	No Remedy Exclusive.....	26
SECTION 8.5.	Consent to Powers of Authority Under Act	26
SECTION 8.6.	Waivers	26
SECTION 8.7.	Agreement to Pay Attorneys' Fees and Expenses	26

ARTICLE IX

MISCELLANEOUS PROVISIONS

SECTION 9.1.	Approval not to be Unreasonably Withheld.....	27
SECTION 9.2.	Approval.....	27
SECTION 9.3.	Effective Date and Early Termination	27
SECTION 9.4.	Binding Effect	27
SECTION 9.5.	Severability	27
SECTION 9.6.	Assignability	27
SECTION 9.7.	Execution in Counterparts.....	27
SECTION 9.8.	Applicable Law	27
SECTION 9.9.	Captions	27
SIGNATURES		28
EXHIBIT A - PROJECT SPECIFICS		A-1
EXHIBIT B - REQUISITION FORM		B-1
EXHIBIT C - SCHEDULE OF SERVICE CHARGES.....		C-1
EXHIBIT D – MUNICIPAL ORDER/RESOLUTION		D-1
EXHIBIT E - LEGAL OPINION.....		E-1
EXHIBIT F - SCHEDULE OF PAYMENTS.....		F-1
EXHIBIT G - ADDITIONAL COVENANTS AND AGREEMENTS		G-1
EXHIBIT H - BUSINESS CASE REQUIREMENT.....		H-1

ASSISTANCE AGREEMENT

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

WITNESSETH

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

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

WHEREAS, the Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of November 1, 1998, as amended, supplemented or restated from time to time (the "Federal Agreement"), under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of February 1, 2000 (the "Indenture") between the Authority and U.S. Bank, National Association, as lawful successor in interest to National City Bank of Kentucky (the "Trustee"), in order to provide the "match funding" for the Program; and

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

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

WHEREAS, the Authority is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency

herein contained to repay the Loan and the interest thereon from the sources herein provided, all as hereinafter more specifically provided; and

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

"*Commonwealth*" shall mean the Commonwealth of Kentucky.

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

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

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

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

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

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

"*Indenture*" shall mean the General Trust Indenture dated as of February 1, 2000 between the Authority and the Trustee.

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

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

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

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

"*Program*" shall mean the program authorized by KRS 224A.1115 and the Indenture as the "federally assisted drinking water revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"*Project*" shall mean, when used generally, a Drinking Water Supply Project, and when used in specific reference to the Governmental Agency, the Project described in the Project Specifics.

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

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

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

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

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

"*Schedule of Service Charges*" shall mean those general charges to be imposed by the Governmental Agency for services provided by the System, as set forth in Exhibit C hereto, and such other revenues identified in Exhibit C hereto from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority prior to the disbursement of any portion of the Loan hereunder.

"*Service Charges*" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the System, which Service Charges arise by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charges shall be no less than those set forth in the Schedule of Service Charges.

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to proceed with the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the Construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

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

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

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

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

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

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

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

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

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

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

The Authority shall advance the proceeds of the Loan as Construction of the Project progresses upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Each such Requisition of Funds shall be accompanied by a Buy-American Certification in substantially the same form as Exhibit B-1 attached hereto. Each disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Loan Rate from the date of the disbursement; and shall be subject to the further requirements set forth in Article IV hereof.

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

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

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

Section 3.4. Subordination of Loan. The Authority hereby agrees that, subject to compliance by the Governmental Agency with any covenants and conditions set forth in Exhibit G hereto, the source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics and all such Debt Obligations that may hereafter be issued on a parity with the Debt Obligations identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.6 (D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers for the Governmental Agency and approved by state and federal agencies.

(O) The Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the American Recovery and Reinvestment Act in the financing of the Project.

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

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

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

(S) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and Exhibit B-1 and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

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

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

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

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

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

ARTICLE V

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

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

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

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

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

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment

period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies.

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

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

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

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

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

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

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

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

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

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

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

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

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

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

Section 6.8. Financial Statements. Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity. All recipients and subrecipients expending \$500,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with OMB Circular A-133.

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

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

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

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

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

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

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

(1) Federal Cross-Cutters

Environmental Authorities

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

Economic and Miscellaneous Authorities

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

Social Policy Authorities

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

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

(2) State:

- (a) KRS 224
- (b) KRS 224A.1115 Federally Assisted Drinking Water Revolving Fund
- (c) KRS Chapter 337, Labor Laws
- (d) 401 KAR Chapter 5

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

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

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

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

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

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

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

Section 7.3. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 7.4. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

Section 7.5. Access to Records. The Governmental Agency agrees that it will permit the Authority and any state or federal agency and their respective agents to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the Project at any reasonable time following completion of construction of the Project, and commencement of operations thereof.

Section 7.6. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

Section 7.7. Authority as Named Insured. Any insurance policy issued pursuant to Section 7.5 hereof, shall be so written or endorsed as to make losses, if any, payable to the Governmental Agency, and to the Authority, as their interests may appear.

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

Section 7.9. Covenant Regarding Worker's Compensation. Throughout the entire term of this Assistance Agreement, the Governmental Agency shall maintain worker's compensation coverage, or cause the same to be maintained.

Section 7.10. Application of Casualty Insurance Proceeds. If, prior to the completion of the term of this Assistance Agreement, the Project shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Governmental Agency pursuant to the terms of this Assistance Agreement and the Governmental Agency will (1) promptly repair, rebuild or restore the Project damaged or destroyed; and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Governmental Agency necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Governmental Agency, and shall be promptly applied as herein provided.

Section 7.11. Eminent Domain. In the event that title to, or the temporary use of, the Project, or any part thereof, shall be taken under the exercise of the power of eminent domain by any governmental body or by any Person acting under governmental authority, there shall be no abatement or reduction in the minimum amounts payable by the Governmental Agency to the Authority pursuant to the terms of this Assistance Agreement, and any and all net proceeds received from any award made in such eminent domain proceedings shall be paid to and held by the Governmental Agency in a separate condemnation award account and shall be applied by the Governmental Agency in either or both of the following ways, as shall be determined by the Governmental Agency in its sole discretion:

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

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

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.11, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has

complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

Section 8.2. Remedies on Default. Whenever any Event of Default referred to in Section 8.1 has occurred and is continuing (other than an event of default arising under Section 6.13 of this Assistance Agreement), the Authority may, without any further demand or notice, take one or any combination of the following remedial steps:

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

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

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

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

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

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

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

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

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

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

ARTICLE IX

MISCELLANEOUS PROVISIONS

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

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

Section 9.3. Effective Date and Early Termination. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied. Notwithstanding the foregoing, in the event the Project Commencement Date shall not have occurred on or prior to February 16, 2010, this Assistance Agreement shall terminate on February 17, 2010.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, without the written consent of the other party.

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

Section 9.6. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. Execution in Counterparts. This Assistance Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

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

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

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

ATTEST:

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

Sandy Williams

By: [Signature]

Title: SECRETARY

Title: EXECUTIVE DIRECTOR

ATTEST:

**GOVERNMENTAL AGENCY:
BLACK MOUNTAIN UTILITY DISTRICT**

[Signature]
Title: Secretary

By: Raymond Cox
Title: Chairman

APPROVED:

EXAMINED:

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

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

ENERGY AND ENVIRONMENT
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

E. Jeffrey Moley
APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
BLACK MOUNTAIN UTILITY DISTRICT
PROJECT SPECIFICS
F2 09-10

GOVERNMENTAL AGENCY:

Name: BLACK MOUNTAIN UTILITY DISTRICT
609 Fourmile Road
Baxter, Kentucky 40806

Contact
Person: Raymond Cox
606-573-1277

SYSTEM: Drinking Water

PROJECT: The Black Mountain Utility District is requesting \$500,000 in ARRA funding from the Drinking Water SRF to complete the KY 38 Klondike waterline extension project. The project includes approximately 7 miles of 3, 4 and 6" water lines east of Louellen along Highway 38 toward the Virginia state line, two 50,000 gallon water storage tanks and three booster pump stations.

PROJECT BUDGET:

	<u>Total</u>
Administrative Expenses	\$ 65,000
Legal Expenses	\$ 20,000
Land, Easements	\$ 20,000
Engineering Fees	\$ 306,500
Construction	\$ 2,015,000
Contingency	\$ 201,500
Other	\$ 22,000
Total	<u>\$ 2,650,000</u>

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund F Loan	\$ 500,000	19%
HB 608 (52C-2008)	\$ 1,150,000	43%
HB 410 (#202)	\$ 1,000,000	38%
Total	<u>\$ 2,650,000</u>	<u>100%</u>

**Kentucky Association of Counties
All Lines Fund
380 King's Daughters Drive
Frankfort, KY 40601
Declarations Page**

Policy Number P&C2101

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

Insured Name and Address

Black Mountain Utility District
609 Four Mile Road
Baxter, KY 40806

For customer service please call
(800)264-5226

Issued: 12/14/2009

Business Description Utilities

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

Coverage			Deductible
General Liability (Per OCC/AGG)	3,000,000	5,000,000	0
Law Enforcement (Per OCC/AGG)	NCD	NCD	NCD
Errors/Omissions (Per OCC/AGG)	3,000,000	3,000,000	1,000
Employment Practices (Per claim/AGG)	3,000,000	3,000,000	1,000
Auto Liability (CSL)	3,000,000		
Auto Comprehensive	ACV		500
Auto Collision	ACV		500
P.I.P. (No Fault)	10,000	10,000	0
Under Insured/Un-Insured	60,000	60,000	0
Non Owned Auto Coverage	Primary		
Property/Buildings	As Per Statement on File		1,000
Personal Property	As Per Statement on File		1,000
Boiler & Machinery	15,000,000		1,000
Inland Marine & EDP	As Per Statement on File		1,000
Business Income	500,000		0
Flood	1,000,000		0
Earthquake	N/A	N/A	N/A
Crime (Other than Employee Dishonesty)	150,000		500
Employee Dishonesty (Policy #: CIC1064)	150,000		250
Legal Defense Coverage	100,000		0

Authorized
Representative

Kris Danna

Date 12/14/2009

Kentucky Association of Counties All Lines Fund Trust
Kentucky's Counties Working Together

SCHEDULE OF ADDITIONAL COVERAGES

ADDITIONAL COVERAGE	LIMIT OF INSURANCE	DEDUCTIBLE
Accounts Receivable	\$500,000	Included
Animals	\$ 1,000	Included
Architect Fees	Included	Included
Arson Reward	\$ 15,000	None
Builders Risk	\$1,000,000	Included
Claim Expense - Direct	\$ 10,000	None
Collapse - Direct	Included	Included
Commandeered Property	\$100,000	Included
Crime Reward	\$ 15,000	Included
Debris Removal	Included	Included
Detached Outdoor Signs	\$100,000	Included
Fire Department Service Charges	Included	None
Lawns, Trees, Shrubs and Plants	\$ 50,000	Included
Newly Acquired/Constructed Direct	\$1,000,000	Included
Off Premises Services - Direct Damage	Included	Included
Ordinance or Law-ICC	25% Maximum \$1,000,000	Included
Ordinance or Law-Demolition	25% Maximum \$1,000,000	Included
Patterns, Dies, Molds	Included	Included
Personal Effects	\$150,000	Included
Pollutant Clean Up	\$100,000	Included
Preservation of Property	Included	Included
Recharging	Included	Included
Temporary Locations	Included	Included
Transit	\$150,000	Included
Unnamed Locations	\$ 1,000,000	Included
Bulkheads, Pilings	Included	Included
Electrical Damage	\$ 50,000	Included
Mine Subsidence	\$2,500,000 Occurrence/Aggregate	Included
Mobile Equipment	Included	Included
Piers, Wharves, Docks	Included	Included
Water Backup	25% Maximum \$1,000,000	Included

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED DECEMBER 1, 2009
LOAN NO. F2 09-10**

Request No. _____

Dated: _____

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

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

FROM: Black Mountain Utility District (the "Governmental Agency")

Gentlemen:

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

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

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

ELIGIBLE PROJECT EXPENSES INCURRED

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

Total

ALLOCATION OF FUNDING FOR EXPENSES

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

Totals

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

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

Respectfully submitted,

Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO
PAYMENT REQUEST

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

Engineer/Architect

Firm Name

EXHIBIT B-1

BUY-AMERICAN CERTIFICATION ACCOMPANYING PAY REQUESTS

BUY AMERICAN AFFIRMATION

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

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

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

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

Name of Governmental Agency

Name of Contractor

Signature of Authorized Official

Signature of Authorized Official

Title

Title

Date

Date

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached

APPENDIX A**APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2005-00001 DATED July 8, 2005.**

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

Non-Recurring Charges

Re-Connection Charge (After Hours)	\$ 50.00
Meter Cover Replacement	25.00
Meter Re-Read	15.00
Broken Meter Lock	25.00
Meter Base Re-location Charge	Actual Cost
Returned Check Charge	32.00
Meter Test	20.00

EXHIBIT D

RESOLUTION

RESOLUTION OF THE BLACK MOUNTAIN UTILITY DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF DECEMBER 1, 2009 BETWEEN THE BLACK MOUNTAIN UTILITY DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

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

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

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

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Black Mountain Utility District, as follows:

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

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

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

ADOPTED on _____, 2009.

Chairman

Attest:

Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Black Mountain Utility District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on _____, 2009; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2009.

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Black Mountain Utility District, dated as of December 1, 2009

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Black Mountain Utility 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
BLACK MOUNTAIN UTILITY DISTRICT ("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

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

Principal and Interest Payable
on Each June 1 and December 1

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

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

KENTUCKY INFRASTRUCTURE AUTHORITY

By: _____

Title: _____

Governmental Agency

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

1. Any required approvals by the Kentucky Public Service Commission shall be obtained.
2. Division of Water ("DOW") must perform the DBE reviews and approve contract documents.
3. No construction funds for the Project will be reimbursed to the Governmental Agency until the Kentucky Infrastructure Authority ("KIA") receives from DOW a certification letter that states that all contracts have been bid and meet all State Revolving Fund (SRF) requirements.
4. Project construction costs will be reimbursed monthly to the Governmental Agency upon presentation to the KIA and DOW of invoices and supporting documentation showing costs incurred.

EXHIBIT H
BUSINESS CASE REQUIREMENTS FOR GREEN PROJECT RESERVE

Not Applicable

46172.1

RESOLUTION

RESOLUTION OF THE BLACK MOUNTAIN UTILITY DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT DATED AS OF DECEMBER 1, 2009 BETWEEN THE BLACK MOUNTAIN UTILITY DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

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

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

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

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Black Mountain Utility 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 December 8, 2009.


Chairman

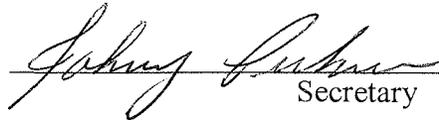
Attest:


Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Black Mountain Utility District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on 12/8, 2009; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 8th day of December, 2009.


Secretary

December 8, 2009
Regular Board Meeting

Present: Raymond Cox, Johnny Perkins, Stanley Smith, Bob Lee, Angela Noe, Marcella Fuson, Lois Lockhart, Charles Guyn, Ron Helton, Dwayne Blevins, Mike Brewer, and Ray Metcalfe.

The minutes for the November 10th and November 20th Regular and Special called meeting. Bob Lee made a motion to accept the minutes with the exception of omitting part of paragraph six in the Special called meeting minutes / the board didn't make a decision for sure about the truck, but if he is within 10 miles he can take one of these vehicles we have, for fiscal court meeting or something close by. Johnny Perkins seconded the motion. All in favor.

-Customer Complaints: Premier Auto/ Rhianna Barrett, she thinks he meter is not being read. She got billed 29,960 gallons of water. She said the meter was dirty and had mud on it, like no one has read it. Bob lee said we can pull the meter and send it off for testing, if it is good Premier Auto will have to pay the \$20 fee for sending it off plus the water bill. If it comes back bad we will adjust the bill. She said she didn't want to pay for that because she thought it wasn't bad because the bill had gone down this month. She said they hadn't washed any more cars than usual and she shouldn't have to pay for this. Then the board agreed to send the meter off and BMUD will pay for it if it comes back good, but Premier Auto will have to pay the bill for the 29,960 gallons of water, and they can be put on a payment plan. Rhianna said she would be back on January 12, 2010, for the board meeting to see what can be done.

-Seth and Heather Carmical came to the board meeting, they also contacting the PSC. Their complaint is that they think Wallins has had too many line breaks and put on to many boiled water advisories, they also said since the garbage had been added to their bill it had went up \$30 to \$40 per month they were also asked how they could get a fire hydrant. The customers were asked what suggestions they may have, because BMUD has no control when it comes to the line breaks they were also told that the garbage bills are only \$14.69 per month. Mrs. Carmical said they could dig up all the lines and lay them without any rocks around them. They said people told them when they were digging for the lines they hit rocks. They were told anytime you dig down for lines you hit rock. They ask what the reason for so many line breaks and why do people dig and hit the lines without telling somebody first? The board told them sometimes it is the County, the KU the TV Office and sometimes it is other customers. They were told that the people are supposed to call us first but sometimes they don't, BMUD cannot control the line breaks, and we are required to put on a boiled water advisory when a main line is breaks.

Bob Lee made a motion to pay the monthly bills. Johnny Perkins seconded the motion. All in favor.

The projected operating budget for 2010 was discussed. Johnny Perkins made a motion to accept the budget. Bob Lee seconded the motion. All in favor.

Bob Lee suggested giving a 2% raise. Johnny Perkins said we should go with the 3%. Bob Lee made a motion to give the employees a cost of living raise of 3%. Johnny Perkins seconded the motion. All in favor.

Raymond Cox made a motion to give the employees a \$300 Christmas bonus. Stanley Smith seconded the motion. All in favor.

Charles Guyn told the board he got a phone call from a lawyer in Frankfort, PSC wanting each KIA bond/spread sheet, principle payments for 2009. He said all of this is in the annual report from the beginning, but he sent it to them again.

Bob Lee made a motion to give Chairman Raymond Cox permission to sign all the papers needed for the Resolution between BMUD and the KIA. Stanley Smith seconded the motion. All in favor.

Ken Taylor gave a project update. He said they had a progress meeting at 2:00 today. Everything is going good and everything is signed and ready to go with the Holmes Mill Project, with the exception of waiting on the PSC. Then they will have ten days to start the project. Ken said somebody needs to go talk to the people at Plats Fork because we had no signers for the new water project and they won't run the lines up there if no one wants it. Bob Lee told the board that Vernis (Pot) Blevins would sign as soon as they get them to him. He also said to get Otis Doan to work on some of these things that we are in a hurry to get done, because Sid Douglas is getting ready to retire and he only comes in a few hours a day.

Johnny Perkins asked about the money that Auditor Gary Williams owes BMUD. Bob Lee said he will call him tomorrow to get another payment. Mr. Perkins also asked if we can make a door going to the back of the meeting room and put Earl an office there, he said he needs a pretty big office. Bob Lee said they could do that.

Bob Lee made a motion to adjourn. Johnny Perkins seconded the motion. All in favor.

Accepted as read: Raymond Cox

With corrections: _____

Typed: Marcella Fuson

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

Meeting Date/Location: August 6, 2009 – 12:30 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Bill Riggs, Finance and Administration Cabinet
(permanent proxy for Secretary Jonathan Miller, FAC)
Mr. Hank List, Energy and Environment Cabinet
(permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Ken Robinson, Economic Development Cabinet
(proxy for Interim Secretary Larry Hayes, EDC)
Mr. Gerald Wuetcher, Public Service Commission
(proxy for Executive Director Jeff Derouen, PSC)
Mr. Gregory Heitzman, representing the American Water Works Association
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Thomas P. Calkins, representing the Kentucky Municipal Utilities Association

Members absent:

Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
Association of Counties

Guests:

Mr. Lindsey Flora, Kentucky Horse Park
Ms. Kristi Culpepper, Legislative Research Commission
Mr. Ralph Johanson, GRW Engineers
Mr. Tom Midkiff, Office of Financial Management
Mr. Philip T. Biggs, Sanitation District #4 of Boyd County
Mr. Ken Taylor, Kenvirons, Inc.
Mr. Tim Schwendeman, Cumberland Valley Area Development District
Ms. Sandy Dunahoo, Nesbitt Engineering, Inc.
Mr. Jim Wade, Nesbitt Engineering, Inc.
Ms. Vicki Goins, Office of the State Budget Director
Ms. Teresa Sanders, Office of the State Budget Director
Mr. John Mark Hack, Kentucky American Water
Mr. Shafiq Amawi, Division of Water
Mr. Ronald Wyant, Ameresco, Inc.
Mr. Jhan Gevedon, Finance and Administration Cabinet
Mr. John Nicholson, Kentucky Horse Park

PROCEEDINGS

Vice Chair Damon Talley called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. He noted that a quorum was present and that the press had been notified regarding the meeting. Vice Chair Talley asked all guests and board members to introduce themselves. He also noted that Mr. Rusty Anderson, KIA, presented a snapshot overview of all the 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 July 9th, 2009

Mayor David Cartmell moved to approve the minutes of the July 9th, 2009 regular board meeting. Mr. Gregory Heitzman 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 CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN IN THE AMOUNT OF \$400,000 TO THE SANITATION DISTRICT #4 OF BOYD COUNTY, BOYD COUNTY, KENTUCKY (A2 09-12) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Mr. Rusty Anderson, KIA, illustrated the location of the project via the Water Resource Information System (WRIS) to the board. Mr. Shafiq Amawi, Division of Water (DOW), and Ms. Kasi White, KIA, presented the project to the board. The Sanitation District #4 of Boyd County requested a \$400,000 Fund A ARRA loan for the Stephens Meade Road project. This project involves the installation of one mile of gravity sewer line to serve approximately 20 households. The project will eliminate two existing pump stations.

At this time, Chair Tony Wilder arrived and conducted the remainder of the meeting.

Both DOW and KIA staff recommended approval of the loan with the standard conditions and the additional ARRA conditions.

Mr. Gregory Heitzman moved to approve the resolution. Mr. Damon Talley 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 IN THE AMOUNT OF \$510,000 TO

THE NORTHERN MADISON COUNTY SANITATION DISTRICT, MADISON COUNTY, KENTUCKY (A2 09-15) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Mr. Rusty Anderson, KIA, illustrated the location of the project via the Water Resource Information System (WRIS) to the board. Mr. Shafiq Amawi, Division of Water (DOW), and Ms. Sandy Williams, KIA, presented the project to the board. The Northern Madison County Sanitation District requested a \$510,000 Fund A ARRA loan for the construction of the Clays Ferry Estates Wastewater Collection System. The project will provide sewer service to 39 residences currently on septic systems. Approximately 4,600 linear feet of gravity-feed collector lines will gather the wastewater and send it to a lift station located south of the neighborhood. Both DOW and KIA staff recommended approval of the loan with the standard conditions and the additional ARRA conditions.

Mr. Damon Talley noted a correction was needed for page 39 of the board book under the Demographics section. Because Madison County's Median Household Income level is \$32,861, which is lower than the Commonwealth's of \$33,672, then the project will qualify for an interest rate of 2.0%.

Mr. Tom Calkins moved to approve the resolution. Mr. Damon Talley 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 IN THE AMOUNT OF \$950,000 TO THE KENTUCKY HORSE PARK, FAYETTE COUNTY, KENTUCKY (A2 09-16) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009**

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 (FUND A09-10) LOAN IN THE AMOUNT OF \$1,000,000 TO THE KENTUCKY HORSE PARK, FAYETTE COUNTY, KENTUCKY

Mr. Rusty Anderson, KIA, illustrated the location of the project via the Water Resource Information System (WRIS) to the board. Mr. Shafiq Amawi, Division of Water (DOW), and Ms. Sandy Williams, KIA, presented the project to the board. The Kentucky Horse Park requested a \$950,000 CWSRF ARRA loan (A2 09-16) and a \$1,000,000 CWSRF Base Program loan (A9-10) for the purchase and installation of a Manure Bioenergy Management Facility. The facility will provide an on-site solution for the disposal of horse-generated muck. This practical and sustainable solution will promote environmental stewardship and achieve value for the investment by eliminating many of the costs of disposal. The productive reuse of horse muck to generate electricity is expected to substantially offset electric charges incurred. Energy from waste produces less greenhouse gases than the continued transport of muck to the landfill. The need to meet high standards to avoid environmental contamination is another major

factor. The on-site manure storage will not contribute to ground or surface water pollution. This will help to maintain the unnamed tributaries to Cane Run which is a major tributary of North Elkhorn Creek. This project represents \$950,000 of Kentucky's ARRA green reserve. Both DOW and KIA staff recommended approval of the loan with the standard conditions and the additional ARRA conditions.

Mr. Hank List moved to approve the resolution for Loan A2 09-16 for the amount of \$950,000. Mr. Tom Calkins seconded, and the motion carried unanimously.

Mr. Hank List moved to approve the resolution for Loan A09-10 for the amount of \$1,000,000. Mr. Tom Calkins 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 DRINKING WATER REVOLVING FUND LOAN IN THE AMOUNT OF \$1,100,000 TO THE CITY OF MCKEE, JACKSON COUNTY, KENTUCKY (F2 09-02) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Mr. Rusty Anderson, KIA, illustrated the location of the project via the Water Resource Information System (WRIS) to the board. Mr. Shafiq Amawi, Division of Water (DOW), and Ms. Sandy Williams, KIA, presented the project to the board. The City of McKee requested a \$1,100,000 Fund F ARRA loan to replace approximately 29,200 feet of broken, leaking and deteriorated asbestos cement waterlines within the City's water distribution system and address specific deficiencies noted in a recent inspection by the Kentucky Division of Water. The project will reduce the loss of treated water and will improve the financial stability of the City's water system. Both DOW and KIA staff recommended approval of the loan with the standard conditions and the additional ARRA conditions.

Mr. Damon Talley moved to approve the resolution. Mr. Hank List seconded, and the motion carried unanimously.

5. THE CITY OF ELKTON PROJECT FOR A FUND F LOAN WAS WITHDRAWN FROM THE AGENDA

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 LOAN IN THE AMOUNT OF \$500,000 TO THE BLACK MOUNTAIN UTILITY DISTRICT, HARLAN COUNTY, KENTUCKY (F2 09-10) FUNDED IN WHOLE OR IN PART BY THE AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

Mr. Rusty Anderson, KIA, illustrated the location of the project via the Water Resource Information System (WRIS) to the board. Mr. Shafiq Amawi, Division of Water (DOW), and Ms. Kasi White, KIA, presented the project to the board.

The Black Mountain Utility District requested a \$500,000 Fund F ARRA loan to complete the KY 38 Klondike waterline extension project. The project includes approximately 7 miles of 3, 4 and 6" water lines east of Louellen along Highway 38 toward the Virginia state line, two 50,000 gallon water storage tanks and three booster pump stations. This project will provide a safe and reliable potable water service to approximately 120 households that currently rely on contaminated wells for their potable water source. Use of water from these wells for domestic use poses serious health hazards and economic burdens as residents must rely on alternate water sources such as bottled water or purchasing expensive filtering systems. Both DOW and KIA staff recommended approval of the loan with the standard conditions and the additional ARRA conditions.

Mr. Damon Talley moved to approve the resolution. Mr. Gregory Heitzman seconded, and the motion carried unanimously.

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

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

APPLICANT	FUND	AMOUNT
Sanitation District #4 of Boyd County	A	\$ 400,000
Northern Madison County Sanitation District	A	\$ 510,000
Kentucky Horse Park	A	\$ 950,000
Kentucky Horse Park	A	\$ 1,000,000
City of McKee	F	\$ 1,100,000
Black Mountain Utility District	F	\$ 500,000

Mr. Damon Talley moved to approve the resolution. Mr. Tom Calkins seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR'S REPORT

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

- A. Mr. Covington introduced a new staff member to KIA, Jeff Abshire, Financial Analyst. Mr. Abshire will be working with the other financial analysts on the four loan programs.

- B. Each board member received two handouts entitled CWSRF ARRA Project Status and DWSRF ARRA Project Status. Mr. Covington reviewed the information in those reports. A total of 17 projects were invited to apply for the DWSRF ARRA program. From those invited, 6 have now received board approval and, from those, two are under construction and 40% of the project cost meets the “green” reserve requirement. For the CWSRF ARRA program, 51 projects were invited and 7 of those have declined; 41 applications have been submitted and two are pending receipt. Fourteen have received board approval, two of those are under construction and 22% of the project cost meets the “green” reserve requirement. Mr. Damon Talley noted that the City of Pineville has still not submitted their required Plans and Specification. Mr. Covington answered that the City still asserts they will meet the deadlines for the loan. The City is on schedule to meet a conditional rate increase for an approved Fund B loan and KIA staff is continually working closely with them to help them meet their requirements.
- C. For the FY 2010 CWSRF and DWSRF programs, 37 clean water projects were invited to apply and 20 applications have been received. Five drinking water projects were invited to apply and three applications have been received. A second round of invitations is anticipated to be sent in the late fall.
- D. Representatives from US EPA and Region IV conducted a conference call with KIA staff this week regarding the status of the drinking water loan program and seemed pleased with the progress. US EPA will be visiting KIA on August 19, 2009 to discuss the status of the clean water stimulus loan program. EPA Region IV will be visiting KIA and DOW to perform the annual review of the base loan programs on August 19 – 21, 2009.
- E. KIA staff will be participating in the Governor’s Local Issues Conference to be held August 17 – 19, 2009. Staff is preparing to hold a workshop during that conference.
- F. A poll of board members regarding a potential special board meeting to be held on August 20, 2009, was conducted and a quorum is anticipated. The board members agreed that a special board meeting will be held on August 20, 2009 at 1:00 p.m. with a possible 8 to 10 projects to be presented.
- G. Bonds have been sold for the Grant program, assistance agreements are being executed and draw requests are being paid.
- H. Underwriter and Bond Counsel are now in place and KIA staff anticipates starting the process of leveraging bonds.

IV. STATUS REPORT FOR FUNDS

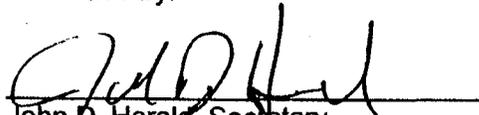
- A. 2003 Coal/Tobacco Development Grants
- B. IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A1, B, B1, C, F, F1

V. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, August 20, 2009
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business, Mr. Damon Talley moved to adjourn. Mr. Tom Calkins seconded and the motion carried unanimously. The August 6, 2009, meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:


John D. Herald, Secretary
Kentucky Infrastructure Authority

8-14-09
Date



KENTUCKY INFRASTRUCTURE AUTHORITY

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

Steven L. Beshear
Governor

John E. Covington III
Executive Director

August 10, 2009

Raymond Cox, Chairman
Black Mountain Utility District
609 Fourmile Road
Baxter, Kentucky 40806

RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY
2009 AUG 18 A 10:54

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

Dear Mr. Cox:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On August 6, 2009, the Authority approved your American Recovery and Reinvestment Act ("ARRA") loan for the KY 38 Klondike Waterline Extension subject to the conditions stated below. The total cost of the project shall not exceed \$2,650,000 of which the Authority loan shall provide \$500,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Black Mountain Utility District upon satisfactory performance of the conditions set forth in this letter. A period of three months from the date of this letter (11/10/2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. No extensions shall be granted. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$500,000.
2. The loan shall contain principal forgiveness in the amount of 54.1%.
3. The loan shall bear interest at the rate of 1.0% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
7. A loan servicing fee of 0.25% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
8. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. The Authority loan funds must be expended within six months of the official date of initiation of operation.
10. Fund "F" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be performed for the life of the loan.

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

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

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

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

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

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

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

ATTACHMENT A

**BLACK MOUNTAIN UTILITY DISTRICT
F2 09-10**

EXECUTIVE SUMMARY		Reviewer:	Kasi White	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	August 6, 2009	
FUND F, FEDERALLY ASSISTED DRINKING WATER		KIA Loan Number:	F2 09-10	
REVOLVING LOAN FUND		WRIS Number	WX21095634	
BORROWER:	BLACK MOUNTAIN UTILITY DISTRICT			
	Harlan County			
BRIEF DESCRIPTION:	The Black Mountain Utility District is requesting \$500,000 in ARRA funding from the Drinking Water SRF to complete the KY 38 Klondike waterline extension project. The project includes approximately 7 miles of 3, 4 and 6" water lines east of Louellen along Highway 38 toward the Virginia state line, two 50,000 gallon water storage tanks and three booster pump stations.			
PROJECT FINANCING:		PROJECT BUDGET		
Fund F Loan	\$ 500,000	Administrative Expenses	65,000	
HB 608 (52C-2008)	\$ 1,150,000	Legal Expenses	20,000	
HB 410 (#202)	\$ 1,000,000	Land, Easements	20,000	
TOTAL	\$ 2,650,000	Engineering Fees	306,500	
		Construction	2,015,000	
		Contingency	201,500	
		Other	22,000	
		TOTAL	2,650,000	
REPAYMENT		Rate	1.00%	Est. Annual Payment \$13,263
		Term	20 years	1st Payment 6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	Kenvirons, Inc.		
	Bond Counsel	Peck, Shafer, & Williams		
PROJECT SCHEDULE	Bid Opening:	August 2009		
	Construction Start:	October 2009		
	Construction Stop:	July 2010		
DEBT PER CUSTOMER	Existing:	\$ 666		
	Proposed:	\$ 721		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	2,627	\$30.27 (for 4,000 gallons)	
	Proposed	120	\$30.27 (for 4,000 gallons)	
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for Debt Service		Income after Debt Service	
	Debt Service	Debt Service	Service	Coverage Ratio
PSC Report 2006	201,005	99,441	101,564	2.02
PSC Report 2007	190,312	110,652	79,660	1.72
PSC Report 2008	243,404	105,768	137,636	2.30
Projected 2009	223,552	112,304	111,248	1.99
Projected 2010	212,744	114,399	98,345	1.86
Projected 2011	221,537	120,382	101,155	1.84
Projected 2012	196,472	126,405	70,067	1.55
Projected 2013	182,438	126,405	56,033	1.44

**KENTUCKY INFRASTRUCTURE AUTHORITY
DRINKING WATER REVOLVING LOAN FUND (FUND "F")
BLACK MOUNTAIN UTILITY DISTRICT, HARLAN COUNTY**

**PROJECT REVIEW
WX21095634**

I. PROJECT DESCRIPTION

The Black Mountain Utility District is requesting \$500,000 in ARRA funding from the Drinking Water SRF to complete the KY 38 Klondike waterline extension project. The project includes approximately 7 miles of 3, 4 and 6" water lines east of Louellen along Highway 38 toward the Virginia state line, two 50,000 gallon water storage tanks and three booster pump stations.

This project will provide a safe and reliable potable water service to approximately 120 households that currently rely on contaminated wells for their potable water source. Use of water from these wells for domestic use poses serious health hazards and economic burdens as residents must rely on alternate water sources such as bottled water or purchasing expensive filtering systems.

This project is funded with ARRA funding.

II. PROJECT BUDGET

	<u>Total</u>
Administrative Expenses	65,000
Legal Expenses	20,000
Land, Easements	20,000
Engineering Fees	306,500
Construction	2,015,000
Contingency	201,500
Other	22,000
TOTAL	2,650,000

III. PROJECT FUNDING

Funding Sources	Amount	%
Fund F Loan	500,000	19%
HB 608 (52C-2008)	1,150,000	43%
HB 410 (#202)	1,000,000	38%
Total	2,650,000	100%

IV. KIA DEBT SERVICE

Construction Loan		500,000
Less: Principal Forgiveness (54.1%)		270,500
Amortized Loan Amount	\$	229,500
Interest Rate		1.00%
Loan Term (Years)		20
Estimated Annual Debt Service	\$	12,689
Administrative Fee (0.25%)		574
Total Estimated Annual Debt Service	\$	13,263

V. PROJECT SCHEDULE

Bid Opening:	August 2009
Construction Start:	October 2009
Construction Stop:	July 2010

VI. RATE STRUCTURE

<u>Customers</u>	<u>Current</u>	<u>Proposed</u>	<u>Total</u>
Residential	2,559	120	2,679
Commercial	68	0	68
Industrial	0	0	0
	2,627	120	2,747

Rates

The monthly charge for water utility service is:

	<u>Effective</u>
Effective Date	9/17/2008
First 2,000 gallons	\$18.13
All Over 2,000 gallons (per 1,000 gallon)	\$6.07
Monthly Residential Rate for 4,000 gallons	\$30.27

VII. DEMOGRAPHICS

The Black Mountain Utility District serves approximately 2,627 customers in Harlan County which has a population of 33,202. In 2000, the County's Median Household Income (MHI) level was \$18,665. The median household income for the Commonwealth is \$33,672. Based on median household income, the project will qualify for the 1% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

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

HISTORICAL

The district has maintained a relatively stable debt coverage ratio fluctuating between 2.02 in 2006 to 2.30 in 2008. During this time, revenues have increased 19% with expenses increasing 14% and net of depreciation, the district has maintained cash before debt service of approximately \$200,000. No new debt has been added by the system since 2007 even though the system has continued to expand by using grants to fund the majority of their capital projects. This has positioned them well financially to accept new debt related to this project.

In reviewing the balance sheet, the district has been able to maintain a strong current ratio of at least 2.98 with the over half of the current assets being comprised of cash and cash equivalents. Working capital of at least \$220,000 has been maintained and with the district's debt to equity ratio has not reached 25% due to their ability to effectively obtain and manage their capital projects with grant funds.

PROJECTED

Projections are based on the following assumptions:

- Revenues are projected to increase by 2% annually.
- An additional 120 customers will be added to the system by December 2010. Revenues from approximately 80% of the additional customers are included in the analysis.
- Expenses are projected to increase by 5% annually plus the cost of water for the additional customers.
- The cost of purchased water will remain at 40% of revenue.
- The replacement reserve is \$12,500 annually.
- Debt service on the new KIA loan will be \$13,263 annually beginning in June 2011.

Based on the above assumptions, the Black Mountain Utility District will meet the required cash flow through the projected years. A debt coverage ratio of 1.55 is projected by the water system in 2012, the first full year of debt service payments.

REPLACEMENT RESERVE

Based on the information provided in the application the annual replacement cost is \$12,500. This amount should be added to the replacement account each December 1 until the balance reaches \$125,000 and maintained for the life of the system.

IX. DEBT OBLIGATIONS

Debt Issue	Outstanding	Maturity
1980 Revenue Bonds	\$203,000	2027
1993 Revenue Bonds	\$120,000	2032
1994 Revenue Bonds	\$378,000	2034
1995 Revenue Bonds	\$365,000	2035
1998 Revenue Bonds	\$419,000	2038
KIA Fund C Loan	\$221,302	2026
Total	\$1,706,302	

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

Project Title	Funding Source	Amount	Type
Wallins Waterline Extension/Expansion	HB 608	\$250,000	Grant
Water Line Extension - Including Ages / Molus / Laymon	HB 267	\$788,880	Grant
Totz Area Water Line Extension	HB 267	\$250,000	Grant
Holmes Mill - Waterline Extension	HB 608	\$1,150,000	Grant
Holmes Mill - Waterline Extension	HB 410	\$1,000,000	Grant
Water Line Extension Project	HB 410	\$250,000	Grant
KY Water System Improvements	HB 380	\$1,086,000	Grant
Ages/Brookside Water	CDBG	\$750,000	Grant
Ages/Brookside Water	ARC	\$350,000	Grant

XI. CONTACTS

Applicant

Name BLACK MOUNTAIN UTILITY DISTRICT
Address 609 Fourmile Road
Baxter, Kentucky 40806
County Harlan County
Contact Raymond Cox
Phone 606-573-1277
Email blackmt@harlanonline.net

Engineer

Name Ken Taylor
Firm Kenvirons, Inc.
Address 452 Versailles Road
Frankfort, Kentucky 40601
Phone 502-695-4357
Email ktaylor@kenvirons.com

**Applicant
Contact**

Name	Cumberland Valley Area Development District
Address	324 Old Whitley Road London, Kentucky 40743
Contact	Tim Schwendeman
Phone	606-864-7391
Email	<u>timsch@cvadd.org</u>

XII. RECOMMENDATIONS

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

**BLACK MOUNTAIN UTILITY DISTRICT
BALANCE SHEETS**

	ASSETS	2006	2007	2008	Upon Project Completion
Current Assets					
Cash and Cash Equivalents		278,994	199,434	280,452	252,960
Accounts Receivable		151,632	118,451	130,296	132,902
Other Current Assets		30,712	15,659	16,542	20,971
Total Current Assets		<u>461,338</u>	<u>333,544</u>	<u>427,290</u>	<u>406,833</u>
Property, Plant and Equipment					
Utility Systems		11,693,534	11,870,264	12,160,029	14,810,029
Accumulated Depreciation		(2,052,884)	(2,347,564)	(2,650,477)	(2,738,810)
Total Fixed Assets		<u>9,640,650</u>	<u>9,522,700</u>	<u>9,509,552</u>	<u>12,071,219</u>
Total Assets		<u>10,101,988</u>	<u>9,856,244</u>	<u>9,936,842</u>	<u>12,478,052</u>
LIABILITIES					
Current Liabilities					
Accounts Payable		42,301	44,193	44,582	45,474
Customer Deposits		26,385	29,475	35,360	37,128
Other Current Liabilities		42,009	38,368	17,700	17,700
Current Maturities of Long Term Debt					41,717
Total Current Liabilities		<u>110,695</u>	<u>112,036</u>	<u>97,642</u>	<u>142,019</u>
Long Term Liabilities					
Long Term Debt, net of Discounts, Less Current Portion		1,857,938	1,803,025	1,749,780	1,937,563
Total Long Term Liabilities		<u>1,857,938</u>	<u>1,803,025</u>	<u>1,749,780</u>	<u>1,937,563</u>
Total Liabilities		<u>1,968,633</u>	<u>1,915,061</u>	<u>1,847,422</u>	<u>2,079,582</u>
NET ASSETS					
Invested in Capital Assets, Net		10,101,988	10,163,256	10,451,977	12,703,545
Unrestricted (deficit)		(1,968,633)	(2,222,073)	(2,362,557)	(2,305,075)
Total Retained Earnings		<u>8,133,355</u>	<u>7,941,183</u>	<u>8,089,420</u>	<u>10,398,470</u>
Total Liabilities and Equity		<u>10,101,988</u>	<u>9,856,244</u>	<u>9,936,842</u>	<u>12,478,051</u>
Balance Sheet Analysis					
Current Ratio		4.17	2.98	4.38	2.86
Debt to Equity		0.24	0.24	0.23	0.20
Working Capital		350,643	221,508	329,648	264,814

**EXHIBIT 1
BLACK MOUNTAIN UTILITY DISTRICT
CASHFLOW ANALYSIS**

	PSC Report 2006	% Change	PSC Report 2007	% Change	PSC Report 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Revenues										
Water Revenues	942,371	13%	1,061,057	6%	1,122,177	1,144,621	1,167,513	1,225,734	1,250,249	1,275,254
Total Revenues	942,371	13%	1,061,057	6%	1,122,177	1,144,621	1,167,513	1,225,734	1,250,249	1,275,254
Expenses										
Administrative & Operating Expense	434,320	17%	507,986	-7%	474,191	497,901	522,796	548,935	576,382	605,201
Purchased Water	387,398		417,210		440,659	457,848	467,005	490,294	500,100	510,102
Depreciation	251,842	17%	294,683	3%	302,921	308,979	315,159	381,409	389,037	396,818
Replacement Reserve (new KIA Loan)						0	0	0	12,500	12,500
Total Expenses	1,073,560	14%	1,219,879	0%	1,217,771	1,264,728	1,304,960	1,420,638	1,478,019	1,524,621
Net Income Cash	(131,189)	21%	(158,822)	-40%	(95,594)	(120,108)	(137,447)	(194,904)	(227,770)	(249,367)
Non-Operating Revenues and Expenses										
Interest Income	152		865		2,604	1,207	1,559	1,559	1,732	1,514
Other Income	80,200		53,586		33,473	33,473	33,473	33,473	33,473	33,473
Total Non-Operating Rev & Exp	80,352	-32%	54,451	-34%	36,077	34,680	35,032	35,032	35,205	34,987
Add Non-Cash Expenses										
Depreciation	251,842		294,683		302,921	308,979	315,159	381,409	389,037	396,818
Cash Available for Debt Service	201,005		190,312		243,404	223,552	212,744	221,537	196,472	182,438
Debt Service										
Existing Loan Debt	99,441		110,652		105,768	112,304	113,251	112,603	113,142	113,142
New KIA Fund F Loan	0		0		0	0	1,148	7,779	13,263	13,263
Total Debt Service	99,441		110,652		105,768	112,304	114,399	120,382	126,405	126,405
Income After Debt Service	101,564		79,660		137,636	111,248	98,345	101,155	70,067	56,033
Debt Coverage Ratio	2.02		1.72		2.30	1.99	1.86	1.84	1.55	1.44

19%
13%

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND C

PROJECT NUMBER:	C04-01
BORROWER:	Black Mountain Utility District
BORROWER'S ADDRESS	609 Four Mile Road
	Baxter, Kentucky 40806
DATE OF ASSISTANCE AGREEMENT:	October 1, 2004

ASSISTANCE AGREEMENT

TABLE OF CONTENTSARTICLE I

DEFINITIONS

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1.	Representations and Warranties of Authority.....	6
SECTION 2.2.	Representations and Warranties of the Governmental Agency	6

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

SECTION 3.1.	Determination of Eligibility	8
SECTION 3.2.	Principal Amount of Final Loan and Interim Loan Established; Disbursement of Funds; Loan Payments	8
SECTION 3.3.	Governmental Agency's Right to Prepay Interim Loan; Termination of Right	8
SECTION 3.4.	Amortization of Final Loan; Schedule of Payments Incorporated	9
SECTION 3.5.	Authority's Discretion Regarding Terms of Bonds; Prepayment of Final Loan Restricted.....	9
SECTION 3.6.	Subordination of Final Loan	9

ARTICLE IVCONDITIONS PRECEDENT TO DISBURSEMENT OF INTERIM LOAN;
REQUISITION FOR FUNDS

SECTION 4.1.	Covenants of Governmental Agency and Conditions of Loan	10
SECTION 4.2.	Disbursements of Interim Loan; Requisition for Funds.....	12

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

SECTION 5.1.	Imposition of Service Charges.....	13
SECTION 5.2.	Governmental Agency's Obligation to Repay Loan	13
SECTION 5.3.	Covenant to Adjust Service Charges	13
SECTION 5.4.	Adequacy of Service Charges	13
SECTION 5.5.	Covenant to Charge Sufficient Rates; Reports; Inspection	13

SECTION 5.6.	Segregation of Funds.....	14
SECTION 5.7.	Mandatory Sewer Connection.....	14
SECTION 5.8.	Termination of Water Services Delinquent Users.....	14

ARTICLE VI

FURTHER COVENANTS OF THE GOVERNMENTAL AGENCY

SECTION 6.1.	Further Assurance	15
SECTION 6.2.	Completion of Project	15
SECTION 6.3.	Establishment of Completion Date	15
SECTION 6.4.	Commitment to Operate.....	15
SECTION 6.5.	Continue to Operate	15
SECTION 6.6.	Tax Covenant.....	15
SECTION 6.7.	Accounts and Reports.....	15
SECTION 6.8.	Financial Statements.....	15
SECTION 6.9.	General Compliance With All Duties.....	16
SECTION 6.10.	System Not to Be Disposed Of	16
SECTION 6.11.	General.....	16

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

SECTION 7.1.	Maintain System.....	17
SECTION 7.2.	Additions and Improvements	17
SECTION 7.3.	Compliance with State and Federal Standards	17
SECTION 7.4.	Access to Records.....	17
SECTION 7.5.	Covenant to Insure - Casualty	17
SECTION 7.6.	Authority as Named Insured	17
SECTION 7.7.	Covenant to Insure - Liability	17
SECTION 7.8.	Covenant Regarding Workers' Compensation	17
SECTION 7.9.	Application of Casualty Insurance Proceeds.....	18
SECTION 7.10.	Eminent Domain.....	18

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.1.	Events of Default Defined.....	19
SECTION 8.2.	Remedies on Default	19
SECTION 8.3.	Appointment of Receiver	19
SECTION 8.4.	No Remedy Exclusive	20
SECTION 8.5.	Consent to Powers of Authority Under Act.....	20
SECTION 8.6.	Waivers	20
SECTION 8.7.	Agreement to Pay Attorneys' Fees and Expenses.....	20

ARTICLE IX

MISCELLANEOUS PROVISIONS

SECTION 9.1.	Approval not to be Unreasonably Withheld	21
SECTION 9.2.	Approval	21
SECTION 9.3.	Effective Date	21
SECTION 9.4.	Binding Effect.....	21
SECTION 9.5.	Severability	21
SECTION 9.6.	Execution in Counterparts	21
SECTION 9.7.	Applicable Law.....	21
SECTION 9.8.	Venue	21
SECTION 9.9.	Captions	21
SIGNATURES		22
EXHIBIT A - PROJECT SPECIFICS.....		A-1
EXHIBIT B - REQUISITION FORM.....		B-1
EXHIBIT C - SCHEDULE OF SERVICE CHARGES		C-1
EXHIBIT D - RESOLUTION		D-1
EXHIBIT E - LEGAL OPINION		E-1
EXHIBIT F - SCHEDULE OF PAYMENTS.....		F-1
EXHIBIT G - ADDITIONAL COVENANTS AND AGREEMENTS		G-1

29321\1

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

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of April 1, 1989 (the "Indenture") between the Authority and National City Bank of Kentucky (F/K/A First Kentucky Trust Company) (the "Trustee") in order to Provide funding for its Governmental Agencies Program; and

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

WHEREAS, the Governmental Agency desires to enter into this Assistance Agreement with the Authority for the Purpose of securing from the Authority the repayable Loan hereinafter identified in order to secure to the Governmental Agency the advantages of the credit of the Authority and its ability to finance the costs incident to the Project on behalf of the Governmental Agency; and

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

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

NOW, THEREFORE, FOR 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 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 services of the Final Loan, which is the annual percentage charged against the unpaid principal balance of the Final Loan as identified in the Project Specifics.

“Applicable Interest Rate” shall mean the rate(s) of interest which shall be used as part of the repayment criteria for a Governmental Agency under an Assistance Agreement and shall be determined by the Authority in a manner based upon the source of funds from which the Project to which the Assistance Agreement relates were generated, said term shall include the terms “Interim Rate” and “Final Loan Rate”.

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

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

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

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

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

“Commonwealth” shall mean the Commonwealth of Kentucky.

“Construction” shall mean construction as defined in the Act.

“Costs of Issuance” shall mean only the costs of issuing a series of Bonds as designated by the Authority including, but not being limited to, the fees and charges of the financial advisors or underwriters, bond counsel, trustee, rating agencies, bond and official statement printers, costs of any credit enhancement, and such other fees and expenses normally attendant to an issue of the Authority’s Bonds.

“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.

“Debt Service Reserve” shall mean the reserve for payment of principal of, interest on, and redemption requirements in respect of the Bonds, created and established by the Indenture.

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

“Final Loan” shall mean the principal amount of the Loan identified in the Project Specifics, consisting of the principal amount of the Loan, the Authority’s Costs of Issuance incident to the issuance of its Bonds, the Governmental Agency’s pro rata portion of the required Debt Service Reserve and the Governmental Agency’s pro rata portion of the market discount or underwriting costs to the Authority in connection with the issuance of its Bonds, which Final Loan amount will be set forth in the Schedule of Payments established upon issuance of Bonds relating to the Loan.

“Final Loan Rate” means the rate identified in the Schedule of Payments; being the rate established in connection with the issuance of Bonds.

“Governmental Agencies Program” shall mean the program authorized by the Act and the Indenture 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.

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

“Indenture” shall mean the General Trust Indenture dated as of April 1, 1989 between the Authority and the Trustee.

“Interim Loan” shall mean the principal amount of the Loan identified in the Project Specifics advanced by the Authority to the Governmental Agency to meet all or the designated portion of the costs of Construction.

“Interim Rate” shall mean the rate of interest identified in the Project Specifics which the Interim Loan shall bear from the date of each disbursement and which shall be payable on the Payment Dates set forth in the Project Specifics.

“Interim Term” shall mean the term of the Interim Loan which shall be the period from the first disbursement of Loan Proceeds by the Authority to the Governmental Agency to the date upon which the Authority’s Bonds are issued and delivered, or such lesser term in the event the Governmental Agency shall elect to prepay its Interim Loan.

“Issue Date” shall mean, with respect to Bonds of a particular series, the date of delivery of the Bonds of such series specified and determined by the series resolution and series indenture authorizing such Bonds.

“Loan” shall mean the loan effected under this Assistance Agreement from the Authority to the Governmental Agency for the purpose of defraying the costs incidental to the permanent financing of the Construction of the Project and shall include the term “Final Loan”.

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

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

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

“Requisition for Funds” means the form attached hereto as Exhibit B to be utilized by the Governmental Agency in obtaining disbursements of the Final Loan from the Authority.

“Schedule of Payments” means the principal and interest requirements of the Final Loan as determined following the issuance of the Authority’s Bonds and representing the Governmental Agency’s pro rata portion of the principal of the Authority’s Bonds and the interest accruing thereon from the date of the delivery of the Authority’s Bonds as set forth in Exhibit F hereto.

“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 from which the Loan is to be repaid, which Schedule of Service Charges shall be in full force and effect to the satisfaction of the Authority Prior to the disbursement of any portion of the Interim Loan hereunder.

“Service Charges” shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by the Authority, in respect of the Project which Service Charges arises by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charge shall be no less than those set forth in the Schedule of Service Charges.

“System” shall mean the utility system 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 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 construct the projects 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.

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

Section 3.2. Principal Amount of Final Loan and Interim Loan Established; Disbursement of Funds; Loan Payments. The principal amount of the Interim Loan shall be as identified in the Project Specifics. The Authority shall advance the proceeds of the Interim Loan upon the submission by the Governmental Agency of a Requisition for Funds in substantially the same form as Exhibit B hereto. Such disbursement under a Requisition for Funds representing a portion of the principal amount of the Loan shall bear interest at the Interim Rate from the date of the disbursement; subject to the requirements set forth in Article IV hereof.

Interest on the Interim Loan shall be payable on the Payment Dates set forth in the Project Specifics and shall be calculated upon the aggregate principal amount of the Interim Loan then advanced from the date of each disbursement until the delivery of the Authority's Bonds after which interest will accrue from said date of delivery at the Final Loan Rate.

The term of the Interim Loan shall be the Period beginning with the disbursement by the Authority on behalf of the Governmental Agency of the amount set forth in Exhibit B and ending upon the date of delivery of the Authority's Bonds and the payment of the Interim Loan from the proceeds of said Bonds. Pursuant to the terms of the Indenture, the Interim Loan shall be due and payable on the next February 1 of the year that the General Assembly of the Commonwealth does not meet, unless the Authority shall have determined prior to such date that the amounts deposited in the Revenue Fund and the Debt Service Fund prior to the next Interest Payment Date will be sufficient to pay all interest and principal installments coming due on such Interest Payment Date. In addition, if the Authority fails to issue Bonds for the payment of the Interim Loan within three years from the date of this Assistance Agreement, the Interim Loan shall be payable in full unless the Authority agrees to other amortization provisions for the Interim Loan.

Upon the delivery of the Authority's Bonds, the exact principal amount of the Final Loan shall be calculated based upon the Interim Loan, accrued interest on the Interim Loan then unpaid, and the Governmental Agency's pro rata share of the required Debt Service Reserve, market discount, and Costs of Issuance incurred by the Authority in connection with the issuance of its Bonds.

Section 3.3. Governmental Agency's Right to Repay Interim Loan; Termination of Right. The Governmental Agency shall have the right to prepay and retire the entire amount of the Interim 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 right granted under the preceding paragraph, upon the determination by the Authority of the approximate date of delivery of its Bonds, the Authority shall advise the Governmental Agency of its intention to proceed with the authorization of its Bonds and the Governmental Agency shall then have thirty (30) days from its receipt of said notice to exercise its option to prepay the Interim Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Interim Loan shall terminate and the terms of the Indenture shall govern the terms of the prepayment of all amounts owing the Authority from the Governmental Agency as set forth in Section 3.5 hereof.

Section 3.4. Amortization of Final Loan; Schedule of Payments Incorporated. Upon the delivery of the Authority's Bonds and the establishment of the Final Loan amount, the Authority shall calculate the Schedule of Payments reflecting the Governmental Agency's pro rata participation in the Authority's Bonds.

As soon as practicable following the delivery of the Authority's Bonds, the Authority shall forward the Schedule of Payments to the Governmental Agency for review and acceptance, and upon the execution of the Schedule of Payments by the chief executive officer of the Governmental Agency, said Schedule of Payments shall automatically, without any further action by either of the parties to this Assistance Agreement, become a part of this Assistance Agreement as Exhibit F and shall be attached to the permanent executed copies of this Assistance Agreement.

Interest on the Final Loan shall be payable on the dates set forth in the Schedule of Payments based, in part, upon the interest rate borne by the Bonds until the payment in full of the Governmental Agency's pro rata portion of the Authority's Bonds as reflected by the Schedule of Payments. Principal due on the Final Loan shall be payable in accordance with the Schedule of Payments.

Section 3.5. Authority's Discretion Regarding Terms of Bonds; Prepayment of Final Loan Restricted. The terms upon which the Authority issues its Bonds to fund the Final Loan to the Governmental Agency shall be in accordance with the terms of the Indenture. The Authority, in its sole discretion, shall establish the terms of repayment and prepayment for its Bonds. Notwithstanding the foregoing, it is anticipated that the Authority's Bonds, and accordingly, the Governmental Agency's pro rata responsibility thereunder as represented by the Final Loan under the Schedule of Payments, will mature over the approximate Final Loan Term from the date of delivery of the Bonds, as set forth in the Project Specifics.

The terms under which the Bonds of the Authority may be prepaid or redeemed prior to their stated maturities shall be established by the Authority in its sole discretion at the time of the authorization of the Bonds. The Governmental Agency shall be bound by the terms of prepayment established by the Authority for its Bonds which shall apply to the Governmental Agency's pro rata portion of the indebtedness represented by the Bonds. Any refinancing or defeasance of the Authority's Bonds shall be initiated at the sole discretion of the Authority which shall determine the terms of said refinancing; provided, however, that any such refinancing program shall not increase the annual obligations of the Governmental Agency under the Final Loan as represented by the Schedule of Payments without the prior written consent of the Governmental Agency.

Section 3.6. Subordination of Final Loan. The Authority hereby agrees that the security interest and source of payment for the Final 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 OF INTERIM LOAN; 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 Interim Loan made hereunder, the Governmental Agency shall supply the Authority, if requested, appropriate documentation, satisfactory to the Authority, in its sole discretion, indicating the following:

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

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

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

(D) The Governmental Agency has done 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 has been 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) The Project was not 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 were received by the Governmental Agency and furnished to the Authority.

(G) The construction contract or contracts required 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.

(H) A work progress schedule utilizing a method of standard acceptance in the engineering community was prepared prior to the institution of construction in connection with each construction contract to indicate the proposed schedule as to completion of the Project, and same was maintained monthly thereafter to indicate the actual construction progress of the Project.

(I) All construction contracts were prepared so 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 could be readily itemized.

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

(K) The Governmental Agency proceeded expeditiously with and completed the Project in accordance with the approved surveys, plans, specifications and designs or amendments thereto, prepared by the Engineers to the Governmental Agency and approved by state and federal agencies, but only to the extent such approvals were required.

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

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

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

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

(P) The Governmental Agency required 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.

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

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

Section 4.2. Disbursements of Interim Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) a Requisition for Funds on July 18, 1994 (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

(A) A full and complete accounting of the costs of the Project; and

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

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

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 Final 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 Final 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 Final Loan Rate, or ten percent (10%) per annum, whichever is the greater, from the date of the default until the date of the payment thereof.

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

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 pay the Estimated Annual Debt Service payments set forth in the Project Specifics and, upon the establishment of the Schedule of Payments, to make the payments at the times and in the amounts set forth in the Schedule of Payments, subject to necessary governmental and regulatory approvals.

The Service Charges imposed by the Governmental Agency shall be paid 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 Project Specifics or Schedule of Payments, as applicable.

Section 5.5. Covenant to Charge Sufficient Rates; Reports; Inspection. The Governmental Agency hereby irrevocably covenants and agrees with the Authority:

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

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

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

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

Section 5.6. Segregation of Funds. The Governmental Agency shall at all times account for the income and revenues of the System and distinguish same from all other revenues, moneys and funds of the Governmental Agency, if any.

Section 5.7. Mandatory Sewer Connection. In the event that the Project consists of sanitary sewer facilities, the Governmental Agency hereby irrevocably covenants and agrees with the Authority that it will, to the maximum extent permitted by Kentucky law, and by means of ordinance, or other appropriate legislative order or action, mandatorily require the connection to and use of, the sanitary sewers constituting the Project by all persons owning, renting or occupying premises generating pollutants where such sanitary sewers are reasonably available to such premises, and to exhaust, at the expense of the Governmental Agency, all remedies for the collection of Service Charges, including, either directly or indirectly, pursuant to authority granted by Sections 96.930 to 96.943, inclusive, of the Kentucky Revised Statutes, and the Act, causing termination of water services to any premises where the bill for sewer services is delinquent and foreclosure and decretal sale in respect of improvement benefit assessments which are delinquent.

Section 5.8. Termination of Water Services Delinquent Users. In the event the Project consists of water facilities the Governmental Agency covenants and agrees that it shall, pursuant to applicable provisions of law, to the maximum extent authorized by law, enforce and collect the Service Charges imposed upon users of the Project and facilities constituting the System, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

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

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all its transactions relating to the System, which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Financial Statements. Within 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 System required by the Constitution and laws of the Commonwealth, and by the terms and provisions of the this Assistance Agreement and any other Debt Obligations.

Section 6.10. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof without the prior written consent of the Authority, which consent shall not be unreasonably withheld (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 6.11. General. The Governmental Agency shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Agency under the provisions of the Act and this Assistance Agreement in accordance with the terms of such provisions.

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

(D) A default by the Governmental Agency under the provisions of any agreements relating to its Debt Obligations which would in the opinion of the Authority materially and adversely affect the performance of the obligations of the Governmental Agency under the Agreement.

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

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

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

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

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

without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

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

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

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

Section 8.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto will default under any of the provisions hereof and the 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 power and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, nor assignable by either party without the written consent of the other party.

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

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

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

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

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

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

Ms Denise Pitts, CPA
Title: Secretary

By: Jody E. Hughes
Title: Executive Director

GOVERNMENTAL AGENCY:
BLACK MOUNTAIN UTILITY
DISTRICT

ATTEST:

By: Robert Lee
Title: Secretary

By: Vickie Rhymes
Title: Chairman

APPROVED:

AB Rudolph
SECRETARY/FINANCE AND
ADMINISTRATION CABINET
OF THE COMMONWEALTH
OF KENTUCKY

EXAMINED:

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

APPROVED AS TO FORM AND LEGALITY

J. Gary Cole
APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
PROJECT SPECIFICS
C04-01

GOVERNMENTAL AGENCY:

Name: Black Mountain Utility District
Address: 609 Four Mile Road
Baxter, Kentucky 40806

Contact Person: Earl Hall
Telephone: 606-573-7277

ENGINEERS:

Name: Summit Engineering, Inc.
Address: 131 Summit Drive
Pikeville, Kentucky 41501

Contact Person: Betsie Carroll, Peggy Rasnick Justice
Telephone: 606-432-1447

SYSTEM: Drinking Water

PROJECT:

This project will provide potable water service to approximately 280 residents and provide an interconnection with the city of Cumberland. Construction includes 81,873 liner feet of 4 inch and 6 inch waterline.

PROJECT COST:

Administrative	10,000
Legal	11,079
Land and Associated Cost	60,000
Planning	15,890
Engineering Fees - Design	120,480
Engineering Fees - Inspection	64,000
Construction	1,921,586
Contingency	80,000
Other	11,965
Total Budget	2,295,000

FUNDING SOURCES:

Coal Severance	1,500,000
HB 502	500,000
Local Funds	45,000
KIA Fund C	250,000
Total Funding	2,295,000

TOTAL LOAN:

Project Cost	250,000
Debt Service Reserve (10%)	28,571
Cost of Issuance (2.5%)	<u>7,143</u>
Total	285,714

LOAN AMOUNT:

LOAN RATES:	3.00%
ADMINISTRATIVE FEE:	0.20%
LOAN TERM:	20 years
DEFAULT RATE:	10.00%

ESTIMATED ANNUAL DEBT SERVICE: \$24,304

PAYMENT DATES: The December 1 or June 1 succeeding the first draw which is at least three months, but no more than nine months, after the first draw.

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

Issue	Par Amount	Maturity	Interest Rate
RD 93 R-1	149,000	2032	5.0%
RD 94 A	356,000	2034	4.5%
RD 94 B	98,000	2034	4.5%
RD 95 A	225,000	2035	4.5%
RD 95 B	207,000	2035	4.5%
RD 98	472,000	2038	4.5%

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	<u>N/A</u>
Death or Personal Injury (per occurrence)	<u>\$3,000,000</u>
Property Damage on System	<u>\$ 661,723</u>

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED OCTOBER 1, 2004**

Request No. __

Dated

Original sent to: Kentucky Infrastructure Authority
375 Versailles Road
Frankfort, Kentucky 40601

FROM: Black Mountain Utility District ("Governmental Agency")

Gentlemen:

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

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

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

ELIGIBLE PROJECT EXPENSES INCURRED

Contractor

Expenses
Incurred

Total

ALLOCATION OF FUNDING FOR EXPENSES

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

Respectfully submitted,

Governmental Agency
Black Mountain Utility District

By: _____
Title: _____

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

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

Engineer/Consultant

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

SEE ATTACHED

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2003-00038 DATED April 7, 2004.

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

Water Rate A

For the following systems served under PWS# 0480265 – Coxton/Kitts; PWS# 0480277 – Dayhoit; PWS# 0480461 – Sukey Ridge; PWS# 0480650 - Rosspoint

First 2,000 gallons \$20.46 Minimum Bill 1.023
Over 2,000 gallons 7.23 Per 1,000 gallons

Wholesale Rate \$3.91 Per 1,000 gallons

Commercial rate

Water Rate B

For the following systems served under PWS# 0480498 and PWS# 0480603

First 2,000 gallons \$16.21 Minimum Bill
Over 2,000 gallons 5.11 Per 1,000 gallons

Wholesale rate 1.18

Commercial rate

EXHIBIT D

RESOLUTION

RESOLUTION OF THE BLACK MOUNTAIN UTILITY DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE BLACK MOUNTAIN UTILITY DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners (the "Governing Authority") of the Black Mountain Utility District ("Governmental Agency") has previously determined that it was 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 permanently finance the construction of the Project; and

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

NOW, THEREFORE, BE IT RESOLVED by the Black Mountain Utility 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 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 .

Chairman

Attest:

Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Black Mountain Utility District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners at a meeting duly held on _____, 2004; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____,
2004.

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

Kentucky Infrastructure Authority
375 Versailles Road
Frankfort, Kentucky

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Black Mountain Utility District dated as of October 1, 2004

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 Black Mountain Utility District (hereinafter referred to as the "Governmental Agency"). I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the infrastructure project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

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

Based upon my review I am of the opinion that:

- 1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.
- 2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.
- 3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

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

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

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

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

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

Very truly yours,

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
BLACK MOUNTAIN UTILITY DISTRICT,
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

- 1) Total C04-01 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: _____

BLACK MOUNTAIN UTILITY DISTRICT,
Governmental Agency

By: _____

Title _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENT

None

23338.1

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENT

None

23338.1

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Black Mountain Utility District (the "Governmental Agency"), dated as of October 1, 2004

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 utility district and 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 26th day of October, 2004.

GOVERNMENTAL AGENCY:
BLACK MOUNTAIN UTILITY DISTRICT

By: *Vickie Rhymer*
Name: Vickie Rhymer
Title: Chairman

ATTEST:
By: *Robert Lee*

Name: _____
Title: Secretary

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Black Mountain Utility District (the "Governmental Agency"), dated as of October 1, 2004

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 utility district and 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 26th day of October, 2004.

GOVERNMENTAL AGENCY:
BLACK MOUNTAIN UTILITY DISTRICT

By: Vickie Rhymer
Name: Vickie Rhymer
Title: Chairman

ATTEST:

By: Robert Lee

Name: _____
Title: Secretary

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Black Mountain Utility District (the "Governmental Agency"), dated as of October 1, 2004

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 utility district and 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 26th day of October, 2004.

GOVERNMENTAL AGENCY:
BLACK MOUNTAIN UTILITY DISTRICT

By: Vickie Rhymmer
Name: Vickie Rhymmer
Title: Chairman

ATTEST:
By: Robert Lee

Name: _____
Title: Secretary

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Black Mountain Utility District (the "Governmental Agency"), dated as of October 1, 2004

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 utility district and 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 26th day of October, 2004.

GOVERNMENTAL AGENCY:
BLACK MOUNTAIN UTILITY DISTRICT

By: Vickie Rhymers
Name: Vickie Rhymers
Title: Chairman

ATTEST:

By: Robert Lee

Name: _____
Title: Secretary

Peck, Shaffer & Williams LLP
Attorneys At Law

118 WEST FIFTH STREET COVINGTON, KENTUCKY 41011
TELEPHONE 859-431-7000 859-431-7000 FAX 859-431-0673 WWW.PECK-SHAFFER.COM

October 25, 2004

Ms. Vickie Rhymer
Chairperson
Black Mountain Utility District
609 Four Mile Road
Baxter, Kentucky 40806

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and
Black Mountain Utility District dated as of October 1, 2004, No.C04-01

Dear Ms. Rhymer:

In order for us to close the loan to be provided pursuant to the referenced Assistance Agreement, we ask that you provide the following:

1. Four (4) executed copies of the enclosed Resolution approving the Assistance Agreement;
2. Four (4) executed copies of the enclosed General Closing Certificate;
3. An executed copy of the Opinion of the Attorney for the Utility District, using the form enclosed, on counsel's letterhead;
4. Three (3) executed copies of the enclosed signature pages to the Assistance Agreement, together with one (1) executed copy of the complete Assistance Agreement.

In addition, we request that you provide or complete the following:

1. Minutes of the Meeting at which the Resolution was adopted.
2. A schedule of the District's present service charges, as defined in the Assistance Agreement to be incorporated as Exhibit C to the Assistance Agreement.
3. Complete the portion of Exhibit A to the Assistance Agreement concerning the District's insurance coverage.

2004 OCT 27 P 1:18

RECEIVED

We have also enclosed one copy of each of the documents to be retained in your files, including the Assistance Agreement. All remaining executed copies, including the signature pages to the Assistance Agreement, should be returned to the undersigned, so that we may review the enclosed documents and forward them to the Kentucky Infrastructure Authority, who will obtain the necessary signatures by the Infrastructure Authority and return the documents to us. A bound transcript including all signed documents will be provided to you at a later date. Please make sure that Exhibits A and C to the Assistance Agreement are completed, including the section in Exhibit A concerning the insurance coverage.

Please call the undersigned if you should have any questions or comments regarding these enclosures.

Very truly yours,

PECK, SHAFFER & WILLIAMS LLP

Per 
Dirk M. Bedarff

DMB/mmw

Encls.

cc: John Covington w/encl. AA
Betsie Carroll w/encl. AA

RESOLUTION

RESOLUTION OF THE BLACK MOUNTAIN UTILITY DISTRICT
APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT
BETWEEN THE BLACK MOUNTAIN UTILITY DISTRICT AND THE
KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners (the "Governing Authority") of the Black Mountain Utility District ("Governmental Agency") has previously determined that it was 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 permanently finance the construction of the Project; and

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

NOW, THEREFORE, BE IT RESOLVED by the Black Mountain Utility 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 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 _____.

Chairman

Attest:

Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Black Mountain Utility District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners at a meeting duly held on _____, 2004; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2004.

Secretary

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Black Mountain Utility District (the "Governmental Agency"), dated as of October 1, 2004

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 utility district and 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 _____ day of _____, 2004.

GOVERNMENTAL AGENCY:
BLACK MOUNTAIN UTILITY DISTRICT

By: _____
Name: Vickie Rhymer
Title: Chairman

ATTEST:

By: _____

Name: _____
Title: Secretary

[ON LETTERHEAD OF COUNSEL FOR BLACK MOUNTAIN UTILITY DISTRICT]

[Date]

Kentucky Infrastructure Authority
375 Versailles Road
Frankfort, Kentucky

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Black Mountain Utility Water District dated as of October 1, 2004

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 Black Mountain Utility District (hereinafter referred to as the "Governmental Agency"). I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the infrastructure project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

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

Based upon my review I am of the opinion that:

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

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

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

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

5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. The Governmental Agency has obtained each and

every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

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

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

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

Very truly yours,

Account

Account Name and Address	
BLACK MTN UTILITY DISTRICT	
PO BOX 310	
HARLAN KY 40831-0310	

Payment	
Payment Amount:	\$0.00
Past Due Amount:	\$0.00
Partially Paid Amount:	\$0.00
Payment Suspense Amount:	\$0.00
Total Amount Due:	\$193.43

Payment Details	
Payment Due Date:	06/01/2022
Use Billed Amounts When Splitting Payments:	Yes
Payment Type:	2 - Payment is accrued interest only
Payment Frequency (Term):	1
Payment Frequency (Units):	M - Months
Loan Term:	13
Loan Term (Units):	M - Months

Balance Details	
Original Loan Amount:	\$107,624.43
Current Balance:	\$101,196.54
Interest Accrued:	\$149.76
Late Charge Due:	\$0.00
Other Charges:	\$0.00
Credit Line Available:	\$0.00

Interest	
Interest Base:	0 - Interest accrued on 365/365
Interest Rate:	2.250000 %
Daily Accrual:	\$6.23814

Dates	
Original Loan Date:	07/01/2020
Last Payment Date:	05/05/2022
Maturity Date:	09/01/2022
Next Review Date:	
Last Maintenance Date:	04/14/2022

Internal	
Account Number:	180002495
Loan Type:	TE - TAX EXEMPT
Officer:	KWC - KEVIN W CAVINS
Branch:	18 - HARLAN MANSION
General Ledger Group Code:	600 - TAX EXEMPT
Universal Loan Identifier:	

Payoff	
Current Payoff:	\$101,346.30
Payoff Good Thru Date:	05/25/2022
Payoff Pending Flag:	No
Next Months Payoff:	\$0.00

Maturity Rate	
Maturity Rate:	0.000000 %
Maturity Rate Grace Days:	0

Collateral	
Collateral:	15 - SAVINGS AND CERTIFICATES OF DEPOSIT

Collateral Insurance Expiration Date:	
---------------------------------------	--

Charged Off Details	
Charged Off Amount:	\$0.00
Charged Off Date:	

LTV Ratio	
Original LTV Ratio:	1.00 %
Current Appraisal LTV Ratio:	94.02 %

LOAN NUMBER 180002495	LOAN NAME BLACK MTN UTILITY DISTRICT	ACCT. NUMBER BAA4895	NOTE DATE 07/01/20	INITIALS KWC
NOTE AMOUNT \$107,624.43	INDEX (w/Margin) Not Applicable	RATE 2.400%	MATURITY DATE 08/01/21	LOAN PURPOSE Commercial

Creditor Use Only

PROMISSORY NOTE
(Commercial - Single Advance)

DATE AND PARTIES. The date of this Promissory Note (Note) is July 1, 2020. The parties and their addresses are:

LENDER:
MONTICELLO BANKING CO.
PO Box 421
Monticello, KY 42633
Telephone: 606-348-8411

BORROWER:
BLACK MTN UTILITY DISTRICT
609 FOUR MILE RD
BAXTER, KY 40806

1. DEFINITIONS. As used in this Note, the terms have the following meanings:

- A. **Pronouns.** The pronouns "I," "me," and "my" refer to each Borrower signing this Note and each other person or legal entity (including guarantors, endorsers, and sureties) who agrees to pay this Note. "You" and "Your" refer to the Lender, any participants or syndicators, successors and assigns, or any person or company that acquires an interest in the Loan.
- B. **Note.** Note refers to this document, and any extensions, renewals, modifications and substitutions of this Note.
- C. **Loan.** Loan refers to this transaction generally, including obligations and duties arising from the terms of all documents prepared or submitted for this transaction such as applications, security agreements, disclosures or notes, and this Note.
- D. **Loan Documents.** Loan Documents refer to all the documents executed as a part of or in connection with the Loan.
- E. **Property.** Property is any property, real, personal or intangible, that secures my performance of the obligations of this Loan.
- F. **Percent.** Rates and rate change limitations are expressed as annualized percentages.
- G. **Dollar Amounts.** All dollar amounts will be payable in lawful money of the United States of America.

2. REFINANCING. This Note will pay off the following described note(s):

Note Date	Note Number	Note Amount
August 31, 2017	# 180018511	\$144,000.00

The remaining balance of the note listed in the table above is \$107,624.43.

3. PROMISE TO PAY. For value received, I promise to pay you or your order, at your address, or at such other location as you may designate, the principal sum of \$107,624.43 (Principal) plus interest from July 1, 2020 on the unpaid Principal balance until this Note matures or this obligation is accelerated.

4. INTEREST. Interest will accrue on the unpaid Principal balance of this Note at the rate of 2.400 percent (Interest Rate).

- A. **Post-Maturity Interest.** After maturity or acceleration, interest will accrue on the unpaid Principal balance of this Note at the Interest Rate in effect from time to time, until paid in full.
- B. **Maximum Interest Amount.** Any amount assessed or collected as interest under the terms of this Note will be limited to the maximum lawful amount of interest allowed by applicable law. Amounts collected in excess of the maximum lawful amount will be applied first to the unpaid Principal balance. Any remainder will be refunded to me.
- C. **Statutory Authority.** The amount assessed or collected on this Note is authorized by the Kentucky usury laws under Ky. Rev. Stat. Ann. Ch. 286, Subtitle 6.
- D. **Accrual.** Interest accrues using an Actual/365 days counting method.

5. REMEDIAL CHARGES. In addition to interest or other finance charges, I agree that I will pay these additional fees based on my method and pattern of payment. Additional remedial charges may be described elsewhere in this Note.

A. **Late Charge.** If a payment is more than 10 days late, I will be charged 5.000 percent of the Amount of Payment or \$5.00, whichever is greater. However, this charge will not be greater than \$100.00. I will pay this late charge promptly but only once for each late payment.

6. PAYMENT. I agree to pay this Note in installments of accrued interest beginning August 1, 2020, and then on the 1st day of each month thereafter. I agree to pay the entire unpaid Principal and any accrued but unpaid interest on August 1, 2021.

Payments will be rounded to the nearest \$.01. With the final payment I also agree to pay any additional fees or charges owing and the amount of any advances you have made to others on my behalf. Payments scheduled to be paid on the 29th, 30th or 31st day of a month that contains no such day will, instead, be made on the last day of such month.

Each payment I make on this Note will be applied first to escrow that is due, then to interest that is due, then to principal that is due, then to late charges that are due, and finally to any charges that I owe other than principal and interest. If you and I agree to a different application of payments, we will describe our agreement on this Note. You may change how payments are applied in your sole discretion without notice to me. The actual amount of my final payment will depend on my payment record.

7. **PREPAYMENT.** I may prepay this Loan in full or in part at any time. Any partial prepayment will not excuse any later scheduled payments until I pay in full.

8. **LOAN PURPOSE.** The purpose of this Loan is REFI #180002495.

9. **SECURITY.** The Loan is secured by separate security instruments prepared together with this Note as follows:

Document Name	Parties to Document	Date of Security Document
Security Agreement - HARLAN COUNTY FISCAL COURT	HARLAN COUNTY FISCAL COURT	07/01/2020

10. **DEFAULT.** I will be in default if any of the following events (known separately and collectively as an Event of Default) occur:

A. **Payments.** I fail to make a payment in full when due.

B. **Insolvency or Bankruptcy.** The death, dissolution or insolvency of, appointment of a receiver by or on behalf of, application of any debtor relief law, the assignment for the benefit of creditors by or on behalf of, the voluntary or involuntary termination of existence by, or the commencement of any proceeding under any present or future federal or state insolvency, bankruptcy, reorganization, composition or debtor relief law by or against me or any co-signer, endorser, surety or guarantor of this Note or any other obligations I have with you.

C. **Failure to Perform.** I fail to perform any condition or to keep any promise or covenant of this Note.

D. **Other Documents.** A default occurs under the terms of any other Loan Document.

E. **Other Agreements.** I am in default on any other debt or agreement I have with you.

F. **Misrepresentation.** I make any verbal or written statement or provide any financial information that is untrue, inaccurate, or conceals a material fact at the time it is made or provided.

G. **Judgment.** I fail to satisfy or appeal any judgment against me.

H. **Forfeiture.** The Property is used in a manner or for a purpose that threatens confiscation by a legal authority.

I. **Name Change.** I change my name or assume an additional name without notifying you before making such a change.

J. **Property Transfer.** I transfer all or a substantial part of my money or property.

K. **Property Value.** You determine in good faith that the value of the Property has declined or is impaired.

L. **Insecurity.** You determine in good faith that a material adverse change has occurred in my financial condition from the conditions set forth in my most recent financial statement before the date of this Note or that the prospect for payment or performance of the Loan is impaired for any reason.

11. **DUE ON SALE OR ENCUMBRANCE.** You may, at your option, declare the entire balance of this Note to be immediately due and payable upon the creation of, or contract for the creation of, any lien, encumbrance, transfer or sale of all or any part of the Property. This right is subject to the restrictions imposed by federal law, as applicable.

12. **WAIVERS AND CONSENT.** To the extent not prohibited by law, I waive protest, presentment for payment, demand, notice of acceleration, notice of intent to accelerate and notice of dishonor.

A. **Additional Waivers By Borrower.** In addition, I, and any party to this Note and Loan, to the extent permitted by law, consent to certain actions you may take, and generally waive defenses that may be available based on these actions or based on the status of a party to this Note.

(1) You may renew or extend payments on this Note, regardless of the number of such renewals or extensions.

(2) You may release any Borrower, endorser, guarantor, surety, accommodation maker or any other co-signer.

(3) You may release, substitute or impair any Property securing this Note.

(4) You, or any institution participating in this Note, may invoke your right of set-off.

(5) You may enter into any sales, repurchases or participations of this Note to any person in any amounts and I waive notice of such sales, repurchases or participations.

(6) I agree that any of us signing this Note as a Borrower is authorized to modify the terms of this Note or any Instrument securing, guarantying or relating to this Note.

B. **No Waiver By Lender.** Your course of dealing, or your forbearance from, or delay in, the exercise of any of your rights, remedies, privileges or right to insist upon my strict performance of any provisions contained in this Note, or any other Loan Document, shall not be construed as a waiver by you, unless any such waiver is in writing and is signed by you.

13. **REMEDIES.** After I default, you may at your option do any one or more of the following.

A. **Acceleration.** You may make all or any part of the amount owing by the terms of this Note immediately due.

B. **Sources.** You may use any and all remedies you have under state or federal law or in any Loan Document.

C. **Insurance Benefits.** You may make a claim for any and all insurance benefits or refunds that may be available on my default.

D. **Payments Made On My Behalf.** Amounts advanced on my behalf will be immediately due and may be added to the balance owing under the terms of this Note, and accrue interest at the highest post-maturity interest rate.

E. **Set-Off.** You may use the right of set-off. This means you may set-off any amount due and payable under the terms of this Note against any right I have to receive money from you.

My right to receive money from you includes any deposit or share account balance I have with you; any money owed to me on an item presented to you or in your possession for collection or exchange; and any repurchase agreement or other non-deposit obligation. "Any amount due and payable under the terms of this Note" means the total amount to which you are entitled to demand payment under the terms of this Note at the time you set-off.

Subject to any other written contract, if my right to receive money from you is also owned by someone who has not agreed to pay this Note, your right of set-off will apply to my interest in the obligation and to any other amounts I could withdraw on my sole request or endorsement.

Your right of set-off does not apply to an account or other obligation where my rights arise only in a representative capacity. It also does not apply to any Individual Retirement Account or other tax-deferred retirement account.

You will not be liable for the dishonor of any check when the dishonor occurs because you set-off against any of my accounts. I agree to hold you harmless from any such claims arising as a result of your exercise of your right of set-off.

F. Waiver. Except as otherwise required by law, by choosing any one or more of these remedies you do not give up your right to use any other remedy. You do not waive a default if you choose not to use a remedy. By electing not to use any remedy, you do not waive your right to later consider the event a default and to use any remedies if the default continues or occurs again.

14. **COLLECTION EXPENSES AND ATTORNEYS' FEES.** On or after the occurrence of an Event of Default, to the extent permitted by law, I agree to pay all expenses of collection, enforcement or protection of your rights and remedies under this Note or any other Loan Document. Expenses include, but are not limited to, reasonable attorneys' fees as provided by law, and court costs. This amount does not include attorneys' fees for your salaried employee. These expenses are due and payable immediately. If not paid immediately, these expenses will bear interest from the date of payment until paid in full at the highest interest rate in effect as provided for in the terms of this Note. All fees and expenses will be secured by the Property I have granted to you, if any. In addition, to the extent permitted by the United States Bankruptcy Code, I agree to pay the reasonable attorneys' fees incurred by you to protect your rights and interests in connection with any bankruptcy proceedings initiated by or against me.

15. **COMMISSIONS.** I understand and agree that you (or your affiliate) will earn commissions or fees on any insurance products, and may earn such fees on other services that I buy through you or your affiliate.

16. **WARRANTIES AND REPRESENTATIONS.** I have the right and authority to enter into this Note. The execution and delivery of this Note will not violate any agreement governing me or to which I am a party.

17. **INSURANCE.** I agree to obtain the insurance described in this Loan Agreement.

A. **Property Insurance.** I will insure or retain insurance coverage on any tangible property that secures the Loan and abide by the insurance requirements of any security instrument securing the Loan.

B. **Insurance Warranties.** I agree to purchase any insurance coverages that are required, in the amounts you require, as described in this or any other documents I sign for the Loan. I will provide you with continuing proof of coverage. I will buy or provide insurance from a firm licensed to do business in the State where the property is located. If I buy or provide the insurance from someone other than you, the firm will be reasonably acceptable to you. I will have the insurance company name you as loss payee on any insurance policy. You will apply the insurance proceeds toward what I owe you on the outstanding balance. I agree that if the insurance proceeds do not cover the amounts I still owe you, I will pay the difference. I will keep the insurance until all debts under this agreement are paid. If I want to buy the insurance from you, I have signed a separate statement agreeing to this purchase.

18. **CREDITOR-PLACED INSURANCE NOTICE.** I am giving you a security interest in the Property described in the security instrument(s) securing the Loan. I am required to maintain insurance on the tangible property described in the security instrument(s) to protect your interest until all debts under this agreement are paid. If I fail to provide evidence of insurance on the tangible property to you, you may place insurance on the tangible property and I will be responsible to pay for the costs of that creditor-placed insurance.

19. **APPLICABLE LAW.** This Note is governed by the laws of Kentucky, the United States of America, and to the extent required, by the laws of the jurisdiction where the Property is located, except to the extent such state laws are preempted by federal law. In the event of a dispute, the exclusive forum, venue and place of jurisdiction will be in Kentucky, unless otherwise required by law.

20. **JOINT AND SEVERAL LIABILITY AND SUCCESSORS.** My obligation to pay the Loan is independent of the obligation of any other person who has also agreed to pay it. You may sue me alone, or anyone else who is obligated on the Loan, or any number of us together, to collect the Loan. Extending the Loan or new obligations under the Loan, will not affect my duty under the Loan and I will still be obligated to pay the Loan. This Note shall inure to the benefit of and be enforceable by you and your successors and assigns and shall be binding upon and enforceable against me and my successors and assigns.

21. **AMENDMENT, INTEGRATION AND SEVERABILITY.** This Note may not be amended or modified by oral agreement. No amendment or modification of this Note is effective unless made in writing. This Note and the other Loan Documents are the complete and final expression of the agreement. If any provision of this Note is unenforceable, then the unenforceable provision will be severed and the remaining provisions will still be enforceable. No present or future agreement securing any other debt I owe you will secure the payment of this Loan if, with respect to this loan, you fail to fulfill any necessary requirements or fail to conform to any limitations of the Truth in Lending Act (Regulation Z) or the Real Estate Settlement Procedures Act (Regulation X) that are required for loans secured by the Property or if, as a result, this Loan would become subject to Section 670 of the John Warner National Defense Authorization Act for Fiscal Year 2007.

22. **INTERPRETATION.** Whenever used, the singular includes the plural and the plural includes the singular. The section headings are for convenience only and are not to be used to interpret or define the terms of this Note.

23. **NOTICE, FINANCIAL REPORTS AND ADDITIONAL DOCUMENTS.** Unless otherwise required by law, any notice will be given by delivering it or mailing it by first class mail or via a nationally recognized overnight courier to the appropriate party's address listed in the DATE AND PARTIES section, or to any other address designated in writing. Notice to one Borrower will be deemed to be notice to all Borrowers. I will inform you in writing of any change in my name, address or other application information. I will provide you any correct and complete financial statements or other information you request. I agree to sign, deliver, and file any additional documents or certifications that you may consider necessary to perfect, continue, and preserve my obligations under this Loan and to confirm your lien status on any Property. Time is of the essence.

24. **CREDIT INFORMATION.** I agree to supply you with whatever information you reasonably request. You will make requests for this information without undue frequency, and will give me reasonable time in which to supply the information.

25. **ERRORS AND OMISSIONS.** I agree, if requested by you, to fully cooperate in the correction, if necessary, in the reasonable discretion of you of any and all loan closing documents so that all documents accurately describe the loan between you and me. I agree to assume all costs including by way of illustration and not limitation, actual expenses, legal fees and marketing losses for failing to reasonably comply with your requests within thirty (30) days.

26. **AGREEMENT TO ARBITRATE.** You or I may submit to binding arbitration any dispute, claim or other matter in question between or among you and me that arises out of or relates to this Transaction (Dispute), except as otherwise indicated in this section or as you and I agree to in writing. For purposes of this section, this Transaction includes this Note and the other Loan Documents, and proposed loans or extensions of credit that relate to this Note. You or I will not arbitrate any Dispute within any "core proceedings" under the United States bankruptcy laws.

You and I must consent to arbitrate any Dispute concerning a debt secured by real estate at the time of the proposed arbitration. You may foreclose or exercise any powers of sale against real property securing a debt underlying any Dispute before, during or after any arbitration. You may also enforce a debt secured by this real property and underlying the Dispute before, during or after any arbitration.

You or I may, whether or not any arbitration has begun, pursue any self-help or similar remedies, including taking property or exercising other rights under the law; seek attachment, garnishment, receivership or other provisional remedies from a court having jurisdiction to preserve the rights of or to prevent irreparable injury to you or me, or foreclose against any property by any method or take legal action to recover any property. Foreclosing or exercising a power of sale, beginning and continuing a judicial action or pursuing self-help remedies will not constitute a waiver of the right to compel arbitration.

The arbitrator will determine whether a Dispute is arbitrable. A single arbitrator will resolve any Dispute, whether individual or joint in nature, or whether based on contract, tort, or any other matter at law or in equity. The arbitrator may consolidate any Dispute with any related disputes, claims or other matters in question not arising out of this Transaction. Any court having jurisdiction may enter a judgment or decree on the arbitrator's award. The judgment or decree will be enforced as any other judgment or decree.

You and I acknowledge that the agreements, transactions or the relationships which result from the agreements or transactions between and among you and me involve interstate commerce. The United States Arbitration Act will govern the interpretation and enforcement of this section.

The American Arbitration Association's Commercial Arbitration Rules, in effect on the date of this Note, will govern the selection of the arbitrator and the arbitration process, unless otherwise agreed to in this Note or another writing.

27. WAIVER OF TRIAL FOR ARBITRATION. You and I understand that the parties have the right or opportunity to litigate any Dispute through a trial by judge or jury, but that the parties prefer to resolve Disputes through arbitration instead of litigation. If any Dispute is arbitrated, you and I voluntarily and knowingly waive the right to have a trial by jury or judge during the arbitration.

28. SIGNATURES. By signing, I agree to the terms contained in this Note. I also acknowledge receipt of a copy of this Note.

BORROWER:

BLACK MTN UTILITY DISTRICT

By Raymond Cox Date 7-1-2020
RAYMOND COX, CHAIRMAN

LENDER:

Monticello Banking Co.

By Kevin W. Davins Date 7/1/2020
KEVIN W. DAVINS, PERSONAL BANKER