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

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

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

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

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December 18, 2009

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

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

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Breathitt Water District, hereinafter referred to as the "Governmental Agency", I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally, I am familiar with the drinking water supply project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution of ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement.

Based upon my review I am of the opinion that:

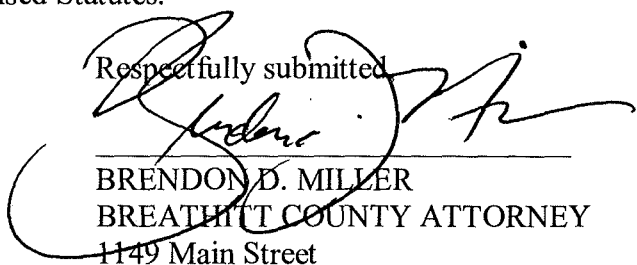
1. The Governmental Agency is a duly organized and existing political subdivision or body polite of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.
2. The Assistance Agreement has been duly executed and delivered by the Governmental Agency 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 define in the Assistance Agreement, are in full Force and effect and have been duly and lawfully adopted by the Governmental Agency.
5. The execution and delivery of the Assistance Agreement and the performance by the Government Agency of its obligations hereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, or ruling, or any obligation or instrument, binding upon the Government Agency, or any of its properties or assets. the Governmental Agency has obtained each and every authorization, consent, permit approval or license of, or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exception from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.
6. To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) thee valid existence of the Governmental Agency, (ii) the right or title of the members and officers of the Governmental Agency to that respective positions, (iii) the authorization, execution, delivery or enforceability of the Assistance Agreement or the application of any monies or security therefore, (iv) the construction of the Project, (v) the validity or enforceability of the Service Charges or (vi) that would have a material adverse impact on the ability of the Governmental Agency to perform its obligations under the Assistance Agreement.
7. None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.
8. None of the proceedings or authority heretofore had or taken by the Governmental Agency for the authorization, execution or delivery of the Assistance Agreement has or have been repealed, rescinded, or revoked.
9. To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection of the project.
10. All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings properly

convened and held in substantial compliance with the applicable provisions of Sections 61.805 of the Kentucky Revised Statutes.

Respectfully submitted



BRENDON D. MILLER
BREATHITT COUNTY ATTORNEY
1149 Main Street
Jackson, Kentucky 41339
(666) 606-3809

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

GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY

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

1. No event of default exists, or with the passage of time will exist, under the Assistance Agreement and the representations and warranties set forth in the Assistance Agreement are true and correct as of the date hereof.
2. The Governmental Agency has examined and is familiar with proceedings of the governing body of the Governmental Agency approving the Assistance Agreement and authorizing its negotiation, execution and delivery and such proceedings were duly enacted or adopted at a meeting of the governing body of the Governmental Agency at which a quorum was present and acting throughout; such proceedings are in full force and effect and have not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.
3. The Governmental Agency is a duly organized and validly existing political subdivision of the Commonwealth of Kentucky with full power to own its properties, conduct its affairs, enter into the Assistance Agreement and consummate the transactions contemplated thereby.
4. The negotiation, execution and delivery of the Assistance Agreement by the Governmental Agency and the consummation of the transactions contemplated thereby by the Governmental Agency have been duly authorized by all requisite action of the governing body of the Governmental Agency.
5. The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.
6. There is no controversy or litigation of any nature pending, or to the knowledge of the Governmental Agency after diligent inquiry, threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under the Assistance Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of the Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of the Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of the

Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with the Assistance Agreement.

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

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

9. The Governmental Agency has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project and to enter into the Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the Governmental Agency Project, and has full right, power and authority to perform the acts and things as provided for in the Assistance Agreement.

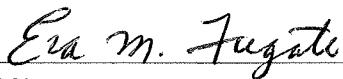
10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Governmental Agency indicated after their respective names and the signatures subscribed above their names are their genuine signatures.

WITNESS our signatures, this 15th day of December, 2009.

**GOVERNMENTAL AGENCY:
BREATHITT COUNTY WATER DISTRICT**

By: 
Name: John L. Smith Bobby Thorpe
Title: Chairman

Attest:

By: 
Name: _____
Title: Secretary

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM

FUND F

PROJECT NUMBER:	F2 09-05
BORROWER:	Breathitt County Water District
BORROWER'S ADDRESS:	1137 Main Street Jackson, Kentucky 41339
DATE OF ASSISTANCE AGREEMENT:	December 1, 2009
CFDA NO.:	66.468

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

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

WITNESSETH

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

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

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

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

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

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

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

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

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

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

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

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

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

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

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

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

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE V

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(1) Federal Cross-Cutters

Environmental Authorities

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

Economic and Miscellaneous Authorities

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

Social Policy Authorities

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

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

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

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

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

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

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IX

MISCELLANEOUS PROVISIONS

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

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

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

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

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

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

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

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

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

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

ATTEST:

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

Sandy Williams
Title: SECRETARY

By: [Signature]
Title: EXECUTIVE DIRECTOR

ATTEST:

**GOVERNMENTAL AGENCY:
BREATHITT COUNTY WATER DISTRICT**

Eva M. Fugate
Title: Secretary

By: [Signature]
Title: Chairman

APPROVED:

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

EXAMINED:

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

ENERGY AND ENVIRONMENT
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: [Signature]
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

E. Jeffrey Morley
APPROVED
FINANCE AND ADMINISTRATION CABINET

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

GOVERNMENTAL AGENCY:

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

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

SYSTEM: Drinking Water

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

PROJECT BUDGET:

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

FUNDING SOURCES:

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

KIA DEBT SERVICE:

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

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

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

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

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

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

ADMINISTRATIVE FEE: 0.25%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

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

LIABILITY INSURANCE COVERAGE:

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

Kentucky Association of Counties

All Lines Fund

380 King's Daughters Drive

Frankfort, KY 40601

Declarations Page

Policy Number P&C0963

Insured Name and Address

Breathitt County Water District
1137 Main Street
Jackson, KY 41339

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

For customer service please call
(800)264-5226

Issued: 09/08/2009

Business Description Water District

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

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

Authorized
Representative

Kris Dann

Date 09/08/2009

(See Attached Endorsement)

EXHIBIT B

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

Request No. _____

Dated: _____

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

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

FROM: Breathitt County Water District (the "Governmental Agency")

Gentlemen:

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

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

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

ELIGIBLE PROJECT EXPENSES INCURRED

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

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

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

Respectfully submitted,

Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO
PAYMENT REQUEST

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

Engineer/Architect

Firm Name

EXHIBIT B-1

BUY-AMERICAN CERTIFICATION ACCOMPANYING PAY REQUESTS

BUY AMERICAN AFFIRMATION

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

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

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

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

Name of Governmental Agency

Name of Contractor

Signature of Authorized Official

Signature of Authorized Official

Title

Title

Date

Date

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached

APPENDIX

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

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

Non-Recurring Charges

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

EXHIBIT D

RESOLUTION

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

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

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

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

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

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

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

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

ADOPTED on _____, 2009.

Chairman

Attest:

Secretary

CERTIFICATE

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

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

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

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

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Breathitt County Water District, hereinafter referred to as the "Governmental Agency". I am familiar with the organization and existence of the Governmental Agency and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the drinking water supply project (the "Project") with respect to which the Assistance Agreement by and between the Kentucky Infrastructure Authority ("Authority") and the Governmental Agency is being authorized, executed and delivered.

I have reviewed the form of Assistance Agreement by and between the Authority and the Governmental Agency, the resolution or ordinance of the governing authority authorizing the execution and delivery of said Assistance Agreement.

Based upon my review I am of the opinion that:

1) The Governmental Agency is a duly organized and existing political subdivision or body politic of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

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

3) The Governmental Agency has all necessary power and authority (i) to enter into, perform and consummate all transactions contemplated by the Assistance Agreement, and (ii) to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

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

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

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

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

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

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

Very truly yours,

EXHIBIT F

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

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

Principal and Interest Payable
on Each June 1 and December 1

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

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

KENTUCKY INFRASTRUCTURE AUTHORITY

By: _____

Title: _____

Governmental Agency

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

None

EXHIBIT H

BUSINESS CASE REQUIREMENTS FOR GREEN PROJECT RESERVE

Not Applicable

46298.1

RESOLUTION

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

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

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

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

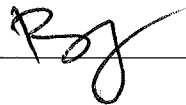
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Breathitt County Water District, as follows:

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

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

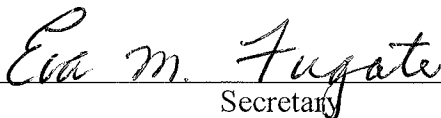
SECTION 3. That this resolution shall take effect at the earliest time provided by law.

ADOPTED on 12-15-09, 2009.



Chairman

Attest:


Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Breathitt County Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Commissioners of said City at a meeting duly held on 12-15, 2009; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 15 day of December, 2009.

Eva m. Fugate
Secretary

MINUTES

DATE: December 16, 2009

Breathitt County Water District
4:00 p.m.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

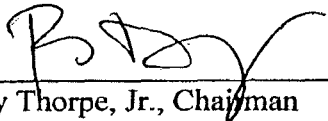
Motion by Bobby Thorpe, Jr., seconded by Sammie Turner to hire Crystal Deaton to video the meetings at a cost of \$75.00 per Regular Meeting and \$25.00 per Special Meeting. Vote is as follows: Bobby Thorpe, Jr.-aye, Kash Noble-aye, Sammie Turner-aye, Eva Fugate-aye and Eugene Turner-aye. Motion carried.

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

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

No action was taken during the Executive Session.

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



Bobby Thorpe, Jr., Chairman

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

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

Members present:

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

Guests:

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

PROCEEDINGS

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

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Special Board Meeting of June 25, 2009

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

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

B. INFORMATIONAL ITEM

1. Interest Rate History 2003-2010

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

C. NEW PROJECTS/ACTION ITEMS

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

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

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

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

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

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) OF 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. EXECUTIVE DIRECTOR'S REPORT

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

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

IV. STATUS REPORT FOR FUNDS

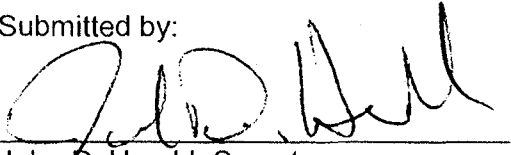
- A. 2003 Coal/Tobacco Development Grants
- B. IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A1, B, B1, C, F, F1

V. ANNOUNCEMENTS/NOTIFICATIONS

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

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

Submitted by:

A handwritten signature in black ink, appearing to read "John D. Herald", written over a horizontal line.

John D. Herald, Secretary
Kentucky Infrastructure Authority

7-30-09

Date



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

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

John E. Covington III
Executive Director

July 15, 2009

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

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

Dear Chairman Smith:

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

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

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

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

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

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

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

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

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

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

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

Chairman Smith
July 15, 2009
Page 5

Sincerely,

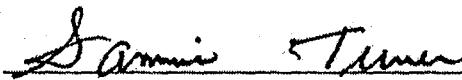


Kasi L. White
Financial Analyst

Attachments

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

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


Accepted

12-3-09
Date

ATTACHMENT A

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

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

Reviewer: Sandy Williams

Date: July 9, 2009

Loan Number: F2 09-05

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

**PROJECT REVIEW
WX21025011**

I. PROJECT DESCRIPTION

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

This project is funded with ARRA funding.

II. PROJECT BUDGET

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

III. PROJECT FUNDING

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

IV. KIA DEBT SERVICE

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

V. PROJECT SCHEDULE

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

VI. RATE STRUCTURE

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

Rates

The monthly charge for water utility service is:

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

VII. DEMOGRAPHICS

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

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

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

HISTORICAL

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

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

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

PROJECTED

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

Projections are based on the following assumptions:

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

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

REPLACEMENT RESERVE

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

IX. DEBT OBLIGATIONS

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

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

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

XI. CONTACTS**Applicant**

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

Engineer

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

Applicant Contact

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

XII. RECOMMENDATIONS

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

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

EXHIBIT 1
BREATHITT COUNTY WATER DISTRICT
CASHFLOW ANALYSIS

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

**BREATHITT COUNTY WATER DISTRICT
BALANCE SHEETS**

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

7/1/2009

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



Steven L. Beshear
Governor

KENTUCKY INFRASTRUCTURE AUTHORITY

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

John E. Covington III
Executive Director

November 24, 2009

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

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

Dear Chairman Smith:

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

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

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

following terms:

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

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

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

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

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

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

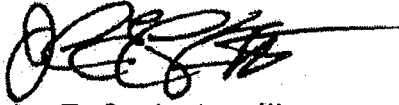
1. A sign shall be erected at the construction site in a form as prescribed by the Authority. The sign shall indicate that project funding has been provided in whole or in part by ARRA.
2. The project specifications must include the ARRA supplemental general conditions.
3. The project shall comply with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

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

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

Chairman Smith
November 24, 2009
Page 5

Sincerely,



John E. Covington, III
Executive Director

Attachments

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

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


Accepted

12-4-09
Date

ATTACHMENT A

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

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

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

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

I. PROJECT DESCRIPTION

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

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

II. PROJECT BUDGET

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

III. PROJECT FUNDING

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

IV. KIA DEBT SERVICE

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

V. PROJECT SCHEDULE

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

VI. RATE STRUCTURE

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

Rates

The monthly charge for water utility service is:

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

VII. DEMOGRAPHICS

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

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

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

HISTORICAL

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

As with any start-up, it takes time to recoup the initial investment. So it is with the BCWD. The district has spent the five years since inception running water lines. In 2007, revenue increased 106% from \$88,610 to \$182,601. An additional 25% increase was experienced in 2008 when revenues rose to \$228,531. During 2006 and 2007, the profit margin for the newly formed district was negligible. In 2008, the district took out a line of credit to use as interim financing for a waterline extension project that was to be funded by line item grant funds. The \$45,000 interest costs for the \$1.2 million credit line plunged the cashflow into a negative state. However, the cost of this interim financing was recouped when the line item grant funds became available and the line of credit has since been repaid. As of the date of the original, the district had no outstanding long-term debt.

PROJECTED

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

Projections are based on the following assumptions:

- An additional 318 customers will be added to the system by December 2009. This represents 50% of the available customers on the line extensions.
- An additional 32 customers will be added to the system by December 2010. This represents 10% of the available customers on the line extensions.
- Expenses are projected to increase by 4% annually plus the cost of water for the additional customers.
- Average water use was calculated to be 5,000 per month per customer, based off of the information in the 2008 PSC report.
- The replacement reserve is \$1,400 annually.
- Debt service on the new KIA loan will be \$15,173 annually beginning in December 2010 which represents an increase of \$1,379 from the original approval.

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

REPLACEMENT RESERVE

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

IX. DEBT OBLIGATIONS

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

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

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

XI. CONTACTS

Applicant

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

Engineer

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

Applicant Contact

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

XII. RECOMMENDATIONS

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

EXHIBIT 1
BREATHITT COUNTY WATER DISTRICT
CASHFLOW ANALYSIS

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

**BREATHITT COUNTY WATER DISTRICT
BALANCE SHEETS**

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

11/24/2009

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