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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR APPROVAL OF)	CASE NO. 2009- 002666
FINANCING FOR THE PURCHASE)	
AND INSTALLATION OF AUTOMATED)	
METER READING EQUIPMENT)	

APPLICATION

Northern Kentucky Water District (NKWD), by counsel, petitions for an order approving the financing of automated meter reading equipment pursuant to KRS 278.300 and the Commission's order in Case No. 2008-00119 dated July 29, 2008.

In support of the application, the following information is provided:

1. NKWD's office address is 2835 Crescent Springs Rd., Erlanger, KY 41018-0640. Its principal officers are listed in its current Annual Report on page 6, which is filed with the Commission as are its prior years Reports;

2. NKWD is a non-profit water district organized under Chapter 74 and has no separate articles of incorporation;

3. A description of NKWD's water system and its property stated at original cost by accounts is contained in its 2008 Annual Report, which is incorporated by reference

4. NKWD serves retail customers in Kenton, Boone and Campbell Counties and sells water at wholesale to non-affiliated water distribution systems in Kenton, Boone,

Pendleton and Campbell Counties.

5. It proposes to finance the automated meter reading equipment approved in Case No. 2008-00119. The facilities include approximately 81,000 transmitters and antenna as well as related equipment and software. The District initially financed the estimated \$7,500,000 cost with \$800,000 approved in Case No. 2005-00148 (exhibit O, project 104) and \$800,000 approved in Case No. 2007-00135 (exhibit O, project 106). The remaining \$5.9 million was initially financed with Bond Anticipation Notes (BANS). The District has now received approval from the Kentucky Infrastructure Authority for a \$6 million loan to permanently finance the AMR project. It is this financing that is the subject of this application. A copy of the KIA loan agreement is attached as Exhibit 1.

6. The construction is in the public interest and is required to allow NKWD to continue to provide adequate service to its customers. The project will provide enhanced meter reading and customer service options. Rates are not being adjusted in this case.

7. The resolution of the NKWD Board of Commissioners approving the KIA loan agreement is attached as Exhibit 2.

8. The following information is provided in response to 807 KAR 5:001 (8):

a. Articles of Incorporation – None. NKWD is a statutorily created water district under KRS Chapter 74;

9. The following information is supplied pursuant to 807 KAR 5:001(9):

a. Facts relied upon to show that the application is in the public interest: See Case No. 2008-00119, incorporated by reference.

10. The following information is provided as required by 807 KAR 5:001 (11):

a. A general description of the property is contained in the 2008 Annual Report, incorporated by reference.

b. No stock is to be issued; No bonds are to be issued in this case;
c. There is no refunding. This loan replaces the funding of the prior BANS;
d. The proceeds of the financing are to acquire and construct the property described and approved in Case No. 2008-00119.

e. The par value, expenses, use of proceeds, interest rates and other information is not applicable because no bonds are being issued at this time.

11. The following exhibits are provided pursuant to 807 KAR 5:001 (11)(2):

a. There are no trust deeds. All notes, indebtedness and mortgages are included in Exhibits 3 and 4.

b. Property is to be constructed is described in Case No. 2008-00119.

12. The following information is provided pursuant to 807 KAR 5:001(6):

a. No stock is authorized.

b. No stock is issued.

c. There are no stock preferences.

d. Mortgages are listed in Exhibit 3.

e. Bonds are listed in Exhibit 3.

f. Notes are listed in Exhibit 3.

g. Other indebtedness is listed in Exhibit 3.

h. No dividends have been paid.

i. Current balance sheet; income statement and financial statement are attached as Exhibit 4.

k. The facilities being constructed will be reflected in USoA Account 334 "Meters and Meter Installations".

For these reasons, the District requests authorization to finance the facilities and

any other order or authorization that may be necessary to obtain Commission approval for financing.

Full name and post office address of applicant and a reference to the particular provision of law requiring Commission approval.

Application

The original and 10 copies of the application with an additional copy for any party named therein as an interested party.

yes

If applicant is a corporation, a certified copy of the Articles of Incorporation and all amendments thereto or if the articles were filed with the PSC in a prior proceeding, a reference to the style and case number of the prior proceeding.

n/a

Every financing application shall be made under oath, and shall be signed and filed on behalf of the utility by its president, or by a vice president, auditor, comptroller or other executive officer having knowledge of the matters set forth and duly designated by the utility.

Application

Description of applicant's property.
Statement of original cost of applicant's property and the cost to the applicant, if different.

Annual Report
Annual Report

If stock is to be issued: and kinds to be issued.

n/a

--Description of amount and kinds to be issued.

--If preferred stock, a description of the preferences.

n/a

If Bonds or Notes or Other Indebtedness is proposed:

Exhibit 1

--Description of the amount(s)

--Full description of all terms

--Interest rates(s)

--Whether the debt is to be secured and if so a description of how it's

secured.

Statement of how proceeds are to be used. Should show amounts for each type of use (i.e., property, debt refunding, etc.)

If proceeds are for property acquisition, give a full description thereof. Supply any contracts.

If proceeds are to refund outstanding obligations, give:

--Par value

--Amount for which actually sold

--Expenses and application of proceeds

--Date of obligations

--Total amount

--Time held

--Interest rate

--Payee

Financial Exhibit (see below)

Copies of all trust deeds or mortgages. If previously filed, state case number.

If Property to be acquired:

--Maps and plans of property.

--Detailed estimates by USOA account number.

ALL INFORMATION BELOW IN SECTIONS 6(1) THROUGH 6(9) SHOULD COVER THE PERIOD ENDING NOT MORE THAN 90 DAYS PRIOR TO DATE ON WHICH APPLICATION WAS FILED:

Amount and types of stock authorized.

Application
Application
n/a
n/a
n/a
n/a
n/a
n/a
Application

n/a

Amount and types of stock issued and outstanding.

n/a

Detail of preference terms of preferred stock.

Mortgages:

n/a

--Date of Execution

--Name of Mortgagor

--Name of Mortgagee or Trustee

--Amount of Indebtedness Secured

--Sinking Fund Provisions

Bonds

Exhibit 3

--Amount Authorized

--Amount Issued

--Name of Utility Who Issued

--Description of Each Class Issued

--Date of Issue

--Date of Maturity

--How Secured

--Interest Paid in Last Fiscal Year

Notes Outstanding:

Exhibit 3

--Date of Issue

--Amount

--Maturity Date

--Rate of Interest

--In Whose Favor

--Interest Paid in Last Fiscal Year

Other Indebtedness:

--Description of Each Class

--How Secured

--Description of Any Assumption of Indebtedness by Outside Party
(i.e., any transfer)

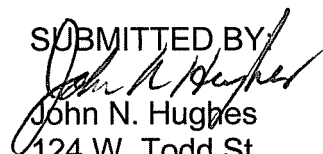
--Interest Paid in Last Fiscal Yr.

Rate and amount of dividends paid during the five (5) previous fiscal years and the amount of capital stock on which dividends were paid each year.

Detailed income statement and balance sheet.

Exhibit 3
n/a
Exhibit 4

SUBMITTED BY:


John N. Hughes
124 W. Todd St.
Frankfort, KY 40601

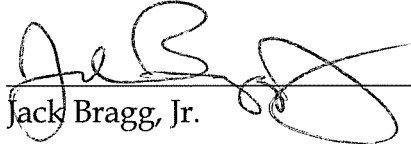
Attorney for Northern
Kentucky Water District

AFFIDAVIT

COMMONWEALTH OF KENTUCKY

COUNTY OF KENTON

Affiant, Jack Bragg, Jr., appearing personally before me a notary public for and of the Commonwealth of Kentucky and after being first sworn, deposes, states, acknowledges, affirms and declares that he is Vice President - Finance, that he is authorized to submit this Application on behalf of Northern Kentucky Water District, and that the information contained in the Response is true and accurate to the best of his knowledge, information and belief, after a reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.


Jack Bragg, Jr.

This instrument was produced, signed, acknowledged and declared by Jack Bragg to be his act and deed the 2nd day of July, 2009.


Notary Public

My Commission expires: 5-9-2011

EXHIBIT 1

HEMMER PANGBURN DEFRAK PLLC

SUITE 200
250 GRANDVIEW DRIVE
FT. MITCHELL, KENTUCKY 41017
(859) 344-1188
FAX: (859) 578-3869

January 12, 2009

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

Re: Fund C Loan C08-01
Northern Kentucky Water District

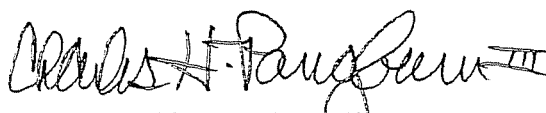
Ladies and Gentlemen:

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 Northern Kentucky Water District, hereinafter referred to as the "Water Utility". I am familiar with the organization and existence of the Water Utility and the laws of the Commonwealth applicable thereto. Additionally, I am familiar with the drinking water project (the "Project") associated with the above-referenced prospective loan and funding commitment by and between the Kentucky Infrastructure Authority ("Authority") and the Water Utility.

I have reviewed the commitment letter of June 9, 2008 by and between the Authority and the Water Utility and the documentation regarding wage rates and procurement with respect to the Project.

Based upon my review, I am of the opinion that, to the best of my knowledge after due inquiry, the Water Utility has prepared construction specifications in accordance with all applicable state or federal wage rate laws, and the procurement procedures, including those for construction, land, equipment and professional services that are a part of the Project, are in compliance with all applicable federal, state and local procurement laws.

Respectfully,


Charles H. Pangburn III

cc: Mr. Ron Lovan
Mr. Jack Bragg

RESOLUTION
OF THE
NORTHERN KENTUCKY WATER DISTRICT

A Resolution Authorizing The Northern Kentucky Water District To File A Loan Application And Appointing Its President/CEO As Its Official Project Representative With Regard To The Kentucky Infrastructure Authority Revolving Loan Fund Project

WHEREAS, the Northern Kentucky Water District (the "District") proposes to install automatic meter reading to improve drinking water service for residential, commercial, institutional, and industrial growth within its service area; and

WHEREAS, under the authority of the Kentucky Infrastructure Authority and applicable law, the Commonwealth of Kentucky is authorized to provide financial assistance to eligible project applicants by way of State funds comprising the Infrastructure Revolving Loan Fund, and such program is established to aid in the construction of drinking water treatment facilities improvements and certain related facilities through the Kentucky Infrastructure Authority; and

WHEREAS, the improvements proposed by the District, within its service area, are considered eligible for such loan assistance.

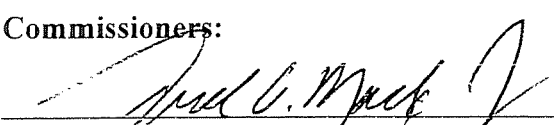
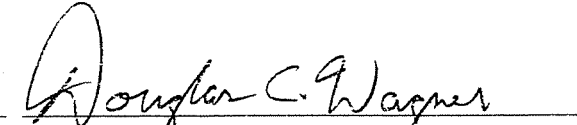



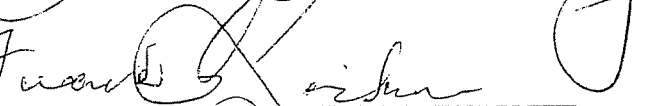
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Northern Kentucky Water District as follows:

1. That the current President/CEO of the District and his Successors-in-Title be, and are, hereby authorized to execute, deliver and submit an application for loan assistance from the Kentucky Infrastructure Authority Revolving Loan Fund on behalf of the District through the Kentucky Infrastructure Authority, said application providing such assurances and supporting data to obtain loan assistance from the Infrastructure Revolving Fund for the proposed improvements; and

2. That the current President/CEO of the District and his Successors-in-Title are hereby authorized to negotiate and administer the loan assistance that the District may obtain from the Infrastructure Revolving Loan Fund.

AGREED, DETERMINED and RESOLVED this 15th day of May 2008 at a regular meeting of the Board of Commissioners of the Northern Kentucky Water District at 2835 Crescent Springs Road, Erlanger, Kentucky.

Commissioners:



KENTUCKY INFRASTRUCTURE AUTHORITY

Steven L. Beshear
Governor

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

June 9, 2008

C. Ronald Lovan, PE, President / CEO
Northern Kentucky Water District
P.O. Box 18640
Erlanger, Kentucky 41018-0640

KENTUCKY INFRASTRUCTURE AUTHORITY GOVERNMENTAL AGENCIES PROGRAM CONDITIONAL COMMITMENT LETTER (C08-01)

Dear Mr. Lovan:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On June 5, 2008, the Authority approved your loan for the purchase and implementation of Badger/Orion AMR transponder system subject to the conditions stated below. The total cost of the project shall not exceed \$6,000,000 of which the Authority loan shall provide up to \$6,000,000 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 Northern Kentucky Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (June 9, 2009) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$6,000,000.
2. The loan shall bear interest at the rate of 3.00% per annum commencing with the first draw of funds.

3. The loan shall be repaid over a period not to exceed 10 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter during the draw phase.
5. Full principal and interest payments will commence on June 1 or December 1 immediately succeeding the date of the last draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1 or December 1 which is at least six months from the date of the last draw of funds. Full payments and interest payments will be due monthly on the first day of each month thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

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. Upon completion of final design of the facilities in the attached project description, favorable approval shall be obtained of such design by all appropriate parties as required by Kentucky statute or administrative regulation.
2. Applicant must provide certification from their legal counsel stating that they have prepared construction specifications in accordance with all applicable state or federal wage rate laws, and that the procurement procedures, including those for construction, land, equipment and professional services that are a part of the project, are in compliance with applicable federal, state and local procurement laws.

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
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 Authority.
8. 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.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
11. Implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.

Mr. Lovan
June 9, 2008
Page 4

12. Final Design Plans in an AutoCAD Drawing File Format (DWG), referenced to the appropriate (North, South or Single) Kentucky State Plane Coordinate System (NAD83-Survey Feet) on a Compact Disc (CD). If there is a significant deviation from the Final Design Plan during construction, As-built plans shall also be provided to the Authority in the same format.

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 will assist you in a final evaluation of the financing plan when construction bids are available. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,




Kasi L. White
Financial Analyst

Attachments

cc: Jack Bragg, Jr., Northern Kentucky Water District
Dirk Bedarff, Peck, Shaffer & Williams LLP
Lonnie Campbell, State and Local Debt Office, GOLD
Borrower File - Northern Kentucky Water District - C08-01

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

6/18/08

Date

ATTACHMENT A

**Northern Kentucky Water District
C08-01**

EXECUTIVE SUMMARY		Reviewer:	Sandy Williams	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date:	June 5, 2008	
FUND C LOAN		KIA Loan Number:	C08-01	
REVOLVING LOAN FUND				
BORROWER:	Northern Kentucky Water District Kenton County and Campbell County			
BRIEF DESCRIPTION:	The Water District is proposing to purchase and implement the Badger/Orion AMR transponder system. This will allow the district to get its monthly meter readings by means of a drive by pick up method as opposed to a reader physically contacting each customer.			
PROJECT FINANCING:			PROJECT BUDGET	
Fund C Loan	\$	6,000,000	Equipment	6,000,000
TOTAL		6,000,000	TOTAL	6,000,000
REPAYMENT			Est. Annual	
	Rate	3.00%	Payment	\$710,949
	Term	10 years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	N/A		
	Bond Counsel	Peck, Shafer, & Williams		
PROJECT SCHEDULE				
	Bid Opening:	September 20, 2007		
	Construction Start:	September 1, 2008		
	Construction Stop:	September 30, 2009		
DEBT PER CUSTOMER	Existing:	\$	2,189.00	
	Proposed:	\$	2,317.32	
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES			<u>Users</u>	<u>Avg. Bill</u>
	Current		80,000	\$30.24 (for 4,000 gallons)
	Additional		0	\$30.24 (for 4,000 gallons)
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Available for		Income after Debt	
	Debt Service	Debt Service	Service	Coverage Ratio
Audited 2003	13,252,140	11,848,744	1,403,396	1.12
Audited 2004	17,426,789	10,038,406	7,388,383	1.74
Audited 2005	18,591,662	10,800,890	7,790,772	1.72
Audited 2006	19,020,640	11,210,374	7,810,266	1.70
Audited 2007	22,885,096	12,224,720	10,660,376	1.87
Projected 2008	22,245,815	13,539,647	8,706,168	1.64
Projected 2009	24,563,281	14,283,244	10,280,037	1.72
Projected 2010	26,047,378	14,518,254	11,529,125	1.79
Projected 2011	26,527,421	14,338,264	12,189,158	1.85
Projected 2012	27,630,784	14,334,532	13,296,252	1.93
Projected 2013	28,790,710	14,336,762	14,453,947	2.01

Reviewers: Sandy Williams
 Kasi White
 Date: June 5, 2008
 Loan Number: C08-01

**KENTUCKY INFRASTRUCTURE AUTHORITY
 REVOLVING LOAN FUND (FUND "C")
 NORTHERN KENTUCKY WATER DISTRICT
 KENTON and CAMPBELL COUNTY
 PROJECT REVIEW**

I. PROJECT DESCRIPTION

The Northern Kentucky Water District (NKWD) is requesting \$6,000,000 to purchase and implement the Badger/Orion AMR transponder system. This will allow the district to get its monthly meter readings by means of a drive by pick up method as opposed to a reader physically contacting each of their approximate 80,000 customers.

II. PROJECT BUDGET

Equipment	\$	6,000,000
TOTAL	\$	6,000,000

III. PROJECT FUNDING

Funding Sources	Amount	%
Fund C Loan	6,000,000	100%
Total	6,000,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 6,000,000
Interest Rate	3.00%
Loan Term (Years)	10
Estimated Annual Debt Service	\$ 698,949
Administrative Fee (0.20%)	12,000
Total Estimated Annual Debt Service	\$ 710,949

V. PROJECT SCHEDULE

Bid Opening:	September 20, 2007
Construction Start:	September 1, 2008
Construction Stop:	September 30, 2009

VI. RATE STRUCTURE

Customers

	Current	Proposed	Total
Residential	75,392	0	75,392
Commercial	4,485	0	4,485
Industrial	123	0	123
	<u>80,000</u>	<u>-</u>	<u>80,000</u>

<u>Wholesale Customers</u>	<u># of Customers</u>
Pendleton County Water District	2,011
City of Walton	1,304
Bullock Pen Water District	6,169

Rates

The monthly charge for water utility service is:

SERVICE CHARGES:

<u>Meter Size</u>	<u>Monthly</u>	<u>Quarterly</u>
5/8"	\$12.54	\$18.97
3/4"	\$12.96	\$19.99
1"	\$14.15	\$22.98
1 1/2"	\$15.93	\$27.08
2"	\$20.13	\$38.07
3"	\$48.61	\$118.45
4"	\$60.89	\$148.45
6"	\$90.16	\$219.44
8"	\$121.75	\$299.79
10" and larger	\$161.91	\$391.47

Commodity Charges:

	<u>Monthly Block</u>	<u>Quarterly Block</u>	<u>Rate</u>
First	1,500 cu ft	4,500 cu ft	\$3.31 per 100 cu ft
Next	163,500 cu ft	490,500 cu ft	\$2.88 per 100 cu ft
Over	165,000 cu ft	495,000 cu ft	\$2.55 per 100 cu ft

Residential Bill for 4,000 gallons \$30.24

Subdistrict Monthly Surcharges:

Subdistrict A	\$	9.03
Subdistrict B	\$	18.36
Subdistrict C	\$	19.44
Subdistrict D	\$	30.00
Subdistrict E	\$	30.00
Subdistrict F	\$	30.00
Subdistrict G	\$	30.00
Subdistrict K	\$	21.09
Subdistrict R	\$	18.50
Subdistrict RF	\$	25.47
Subdistrict RL	\$	36.22

Wholesale Water Rates

Bullock Pen WD	\$2.22 per 100 cu ft or \$2.97 per 1000 gallons
City of Walton	\$2.22 per 100 cu ft or \$2.97 per 1000 gallons
Pendleton County WD	\$2.22 per 100 cu ft or \$2.97 per 1000 gallons

VII. DEMOGRAPHICS

The district is located in Kenton County, in the northern part of the state and provides service to Campbell and Kenton counties and portions of Boone, Grant and Pendleton counties. The following census information is from the 2000 census.

	Borrower Population	Borrower MHI
Campbell	88,616	41,903
Kenton	151,464	43,906
Boone	85,991	53,593
Grant	22,384	38,438
Pendleton	14,390	38,125

The MHI for the Commonwealth is \$33,672.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the utility was obtained from the audited financial statements of the Northern Kentucky Water District for the years ended December 31, 2003, 2004, 2005, 2006 and 2007.

HISTORICAL

After flat revenues growth between fiscal years 2002 to 2003 at 1%, revenues rose sharply during the next two years. The district experienced a 14% jump in revenue in 2004, increasing from \$28.2 million in 2003 to \$32.2 million in 2004. Growth continued in 2005 although at a slower pace. Revenue grew an additional 8% to \$34.8 million. In 2006, revenue declined 2% due to weather conditions that provided for a more mild

summer. Another 15% jump in revenue occurred in 2007 due to weather conditions that provided a significantly dry summer. Increases in operating expenses averaged 5.5% between 2003 and 2005. During 2006, expenses remained flat but expenses grew 11% in 2007. Non-operating income, comprised primarily of investment income and capital contributions, made up approximately one-fourth of the cash available for debt service. Capital contributions represent assessments and reimbursements to recover the costs of new services and extensions of the distribution system. The District does not include the amount of costs incurred and contributed by outside contractors for installation of distribution systems that the District absorbs and provides for their operations and maintenance.

The balance sheet shows debt to equity ratios from 2002 to 2005 increasing slightly from 1.51 to 1.67 before declining to 1.60 in 2006 and then increasing back to 1.66 in 2007. This indicates that system growth has not been entirely financed through debt and that some growth has most likely been financed from system revenues.

PROFORMA

The proforma is based on the following assumptions:

- Revenues and Expenses projected for 2008 are based on the submitted 2008 operating budget.
- Revenues are projected to increase 5% each year except for 2009.
- Revenues for 2009 are projected to increase 15%, the amount approved by Public Service Commission.
- O & M expense are projected to increase 5% per year.
- Due to the Improvement, Repair and Replacement Account self funded by the district, an additional annual replacement reserve amount will not be required.
- KIA Fund C principal, interest and administrative fees totaling \$710,949 annually beginning in FY 2010.

Based on these assumptions, the utility shows adequate cashflow to repay the KIA Fund C loan. Based on these assumptions the NKWD is projected to have a 1.79 coverage ratio in 2010.

REPLACEMENT RESERVE

The Northern Kentucky Water District self funds an "Improvement, Repair and Replacement Account" which is available to make major repairs and replacements and to pay the cost of construction of additions, extensions and improvements to the water system. The account assets as of December 31, 2007 are \$3,331,799. Based on the account already in place, the system will not be required to further fund an additional replacement reserve specifically for this loan.

IX. DEBT OBLIGATIONS

<u>Debt Issuance</u>	<u>Outstanding</u>	<u>Maturity</u>
Series 1997 Revenue Bonds	4,650,000	2022
Series 1998 Revenue Bonds	9,285,000	2028
Series 2001 Revenue Bonds	14,920,000	2026
2000 Rural Development Loan	2,143,000	2039
Series 2002A Revenue Bonds	43,680,000	2027
Series 2002B Revenue Bonds	7,985,000	2017
Series 2003A Revenue Bonds	1,475,000	2032
Series 2003B Revenue Bonds	26,860,000	2028
Series 2003C Revenue Bonds	18,805,000	2020
Series 2004 Revenue Bonds	9,625,000	2029
Taylor Mill Purchase Financing	1,875,000	2018
Series 2006 Revenue Bonds	28,700,000	2031
Series 2007 Revenue Bonds	27,165,000	2009
Deferred Note Payable	100,000	
KIA Fund F Loan (F06-03)	4,000,000	2030
KIA Fund F Loan (F08-07)	4,000,000	2032
Total	205,268,000	

X. OTHER STATE OF FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Various Water and Sewer Projects	HB 267	\$600,000	Grant
Water Line Extension	HB 267	\$688,000	Grant
City of Wilder - Three Mile Road	HB 380	\$200,000	Grant
Various Water Projects	HB 267	\$1,000,000	Grant
Subdistrict I Water System Improvements	HB 380	\$2,000,000	Grant
Covington Water System Improvements	HB 380	\$2,500,000	Grant
Main Replacement in City of Covington	HB 380	\$1,000,000	Grant
	HB 502	\$229,000	Grant

XI. CONTACTS

Applicant

Name	Northern Kentucky Water District
Address	P.O. Box 18640 Erlanger, Kentucky 41018-0640
County	Kenton County
Contact	C. Ronald Lovan, P.E.
Phone	859-426-2758

Engineer

Firm N/A

Applicant Contact

Name Northern Kentucky Water District
Address P.O. Box 18640
Erlanger, Kentucky 41018-0640
Contact Jack Bragg, Jr.
Phone 859-426-2758

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions and no special conditions.

EXHIBIT 1
NORTHERN KENTUCKY WATER DISTRICT
CASHFLOW ANALYSIS

	Audited 2002	% Change	Audited 2003	% Change	Audited 2004	% Change	Audited 2005	% Change	Audited 2006	% Change	Audited 2007	Projected 2008	Projected 2009	Projected 2010	Projected 2011	Projected 2012	Projected 2013
Operating Revenues																	
Water Sales	27,048,947	0%	27,167,452	14%	30,931,919	7%	33,229,278	-2%	32,499,994	15%	37,410,245	37,410,245	43,021,782	45,172,871	47,431,514	49,803,090	52,293,245
Forfeited Discounts	371,144	26%	469,253	33%	621,871	21%	752,736	-5%	713,273	10%	784,386	742,176	779,285	818,249	779,285	818,249	859,161
Rents From Property	351,320	-14%	303,139	49%	452,661	12%	506,326	-2%	493,795	7%	527,552	524,000	576,400	634,040	697,444	767,188	843,907
Other Water Revenue	259,836	0%	260,967	-31%	178,801	100%	358,282	15%	413,202	-11%	366,560	399,545	405,538	390,548	398,544	398,210	395,767
Total Revenues	28,031,247	1%	28,200,811	14%	32,185,252	8%	34,846,622	-2%	34,120,264	15%	39,088,743	39,075,966	44,783,005	47,015,708	49,306,787	51,786,737	54,392,080
Operating Expenses																	
Operating and Maintenance Expense	17,180,952	9%	18,734,903	6%	19,949,361	5%	21,023,284	-1%	20,831,914	14%	23,782,968	23,782,968	24,972,116	26,220,722	27,531,758	28,908,346	30,353,764
Depreciation	4,468,961	12%	5,016,275	6%	5,329,289	4%	5,562,139	5%	5,814,572	2%	5,916,329	6,152,982	6,399,101	6,655,066	6,921,268	7,198,119	7,486,044
Total Expenses	21,649,913	10%	23,751,178	6%	25,278,650	5%	26,585,423	0%	26,646,486	11%	29,699,297	29,935,950	31,371,218	32,875,788	34,453,026	36,106,465	37,839,807
Net Operating Income	6,381,334	-30%	4,449,633	55%	6,906,602	20%	8,261,199	-10%	7,473,778	26%	9,389,446	9,140,016	13,411,787	14,139,920	14,853,760	15,680,272	16,552,273
Non-Operating Income and Expenses																	
Investment Income	1,148,898	-21%	910,431	-13%	791,405	135%	1,862,615	20%	2,227,971	12%	2,506,262	2,252,393	2,252,393	2,252,393	2,252,393	2,252,393	2,252,393
Miscellaneous Non-Operating Income	76,910	309%	314,577	-90%	31,136	-83%	5,432	-6890%	(368,821)	-141%	152,903	107,126	0	0	0	0	0
Capital Contributions	2,038,964	-8%	1,875,382	133%	4,368,357	-34%	2,900,277	34%	3,873,140	27%	4,920,156	4,593,298	2,500,000	3,000,000	2,500,000	2,500,000	2,500,000
Other Non-Operating Income & Expense	(9,600)	-7244%	685,842	-100%	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortization of Debt Discount and Expense	(318,005)	23%	(392,248)	34%	(524,696)	10%	(576,617)	-2%	(585,345)	-2%	(575,605)	(576,617)	(575,605)	(575,605)	(575,605)	(575,605)	(575,605)
Total Non-Operating Income & Expenses	2,937,167	16%	3,393,984	37%	4,666,202	-10%	4,191,707	23%	5,146,945	15%	7,003,716	6,376,200	4,176,788	4,676,788	4,176,788	4,176,788	4,176,788
Add Non-Cash Expenses																	
Depreciation	4,468,961	12%	5,016,275	6%	5,329,289	4%	5,562,139	5%	5,814,572	2%	5,916,329	6,152,982	6,399,101	6,655,066	6,921,268	7,198,119	7,486,044
Amortization	318,005	23%	392,248	34%	524,696	10%	576,617	2%	585,345	-2%	575,605	576,617	575,605	575,605	575,605	575,605	575,605
Total Non-Cash Expenses	4,786,966		5,408,523		5,853,985		6,138,756		6,399,917		6,491,934	6,729,599	6,974,706	7,230,671	7,496,873	7,773,724	8,061,649
Cash Available for Debt Service	14,105,467	-6%	13,252,140	32%	17,426,789	7%	18,591,662	2%	19,020,640	20%	22,885,096	22,245,815	24,563,281	26,047,378	26,527,421	27,630,784	28,790,710
Debt Service																	
Existing Debt - Principal	3,357,000		6,604,000		4,694,000		4,674,000		4,806,000		5,267,000	5,828,000	6,100,000	6,851,617	6,903,438	7,146,277	7,984,134
Existing Debt - Interest	5,592,915		5,244,744		5,344,406		6,126,890		6,404,374		6,957,720	7,711,647	8,093,244	6,955,688	6,723,877	6,477,306	5,641,680
Fund C KIA Loan											0	90,000	710,949	710,949	710,949	710,949	710,949
Total Debt Service	8,949,915		11,848,744		10,038,406		10,800,890		11,210,374		12,224,720	13,539,647	14,283,244	14,518,254	14,338,264	14,334,532	14,336,762
Income After Debt Service	5,155,552		1,403,396		7,388,383		7,790,772		7,810,266		10,660,376	8,706,168	10,280,037	11,529,125	12,189,158	13,296,252	14,453,947
Debt Coverage Ratio	1.58		1.12		1.74		1.72		1.70		1.64	1.72	1.79	1.85	1.93	2.01	2.01

EXHIBIT 1 Con't.
NORTHERN KENTUCKY WATER DISTRICT
BALANCE SHEETS

ASSETS	2002	2003	2004	2005	2006	2007	Upon Project Completion
Current Assets							
Cash and Cash Equivalents	5,057,164	3,701,770	2,886,075	6,478,053	5,326,214	10,205,218	10,715,479
Accounts Receivable	6,220,659	8,148,280	9,579,756	8,840,182	8,436,177	9,732,583	10,219,212
Assessments Receivable	42,829	38,913	37,251	37,767	73,008	77,906	62,894
Inventory	1,096,311	1,167,917	1,241,337	1,150,975	1,245,380	1,289,824	1,228,726
Prepaid Items	999,162	740,271	621,703	842,700	464,883	246,623	234,292
Total Current Assets	13,416,125	13,797,151	14,366,122	17,349,677	15,545,662	21,552,154	22,460,603
Restricted Assets							
Boone Florence Settlement	3,763,085	4,055,738	3,680,638	3,344,622	3,023,965	2,771,076	3,121,076
Bond Proceeds Fund	3,714,771	8,937,126	9,608,272	17,242,047	13,149,342	19,167,438	17,562,438
Debt Service Reserve Account	9,542,328	11,898,813	12,534,354	12,472,874	13,157,181	14,173,637	14,173,637
Debt Service Account	4,170,492	4,773,526	5,812,970	6,547,631	7,713,194	8,549,511	6,477,306
Improvement, Repair & Replacement	4,141,341	1,965,153	3,187,936	3,074,102	1,932,787	3,331,799	3,331,799
Total Restricted Assets	25,332,017	31,630,356	34,824,170	42,681,276	38,976,469	47,993,461	44,666,256
Fixed Assets							
Property, Plant and Equipment	223,317,634	232,288,792	246,935,413	253,634,326	277,798,907	283,057,774	289,057,774
Unclassified Plant - Construction in Progress	2,820,592	3,790,771	10,056,653	19,738,958	11,907,816	30,336,979	30,880,069
Less Accumulated Depreciation	(39,709,665)	(44,446,207)	(49,335,133)	(54,448,687)	(56,245,471)	(63,047,992)	(63,847,992)
Total Fixed Assets	186,429,161	191,633,356	207,656,933	218,924,597	231,461,252	250,346,761	256,289,851
Other Assets							
Deferred Charges	7,846,691	11,161,856	10,454,271	9,821,617	10,339,671	9,355,708	8,887,923
Total Other Assets	7,846,691	11,161,856	10,454,271	9,821,617	10,339,671	9,355,708	8,887,923
Total Assets	233,023,994	248,222,719	267,301,496	288,777,167	296,323,054	329,248,084	332,304,633
LIABILITIES							
Current Liabilities							
Bonded Indebtedness	2,845,000	4,319,000	4,424,000	4,556,000	5,017,000	5,578,000	6,903,438
Accounts and Notes Payable	2,135,448	2,013,485	2,536,022	5,882,832	2,785,094	2,071,042	3,579,656
Accrued Payroll and Taxes	109,838	152,234	250,143	273,867	339,778	364,749	326,131
Other Accrued Liabilities	158,457	215,021	231,903	161,958	187,673	206,004	216,304
Total Current Liabilities	5,248,743	6,699,740	7,442,068	10,874,657	8,329,545	8,219,795	11,025,530
Payable From Restricted Assets							
Accounts Payable	1,260,481	847,276	843,632	2,848,054	762,498	2,717,818	2,109,457
Accrued Interest Payable	2,562,698	2,492,758	2,593,453	2,737,097	2,944,301	3,251,309	3,413,874
Total Payable from Restricted Assets	3,823,179	3,340,034	3,437,085	5,585,151	3,706,799	5,969,127	5,523,331
Long Term Liabilities							
Bonded Indebtedness	131,038,000	142,670,000	148,701,000	144,145,000	168,128,000	162,550,000	149,592,041
Deferred Note Payable	100,000	100,000	6,080,000	20,205,000	1,975,000	28,890,000	28,890,000
Total Long Term Liabilities	131,138,000	142,770,000	154,781,000	164,350,000	170,103,000	191,440,000	178,482,041
Total Liabilities	140,209,922	152,809,774	165,660,153	180,809,808	182,139,344	205,628,922	189,507,571
Net Assets							
Invested in Capital	52,446,161	44,544,356	48,201,933	46,163,597	56,091,252	53,078,761	53,038,761
Restricted	18,735,739	28,290,322	31,387,085	37,096,125	35,269,670	42,024,334	59,843,251
Unrestricted	21,632,172	22,578,267	22,052,325	24,707,637	22,822,788	28,516,067	29,915,049
Total Net Assets	92,814,072	95,412,945	101,641,343	107,967,359	114,183,710	123,619,162	142,797,061
Total Liabilities and Equities	233,023,994	248,222,719	267,301,496	288,777,167	296,323,054	329,248,084	332,304,632
Balance Sheet Analysis							
Current Ratio	2.56	2.06	1.93	1.60	1.87	2.62	2.04
Debt to Equity	1.51	1.60	1.63	1.67	1.60	1.66	1.33
Working Capital	8,167,382	7,097,411	6,924,054	6,475,020	7,216,117	13,332,359	11,435,073
Percent of Total Assets in Working Capital	3.50%	2.86%	2.59%	2.24%	2.44%	4.05%	3.44%

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND C

PROJECT NUMBER:	C08-01
BORROWER:	Northern Kentucky Water District
BORROWER'S ADDRESS	2835 Crescent Springs Road Crescent Springs, Kentucky 41018-0640
DATE OF ASSISTANCE AGREEMENT:	January 1, 2009

ASSISTANCE AGREEMENT

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FUND C

ASSISTANCE AGREEMENT

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

WITNESSETH

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

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

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

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

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

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

and to apply the necessary portion of said Service Charges to the repayment of the Loan and the interest thereon, as hereinafter specifically provided; and

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

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

"Commonwealth" shall mean the Commonwealth of Kentucky.

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

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

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

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

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

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

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

"Governmental Agencies Program" shall mean the program authorized by the Act and the Indenture for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

"Service Charges" shall mean any monthly, quarterly, semi-annual, or annual charges, surcharges or improvement benefit assessments to be imposed by a Governmental Agency, or by

the Authority, in respect of the Project which Service Charges arises by reason of the existence of, and requirement of, any Assistance Agreement and for the purposes of this Assistance Agreement said Service Charge shall be no less than those set forth in the Schedule of Service Charges.

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

AUTHORITY'S AGREEMENT TO MAKE LOAN; TERMS

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

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

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

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

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

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

Notwithstanding the right granted under the preceding paragraph, upon the determination by the Authority of the approximate date of delivery of its Bonds, the Authority shall advise the

Governmental Agency of its intention to proceed with the authorization of its Bonds and the Governmental Agency shall then have thirty (30) days from its receipt of said notice to exercise its option to prepay the Interim Loan. Upon the expiration of said thirty day period the Governmental Agency's right to prepay the Interim Loan shall terminate and the terms of the Indenture shall govern the terms of the prepayment of all amounts owing the Authority from the Governmental Agency as set forth in Section 3.5 hereof.

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

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

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

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

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

Section 3.6. Subordination of Final Loan. The Authority hereby agrees that the security interest and source of payment for the Final Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable from the revenues of the System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT OF INTERIM LOAN; REQUISITION FOR FUNDS

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

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

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

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

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

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

(F) The Project was not advertised or placed on the market for construction bidding by the Governmental Agency until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals were received by the Governmental Agency and furnished to the Authority.

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

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

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

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

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

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

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

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

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

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

the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

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

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

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

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

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

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

ARTICLE V

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

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

Section 5.2. Governmental Agency's Obligation to Repay Loan. The obligation of the Governmental Agency to repay to the Authority the amount of the Final Loan from the Service Charges shall not be revocable, and in the event that services supplied by the Project shall cease, or be suspended for any reason, the Governmental Agency shall continue to be obligated to repay the Final Loan from the Services Charges. In the event the Governmental Agency defaults in the payment of any Service Charges to the Authority, the amount of such default shall bear interest at the Final Loan Rate, or ten percent (10%) per annum, whichever is the greater, from the date of the default until the date of the payment thereof.

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

Section 5.4. Adequacy of Service Charges. The Service Charges herein covenanted to be imposed by the Governmental Agency shall be fixed at such rate or rates (and it is represented that the Schedule set forth in Exhibit C hereto so qualifies), as shall be at least adequate to pay the Estimated Annual Debt Service payments set forth in the Project Specifics and, upon the establishment of the Schedule of Payments, to make the payments at the times and in the amounts set forth in the Schedule of Payments, subject to necessary governmental and regulatory approvals.

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

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

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

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

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

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

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

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

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

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

ARTICLE VI

OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that (i) the Construction has been completed and all labor, services, materials, supplies, machinery and equipment used in such Construction have been paid for, (ii) all other facilities necessary in connection with the Project have been acquired, constructed, equipped and installed and all costs and expenses incurred in connection therewith have been paid, (iii) the Project and all other facilities in connection therewith have been acquired, constructed, equipped and installed to his satisfaction.

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

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

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

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries

shall be made of all its transactions relating to the System, which shall at all reasonable times be subject to the inspection of the Authority.

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

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

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

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

ARTICLE VII

MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

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

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

Section 7.3. Compliance with State and Federal Standards. The Governmental Agency agrees that it will at all times provide operation and maintenance of the Project to comply with the water quality standards, if any, established by any state or federal agency. The Governmental Agency agrees that qualified operating personnel properly certified by the Commonwealth will be retained to operate the Project during the entire term of this Assistance Agreement.

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

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

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

Section 7.7. Covenant to Insure – Liability. The Governmental Agency agrees that it will carry public liability insurance with reference to the Project with one or more reputable insurance companies duly qualified to do business in the Commonwealth, insuring against such risks (including but not limited to personal inquiry, death and property damage) and in such

amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

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

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

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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

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

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

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

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of

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

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

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

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

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

ARTICLE IX

MISCELLANEOUS PROVISIONS

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

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

Section 9.3. Effective Date. This Assistance Agreement shall become effective as of the date first set forth hereinabove and shall continue in full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the power and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the parties, nor assignable by either party without the written consent of the other party.

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

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

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

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

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

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

ATTEST:

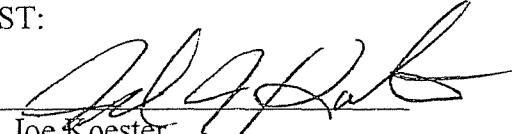
KENTUCKY INFRASTRUCTURE
AUTHORITY

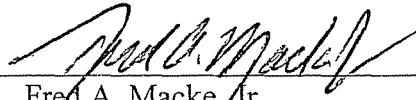
By: _____
Title: Secretary

By: _____
Title: _____

GOVERNMENTAL AGENCY:
NORTHERN KENTUCKY WATER
DISTRICT

ATTEST:

By: 
Joe Koester
Title: Secretary

By: 
Fred A. Macke, Jr.
Title: Chairman

APPROVED:

EXAMINED:

SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

ENVIRONMENTAL AND PUBLIC PROTECTION
CABINET OF THE COMMONWEALTH OF KENTUCKY

By: _____
Director
Division of Water

APPROVED AS TO FORM AND LEGALITY

APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
Northern Kentucky Water District
PROJECT SPECIFICS
C08-01

GOVERNMENTAL AGENCY:

Name: Northern Kentucky Water District
P.O. Box 18640
Erlanger, Kentucky 41018-0640

Contact

Person: C. Ronald Lovan, PE
(859) 426-2758

SYSTEM: Infrastructure

PROJECT: The Water District is proposing to purchase and implement the Badger/Orion AMR transponder system. This will allow the district to get its monthly meter readings by means of a drive by pick up method as opposed to a reader physically contacting each customer.

PROJECT BUDGET:

	Total
Equipment	6,000,000
Total	6,000,000

FUNDING SOURCES:

	Amount	%
Fund C Loan	\$ 6,000,000	100%
Total	\$ 6,000,000	100%

KIA DEBT SERVICE:

Construction Loan	\$	6,000,000
Interest Rate		3.00%
Loan Term (Years)		10
Estimated Annual Debt Service	\$	698,949
Administrative Fee (0.20%)	\$	12,000
Total Estimated Annual Debt Service	\$	710,949

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 6/1/09).

Full principal and interest payments will commence within one year of the last draw of funds (estimated 6/1/10).

REPLACEMENT RESERVE ACCOUNT: \$ - ANNUAL AMOUNT
 \$ - TOTAL AMOUNT

The Northern Kentucky Water District self funds an "Improvement, Repair and Replacement Account" which is available to make major repairs and replacements and to pay the cost of construction of additions, extensions and improvements to the water system. The account assets as of December 31, 2007 are \$3,331,799. Based on the account already in place, the system will not be required to further fund an additional replacement reserve specifically for this loan.

ADMINISTRATIVE FEE: 0.20%

DEFAULT RATE: 8.00%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>	<u>Maturity</u>
Series 1997 Revenue Bonds	\$4,650,000	2022
Series 1998 Revenue Bonds	\$9,285,000	2028
Series 2001 Revenue Bonds	\$14,920,000	2026
2000 Rural Development Loan	\$2,143,000	2039
Series 2002A Revenue Bonds	\$43,680,000	2027
Series 2002B Revenue Bonds	\$7,985,000	2017
Series 2003A Revenue Bonds	\$1,475,000	2032
Series 2003B Revenue Bonds	\$26,860,000	2028
Series 2003C Revenue Bonds	\$18,805,000	2020
Series 2004 Revenue Bonds	\$9,625,000	2029
Taylor Mill Purchase Financing	\$1,875,000	2018
Series 2006 Revenue Bonds	\$28,700,000	2031
Series 2007 Revenue Bonds	\$27,165,000	2009
Deferred Note Payable	\$100,000	
KIA Fund F Loan (F06-03)	\$4,000,000	
Total	<u>\$201,268,000</u>	

LIABILITY INSURANCE COVERAGE:

Death or Personal Injury (per person)	<u>\$1,000,000</u>
Death or Personal Injury (per occurrence)	<u>\$1,000,000</u>
Property Damage on System	<u>\$1,000,000</u>
Umbrella Coverage	<u>\$19,000,000</u>

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED JANUARY 1, 2009

Request No. ___

Dated _____

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

FROM: Northern Kentucky Water District
("Governmental Agency")

Gentlemen:

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

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

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

ELIGIBLE PROJECT EXPENSES INCURRED

Contractor

Expenses Incurred

Total:

ALLOCATION OF FUNDING FOR EXPENSES

Funding Source

Portion of Expenses
This Request

Portion of Expenses
Total to Date

Totals

Respectfully submitted,

Governmental Agency
Northern Kentucky Water District

By: _____

Title: _____

Certificate of Consulting Engineers as to
Payment Request

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

Engineer/Consultant

Firm Name

Exhibit C

Schedule of Service Charges

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2007-00135 DATED DECEMBER 21, 2007

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

Effective Date: March 3, 2008

1. Service Charges

<u>Meter Size</u>	<u>Monthly</u>	<u>Quarterly</u>
5/8"	\$12.54	\$18.97
3/4"	\$12.96	\$19.99
1"	\$14.15	\$22.98
1 1/2"	\$15.93	\$27.08
2"	\$20.13	\$38.07
3"	\$48.61	\$118.45
4"	\$60.89	\$148.45
6"	\$90.16	\$219.44
8"	\$121.75	\$299.79
10" and larger	\$161.91	\$391.47

2. Commodity Charges

	<u>Monthly Block</u>	<u>Quarterly Block</u>	<u>Rate</u>
First	1,500 cubic ft	4,500 cubic ft	\$3.31 per 100 cubic ft
Next	163,500 cubic ft	490,500 cubic ft	\$2.88 per 100 cubic ft
Over	165,000 cubic ft	495,000 cubic ft	\$2.55 per 100 cubic ft

3. Sub-district Charges (Effective 1/11/08)

Sub-district A shall be assessed a monthly surcharge in the amount of \$ 9.03
Sub-district B shall be assessed a monthly surcharge in the amount of \$18.36
Sub-district C shall be assessed a monthly surcharge in the amount of \$19.44
Sub-district D shall be assessed a monthly surcharge in the amount of \$30.00
Sub-district E shall be assessed a monthly surcharge in the amount of \$30.00
Sub-district F shall be assessed a monthly surcharge in the amount of \$30.00
Sub-district G shall be assessed a monthly surcharge in the amount of \$30.00
Sub-district K shall be assessed a monthly surcharge in the amount of \$21.09
Sub-district R shall be assessed a monthly surcharge in the amount of \$18.50
Sub-district RF shall be assessed a monthly surcharge in the amount of \$25.47
Sub-district RL shall be assessed a monthly surcharge in the amount of \$36.22

4. Wholesale Water Rates

Bullock Pen Water District \$2.22 per 100 cubic ft or \$2.97 per 1000 gallons
City of Walton \$2.22 per 100 cubic ft or \$2.97 per 1000 gallons
Pendleton County \$2.22 per 100 cubic ft or \$2.97 per 1000 gallons

5. Miscellaneous Service Fees

Returned Check Charge \$20.00
Water Hauling Station \$3.50 per 1000 gallons
Service Charge \$25.00
Overtime Charge \$40.00

HEMMER PANGBURN DEFRAK PLLC

SUITE 200
250 GRANDVIEW DRIVE
FT. MITCHELL, KENTUCKY 41017
(859) 344-1188
FAX: (859) 578-3869

February 19, 2009

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Northern Kentucky Water District for Project No. C08-01, dated as of January 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 Northern Kentucky 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 and the resolution of the Board of Commissioners of the Governmental Agency 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 water district and 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) To the best of my knowledge after due inquiry, 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, to the best of my knowledge any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Agency, or any of its properties or assets. To the best of my knowledge after due inquiry, the Governmental Agency has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Agency of the Assistance Agreement and the imposition of the Service Charges.

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

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

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

Very truly yours,

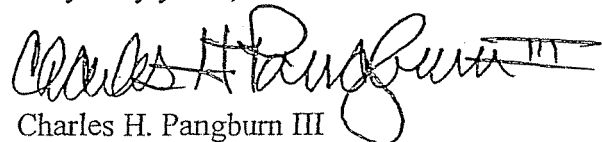

Charles H. Pangburn III

EXHIBIT F

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

- 1) Total C08-01 Loan to be Repaid by
Governmental Agency to
Kentucky Infrastructure Authority \$ _____

Principal and Interest payable
on each December 1 and June 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: _____

NORTHERN KENTUCKY WATER DISTRICT,
Governmental Agency

By: _____

Title _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENT

1. The Loan will take a subordinate position to any future parity debt issued by the Governmental Agency ("Parity Debt"), subject to compliance by the Governmental Agency with the following conditions:

- a. The "coverage" requirement in the existing general bond resolution adopted by the Governmental Agency on November 19, 1985, as amended and supplemented on November 17, 1987 (collectively, the "General Bond Resolution") must be met. This requirement specifies that there shall be filed a certificate prepared by an independent firm of certified public accountants demonstrating that the net annual income and revenues of the System are at least 1.20 times the maximum annual debt service requirements.

- b. At the time of the issuance of any additional parity debt under the Bond Ordinance, the Governmental Agency must submit to the Authority a certificate by a firm of certified public accountants certifying coverage of 110% after taking into account the debt then proposed to be issued as well as all subordinate debt outstanding including the Authority's loan. The methodology for calculating such coverage shall be the same as is applied under the General Bond Resolution for the parity test.

43260.1

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Northern Kentucky Water District (the "Governmental Agency"), dated as of January 1, 2009, for Project No. C08-01

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 water district and political subdivision of the Commonwealth of Kentucky with full power to own its properties, conduct its affairs, enter into the Assistance Agreement and consummate the transactions contemplated thereby.

4. The negotiation, execution and delivery of the Assistance Agreement by the Governmental Agency and the consummation of the transactions contemplated thereby by the Governmental Agency have been duly authorized by all requisite action of the governing body of the Governmental Agency.

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

6. There is no controversy or litigation of any nature pending, or to the knowledge of the Governmental Agency after diligent inquiry, threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under the Assistance Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of the Assistance Agreement or the construction of the Project, or in any way contesting or

affecting the validity of the Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of the Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefore, 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.

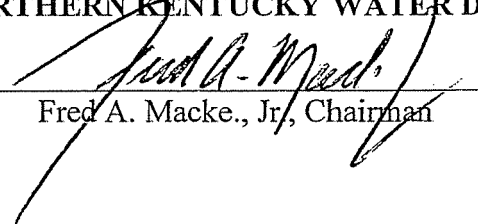
9. The Governmental Agency has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project and to enter into the Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable 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 19th day of February, 2009.

**GOVERNMENTAL AGENCY:
NORTHERN KENTUCKY WATER DISTRICT**

By: _____


Fred A. Macke., Jr, Chairman

ATTEST:

By: _____

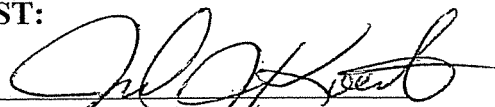

Joe Koester, Secretary

EXHIBIT 2

RESOLUTION
C08-01

RESOLUTION OF THE NORTHERN KENTUCKY WATER DISTRICT
APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT
BETWEEN THE NORTHERN KENTUCKY WATER DISTRICT AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners ("Governing Authority") of the Northern Kentucky 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 permanently finance the construction of the Project; and

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

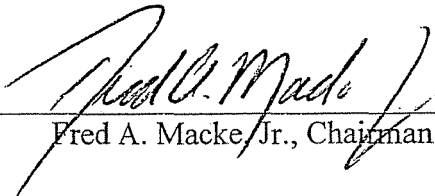
NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Northern Kentucky Water District, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority for Project No. C08-01 substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the Project.

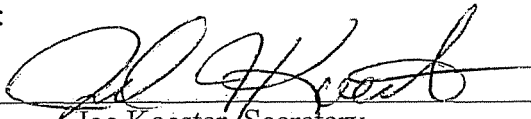
SECTION 2. That the Chairman and Secretary of the Governmental Agency be and hereby are authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

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

ADOPTED on February 19, 2009.


Fred A. Macke, Jr., Chairman

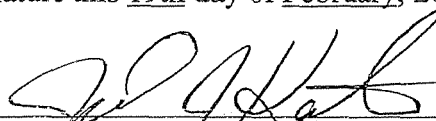
Attest:


Joe Koester, Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the Northern Kentucky Water District; that the foregoing is a full, true and correct copy of a Resolution adopted by the governing authority of said District at a meeting duly held on February 19, 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 19th day of February, 2009.



Joe Koester, Secretary

EXHIBIT 3

Northern Kentucky Water District Schedule of Outstanding Debt As of June 30, 2009		
Description	Amount	
Bonds		
1997		2,830,000
1998		8,725,000
2000 Rural Development Loan		2,085,000
2001		14,595,000
2002 A		42,905,000
2002 B		6,615,000
2003 A		1,400,000
2003 B		25,050,000
2003 C		16,300,000
2004		9,040,000
2006		27,230,000
2009		28,290,000
Total Bonds	\$	185,065,000
Notes		
KIA Loan		3,348,035
Taylor Mill purchase note	\$	1,625,000
Deferred note payable		100,000
Total Notes	\$	1,725,000
Total Debt	\$	186,790,000

EXHIBIT 4

Northern Kentucky Water District

Balance Sheet As of May 31, 2009

	2009	2008
Assets		
Current Assets		
Cash and Cash Equivalents	\$9,440,114	\$9,940,816
Accounts Receivable Customers	\$3,348,979	\$3,871,490
Accounts Receivable Unbilled Customers	\$4,700,000	\$4,200,000
Accounts Receivable Other	\$47,241	\$42,561
Assessments Receivable	\$82,711	\$77,906
Inventory Supplies for New Installation and Maintenance, at Cost	\$1,197,053	\$1,359,325
Prepaid Expenses	<u>\$129,638</u>	<u>\$306,733</u>
Total Current Assets	\$18,945,736	\$19,798,831
Restricted Assets		
Bond Proceeds Fund	\$11,957,554	\$16,433,665
Debt Service Reserve Account	\$15,637,479	\$13,957,960
Debt Service Account	\$5,480,021	\$5,364,408
Improvement, Repair, & Replacement	\$1,388,471	\$3,172,047
Boone/Florence Settlement Account	<u>\$2,429,785</u>	<u>\$2,831,617</u>
Total Restricted Assets	\$36,893,310	\$41,759,697
Non Current Assets		
Miscellaneous Deferred Charges	\$8,943,451	\$8,983,546
Capital Assets:		
Land, System, Buildings, and Equipment	\$290,054,770	\$283,715,381
Construction in Progress	\$47,566,752	\$35,834,889
Total Capital Assets before Accumulated Depreciation	\$337,621,522	\$319,550,270
Less: Accumulated Depreciation	<u>(\$72,679,592)</u>	<u>(\$66,527,254)</u>
Capital Assets Net of Accumulated Depreciation	\$264,941,930	\$253,023,016
Total Noncurrent Assets	\$273,885,381	\$262,006,562
Total Assets	<u>\$329,724,427</u>	<u>\$323,565,090</u>

Northern Kentucky Water District

Balance Sheet As of May 31, 2009

Liabilities and Retained Earnings	2009	2008
Current Liabilities		
Current Portion of Long Term Debt	\$6,823,527	\$6,025,000
Accounts Payable	\$1,401,776	\$1,282,638
Accrued Payroll & Liabilities	\$352,074	\$372,642
Other Accrued Liabilities	<u>\$79,194</u>	<u>\$129,395</u>
Total Current Liabilities	\$8,656,571	\$7,809,675
Current Liabilities From Restricted Assets		
Accounts Payable	\$1,889,114	\$1,139,917
Accrued Interest Payable	<u>\$2,667,442</u>	<u>\$2,504,706</u>
Total Current Liabilities From Restricted Assets	\$4,556,556	\$3,644,623
Long Term Debt		
Long Term Portion of Bonded Indebtedness	\$182,278,599	\$160,185,888
Bond Anticipation Notes Payable	\$0	\$27,165,000
Note Payable-Taylor Mill Purchase	\$1,450,000	\$1,625,000
Deferred Note Payable	<u>\$100,000</u>	<u>\$100,000</u>
Total Long Term Debt	\$183,828,599	\$189,075,888
Total Liabilities	\$197,041,726	\$200,530,186
Retained Earnings	<u>\$132,682,701</u>	<u>\$123,034,904</u>
Total Liabilities and Retained Earnings	<u>\$329,724,427</u>	<u>\$323,565,090</u>

Northern Kentucky
Water District

**June Board Meeting
May 2009 Results**

Financial Statement Snapshot

Current Period Totals					
Section 1	2008	2009	2009 Budget	% Difference Prior Year	% Difference Budget
Total Revenues	\$3,481,732	\$2,690,557	\$3,525,893	-22.72%	-23.69%
Total O&M	\$2,045,206	\$1,743,016	\$2,147,517	-14.78%	-18.84%
YTD Period Totals					
Section 2	2008	2009	2009 Budget	% Difference Prior Year	% Difference Budget
Total Revenues	\$15,537,312	\$15,796,547	\$17,130,050	1.67%	-7.78%
Total O&M	\$9,507,738	\$10,027,755	\$9,576,909	5.47%	4.71%
Detail					
Detailed Revenues Current					
Current Period					
Section 3	2008	2009	2009 Budget	% Difference Prior Year	% Difference Budget
Water Sales	\$3,170,010	\$2,524,891	\$3,182,596	-20.35%	-20.67%
Forfeited Discounts	\$62,115	\$57,318	\$63,357	-7.72%	-9.53%
Rents Water Property	\$41,482	\$42,493	\$40,000	2.44%	6.23%
Other Water Revenue	\$25,165	\$19,830	\$26,000	-21.20%	-23.73%
Interest Income	\$123,630	\$6,047	\$143,572	-95.11%	-95.79%
Miscellaneous	\$22,781	\$3,429	\$33,819	-84.95%	-89.86%
Transfer Boone Florence	\$36,549	\$36,549	\$36,549	0.00%	0.00%
Total Revenues Current	\$3,481,732	\$2,690,557	\$3,525,893	-22.72%	-23.69%
YTD					
Detailed Revenues YTD					
Section 4	2008	2009	2009 Budget	% Difference Prior Year	% Difference Budget
Water Sales	\$13,825,780	\$14,711,290	\$15,314,165	6.40%	-3.94%
Forfeited Discounts	\$366,724	\$312,415	\$364,060	-14.81%	-14.19%
Rents Water Property	\$194,845	\$179,452	\$200,000	-7.90%	-10.27%
Other Water Revenue	\$146,375	\$140,070	\$149,713	-4.31%	-6.44%
Interest Income	\$761,255	\$223,564	\$855,975	-70.63%	-73.88%
Miscellaneous	\$59,588	\$47,011	\$63,392	-21.11%	-25.84%
Transfer Boone Florence	\$182,745	\$182,745	\$182,745	0.00%	0.00%
Total Revenues YTD	\$15,537,312	\$15,796,547	\$17,130,050	1.67%	-7.78%

Northern Kentucky
Water District

June Board Meeting

May 2009 Results

Financial Statement Snapshot

**Detailed Expenses O&M Current
Section 5**

	Detail				
	Current Period				
	2008	2009	2009 Budget	% Difference Prior Year	% Difference Budget
Salaries & Wages	\$769,885	\$593,953	\$776,126	-22.85%	-23.47%
Employee Pensions & Benefits	\$348,399	\$301,242	\$356,448	-13.54%	-15.49%
Taxes Other	\$53,653	\$53,866	\$61,481	0.40%	-12.39%
Purchased Power	\$190,684	\$196,986	\$168,565	3.30%	16.86%
Chemicals	\$102,423	\$128,858	\$91,546	25.81%	40.76%
Materials & Supplies	\$168,021	\$159,480	\$261,740	-5.08%	-39.07%
Contractual Services	\$283,726	\$207,334	\$276,424	-26.92%	-24.99%
Transportation	\$46,567	\$48,268	\$44,706	3.65%	7.97%
Insurance	\$53,685	\$33,670	\$53,908	-37.28%	-37.54%
Advertising	\$795	\$1,967	\$583	147.42%	-70.36%
Bad Debt Expense	\$5,436	-\$3,601	\$34,960	-166.24%	-110.30%
Miscellaneous	\$6,864	\$5,553	\$6,014	-19.10%	-7.67%
Regulatory Commission	\$15,068	\$15,440	\$15,016	2.47%	2.82%
Total O&M Expenses Current	\$2,045,206	\$1,743,016	\$2,147,517	-14.78%	-18.84%

**Detailed Expenses O&M YTD
Section 6**

	Detail				
	YTD				
	2008	2009	2009 Budget	% Difference Prior Year	% Difference Budget
Salaries & Wages	\$3,553,653	\$3,524,718	\$3,598,860	-0.81%	-2.06%
Employee Pensions & Benefits	\$1,462,313	\$1,386,714	\$1,529,800	-5.17%	-9.35%
Taxes Other	\$253,779	\$253,293	\$281,241	-0.19%	-9.94%
Purchased Power	\$1,006,278	\$1,110,866	\$875,918	10.39%	26.82%
Chemicals	\$569,277	\$864,413	\$505,418	51.84%	71.03%
Materials & Supplies	\$702,938	\$849,269	\$772,327	20.82%	9.96%
Contractual Services	\$1,150,391	\$1,334,120	\$1,175,418	15.97%	13.50%
Transportation	\$204,071	\$182,860	\$219,652	-10.39%	-16.75%
Insurance	\$268,508	\$202,169	\$290,692	-24.71%	-30.45%
Advertising	\$13,698	\$14,993	\$10,041	9.45%	49.32%
Bad Debt Expense	\$208,886	\$205,353	\$220,598	-1.69%	-6.91%
Miscellaneous	\$38,601	\$21,787	\$21,861	-43.56%	-0.34%
Regulatory Commission	\$75,345	\$77,200	\$75,083	2.46%	2.82%
Total O&M Expenses YTD	\$9,507,738	\$10,027,755	\$9,576,909	5.47%	4.71%