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March 2, 2010

Bruce E. Smith, Esq.  
201 South Main Street  
Nicholasville, Kentucky 40356

Re: Case No. 2010-00100  
Jessamine-South Elkhorn Water District

Dear Mr. Smith:

The enclosed correspondence between Jessamine-South Elkhorn Water District and Rural Development has been placed in the record of the above-referenced proceeding.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

Enclosure



United States Department of Agriculture  
Rural Development  
Kentucky State Office

August 3, 2009

Nick Strong, Chairman  
Jessamine-South Elkhorn Water District  
PO Box 731  
Nicholasville, Kentucky 40340

Re: Letter of Conditions Dated April 7, 2005

Dear Mr. Strong:

This letter shall serve as Amendment No. 2 to the Letter of Conditions dated April 7, 2005. The purpose of this amendment is to update loan conditions and requirements, to revise project costs, and to provide for a subsequent RUS loan and grant.

The Second Paragraph on Page 1 is revised to read as follows:

“ This letter is not to be considered as loan and/or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,512,000, a RUS grant not to exceed \$1,223,027, a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$1,000,000, and an EPA grant of \$2,850,700. No cash contribution is required.”

Paragraph numbered “1” is revised to read as follows:

“ 1. Number of Users and Their Contribution:

There shall be 655 sewer users and 2,052 water users; of the sewer users 107 are existing users and 548 are new users. ”

Paragraph numbered “4” is revised to read as follows:

“ 4. Reserve Accounts:

Reserves must be properly budgeted to maintain the financial viability of any operation. Reserves are important to fund unanticipated emergency maintenance, pay for repairs, and assist with debt service should the need arise.

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or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).

The District will be required to deposit \$655 per month into a "Funded Debt Reserve Account" until the account reaches \$78,600. The deposits are to be resumed any time the account falls below the 78,600.

The required monthly deposits to the Reserve Account and required Reserve Account levels are in addition to the requirements of the District's prior bond ordinances.

The monthly deposits to the Reserve Account are required to commence with the first month of the first full fiscal year after the facility becomes operational.

The District also needs to fund an account for short-lived assets by depositing a sum of \$340 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the sewer system. "

Paragraph numbered "12" is revised to read as follows:

" 12. Insurance and Bonding:

The following insurance and bonding will be required:

- C. Fidelity Bond – The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$210,000. "

Paragraph numbered "23" is revised to read as follows:

" 23. Cost of Facility:

Breakdown of Costs:

Development	\$ 5,420,000
Land and Rights	4,000
Legal and Administrative	167,000
Engineering	540,000
Interest	204,206
Contingencies	<u>250,521</u>
TOTAL	\$ 6,585,727

Financing:

RUS Loan	\$ 1,512,000
RUS Grant	1,223,027
HUD-CDBG	1,000,000
EPA Grant	<u>2,850,700</u>
TOTAL	\$ 6,585,727 "

Paragraph numbered "33" is added to read as follows:

"33. Division of Water (DOW) Health & Sanitary Certification:

The Median Household Income (MHI) for the District's service area qualifies this project for the poverty interest rate. A certification from the Division of Water stating this project will remove a health or sanitary problem will be required. This certification must be obtained prior to loan pre-closing."

All other provisions of the referenced Letter of Conditions remain in full force and unchanged.

Sincerely,



VERNON C. BROWN  
Acting State Director

- cc: Area Director - Shelbyville, Kentucky
- Bluegrass ADD - Lexington, Kentucky
- Peck, Shaffer & Williams - Covington, Kentucky
- Bruce Smith - Nicholasville, Kentucky
- Strand Engineers - Lexington, Kentucky
- Area Manager - Lexington, Kentucky
- PSC - ATTN: Dennis Jones - Frankfort, Kentucky