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April 11, 2013

**RECEIVED**

**APR 16 2013**

**PUBLIC SERVICE  
COMMISSION**

Ms. Linda Faulkner  
Filings Director  
Public Service Commission of Kentucky  
P.O. Box 615  
Frankfort, Kentucky 40602-0615

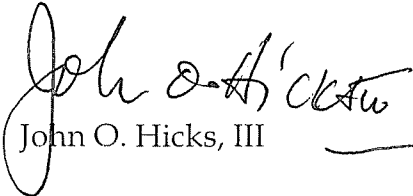
RE: Case No. 2012-00254 North Mclean County Water District

Dear Ms. Faulkner:

In compliance with PSC's Final Order dated August 30, 2012, which authorized North McLean County Water District to enter into an Assistance Agreement with KIA for purposes of funding the second phase of a construction project, enclosed herewith for your records is a copy of the fully executed Agreement between The Kentucky Infrastructure Authority and North McLean County Water District.

Should additional information be required, please be sure to let me know.

Very truly yours,

  
John O. Hicks, III

JOH/ac

Enclosure

cc: Mr. Winfred Williams, North McLean County Water District  
Mr. Michael Hesse, DLZ Kentucky, Inc.

PECK SHAFFER

TRANSCRIPT OF PROCEEDINGS

ASSISTANCE AGREEMENT  
BETWEEN  
THE KENTUCKY INFRASTRUCTURE AUTHORITY  
AND  
NORTH MCLEAN COUNTY WATER DISTRICT  
DATED: SEPTEMBER 1, 2012  
B11-08

Approving Opinion: PECK, SHAFFER & WILLIAMS LLP Covington, Kentucky

Case No.  
2012-00254



PECK, SHAFFER & WILLIAMS LLP  
ATTORNEYS AT LAW  
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December 17, 2012

Winfred Williams, Chairman  
North McLean County Water District  
217 Hill Street  
Livermore, Kentucky 42352

RE: Assistance Agreement between The Kentucky Infrastructure Authority and the North  
McLean County Water District Fund B11-08

Dear Mr. Williams:

We are enclosing a volume of the Transcript of Proceedings for the above-referenced issue. We would like to take this opportunity to say how much we enjoyed working on this transaction with the various members of the team and to seeing the financing to a successful conclusion.

Should questions arise in the future concerning this transaction please do not hesitate to call. Again, it was our pleasure working with each of you on this transaction and we look forward to working with you again in the future.

Very truly yours,

Peck, Shaffer & Williams LLP

  
Dirk M. Bedarff

DMB/mmw  
Encl.

ASSISTANCE AGREEMENT  
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY  
AND  
NORTH MCLEAN COUNTY WATER DISTRICT

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TRANSCRIPT OF PROCEEDINGS

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Peck, Shaffer & Williams LLP  
Covington, Kentucky

## INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and North McLean County Water District (the "Governmental Agency"), dated as of September 1, 2012

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

DISTRIBUTION LIST

Winfred Williams, Chairman  
North McLean County Water District  
217 Hill Street  
Livermore, Kentucky 42352

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

Mr. Charles Lush  
U.S. Bank Corporate Trust Services  
One Financial Square  
Louisville, KY 40202

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September 1, 2012

**EXHIBIT E**

**OPINION OF COUNSEL**

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

RE: Assistance Agreement by and between Kentucky Infrastructure  
Authority and the North McLean County Water District, dated as of  
September 1, 2012

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

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



Based upon my review I am of the opinion that:

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

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

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

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

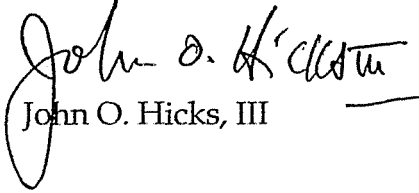
5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation,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

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

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

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

Very truly yours,

  
John O. Hicks, III

JOH/ac



Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and North McLean County Water District (the "Governmental Agency")

### **GENERAL CLOSING CERTIFICATE OF GOVERNMENTAL AGENCY**

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

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

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

3. The Governmental Agency is a duly organized and validly existing political subdivision of the Commonwealth of Kentucky with full power to own its properties, conduct its affairs, enter into the Assistance Agreement and consummate the transactions contemplated thereby.

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

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

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

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

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

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

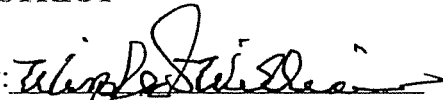
9. The Governmental Agency has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project and to enter into the Assistance Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable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

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

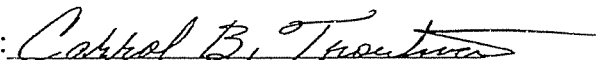
WITNESS our signatures, this 17<sup>th</sup> day of September, 2012.

**GOVERNMENTAL AGENCY:**

**NORTH MCLEAN COUNTY WATER  
DISTRICT**

By:   
Name: Winfred Williams  
Title: Chairman

**ATTEST:**

By:   
Name: Carrol B. Troutman  
Title: Secretary



KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FUND B

PROJECT NUMBER B11-08  
BORROWER: North McLean County Water District  
BORROWER'S ADDRESS 217 Hill Street  
Livermore, Kentucky 42352  
DATE OF ASSISTANCE AGREEMENT: September 1, 2012

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ASSISTANCE AGREEMENT

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## ASSISTANCE AGREEMENT

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

### WITNESSETH

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

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

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of September 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 Program; and

WHEREAS, the Governmental Agency has determined that it is 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; 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 AN IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

## ARTICLE I

### DEFINITIONS

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

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

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

"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.

"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 revenues of the Project.

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

"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 September 1, 1989 between the Authority and the Trustee.

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

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

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

"Program" shall mean the program authorized by KRS 224A.112 and the Indenture as the "infrastructure revolving fund" for financing Projects through Loans by the Authority to Governmental Agencies and shall not be deemed to mean or include any other programs of the Authority.

"Project" shall mean, when used generally, 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 Loan from the Authority as construction of the Project progresses.

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

"Schedule of Service Charges" shall mean those 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 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 arise 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 of which the Project shall become a part.

[End of Article I]

## 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) 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 Project, or to challenge in any manner the authority of the Governmental Agency or its governing body to take any of the actions which have been taken in the authorization or delivery of this Assistance Agreement or the construction of the Project, or in any way contesting or affecting the validity of this Assistance Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Agency of this Assistance Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Agency, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Assistance Agreement.

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

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

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

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

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

[End of Article II]

## 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 financing the Construction of the Project.

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

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

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

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

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

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

Section 3.4. Subordination of Loan. The Authority hereby agrees that the security interest and source of payment for the Loan shall be inferior and subordinate to the security interest and source of payment for the Debt Obligations of the Governmental Agency payable

from the revenues of the Project 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.

[End of Article III]

## ARTICLE IV

### CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

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

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

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

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

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

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

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

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

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

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

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

(N) The Governmental Agency will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers to the Governmental Agency and approved by state and federal agencies, but only to the extent such approvals may be required.

(O) 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.

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

(Q) The Governmental Agency shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of Construction. The Governmental Agency shall permit the Authority, 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.

(R) The Governmental Agency shall require that any bid for any portion of the Construction of the Project be accompanied by a bid bond, certified check or other negotiable instrument payable to the Governmental Agency, as assurance that the bidder will, upon acceptance of such bid, execute the necessary contractual documents within the required time.

(S) The Governmental Agency shall require that each construction contractor or contractors furnish a 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.

(T) The Governmental Agency shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the contractor, shall maintain builders risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor, and all subcontractors, as their interests may appear.

(U) The Governmental Agency shall provide and maintain competent and adequate resident engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that Construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such resident engineer shall certify to the 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.

(V) 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 Loan; Requisition for Funds. The Governmental Agency may submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) a Requisition for Funds during the first ten days of each month (or such other designated period as is acceptable to the Authority), in substantially the same form as that attached to this Assistance

Agreement as Exhibit B and made a part hereof, accompanied by, to the extent requested by the Authority, the following documentation:

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

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

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

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

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.

[End of Article IV]

## 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 the Service Charges set forth in Exhibit C annexed hereto. If so required, such Service Charges shall be in addition to all other rates, rentals and service charges of a similar nature of the Governmental Agency now or hereafter authorized by law, and now or hereafter being levied and collected by the Governmental Agency and shall be levied and collected solely for the purpose of repaying to the Authority all sums received from the Authority as representing the Loan in respect of the Project.

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

Section 5.3. Covenant to Adjust Service Charges. In the event, for any reason, the Schedule of Service Charges shall prove to be insufficient to provide to the Authority the minimum sums set forth in the Schedule of Payments, 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, 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 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 not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the Schedule of Payments.

Section 5.5. Covenant to Establish Maintenance and Replacement Reserve. The Governmental Agency shall establish a special account identified as a "Maintenance and Replacement Reserve". On or before each payment date identified in the Schedule of Payments,



the Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to ten percent (10%) of the amount of such Loan payment until the amount on deposit in such fund is equal to five percent (5%) of the original principal amount of the Loan (the "Required Balance"). Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the costs of replacing worn or obsolete portions of the Project. If amounts are withdrawn from such fund, the Governmental Agency shall again make the periodic deposits hereinabove required until the Required Balance is reinstated.

Section 5.6. 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 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 Project not less than thirty (30) days prior to the sale of said obligations.

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

Section 5.8. 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 5.9. Termination of Water Services to 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, 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.

[End of Article V]

## ARTICLE VI

### OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

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

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

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

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

Section 6.7. Accounts and Reports. The Governmental Agency shall at all times keep, or cause to be kept, proper books of record and account in 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 ninety (90) 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 principals 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. Project 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 constituting the Project or any part thereof (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 including the Additional Covenants and Agreements, if any, set forth in Exhibit G hereto.

[End of Article VI]

## ARTICLE VII

### MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

Section 7.1. Maintain Project. 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 it is designed.

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

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

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

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

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

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

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

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

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

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

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

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

[End of Article VII]

## 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.

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 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 nondefaulting 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 nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

[End of Article VIII]



## 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 to full force and effect until the date the obligations of the Governmental Agency pursuant to the provisions of this Assistance Agreement have been fully satisfied.

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

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

Section 9.6. 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.

[End of Article IX]

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:**

Sandy Williams  
Title: SECRETARY

**KENTUCKY INFRASTRUCTURE  
AUTHORITY**

By: [Signature]  
Title: EXECUTIVE DIRECTOR

**ATTEST:**

By: Cecil B. Troutman  
Title: Secretary

**GOVERNMENTAL AGENCY:  
NORTH MCLEAN COUNTY WATER  
DISTRICT**

By: [Signature]  
Title: Chairman

**APPROVED:**

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

**EXAMINED:**

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

APPROVED AS TO FORM AND LEGALITY

[Signature]  
APPROVED  
FINANCE AND ADMINISTRATION CABINET

**EXHIBIT A**  
**NORTH MCLEAN COUNTY WATER DISTRICT**  
**PROJECT SPECIFICS**  
**B11-08**

**GOVERNMENTAL AGENCY:**

Name: North McLean County Water District  
 Contact Person: Winfred Williams  
 (270) 278-2800

**SYSTEM:** Infrastructure

**PROJECT:**

The McLean County Fiscal Court, for the benefit of the North McLean County Water District and the citizens of McLean County, is requesting a Fund B loan in the amount of \$250,000. Upon agreement of both parties, the loan may be assigned by the fiscal court to the water district at the discretion of the Authority. Funding will be used to construct a water line and master meter beginning at the Calhoun tank and tying into a ten inch line on KY250. This line will be both shorter and larger and will result in higher quality service to customers of the North McLean County Water District. The water district has had to cut off the water supply to poultry farms to provide an adequate and safe water supply to other customers.

**PROJECT BUDGET:**

	<u>Total</u>
Administrative Expenses	\$ 9,275
Engineering Fees	132,760
Construction	583,336
Contingency	12,500
<b>Total</b>	<b>\$ 737,871</b>

**FUNDING SOURCES:**

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 250,000	34%
HB380 141C-2007 (CPBOC 04/17/2007)	200,000	27%
HB608 303N-2008 (CPBOC 09/15/2009)	250,000	34%
North McLean County Water District	37,871	5%
<b>Total</b>	<b>\$ 737,871</b>	<b>100%</b>

**KIA DEBT SERVICE:**

Construction Loan	\$ 250,000
Less: Principal Forgiveness (80%)	\$ 200,000
Amortized Loan Amount	\$ 50,000
Interest Rate	2.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 3,046
Administrative Fee (0.20%)	\$ 100
<b>Total Estimated Annual Debt Service</b>	<b>\$ 3,146</b>

**AMORTIZATION COMMENCEMENT DATE:** June 1 and December 1

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

Full principal and interest payments will commence within one year of initiation of operation (estimated 12/1/13).

<b>REPLACEMENT RESERVE ACCOUNT:</b>	\$	625 ANNUAL AMOUNT
	\$	6,250 TOTAL AMOUNT

The annual replacement cost is \$625. This amount should be added to the replacement account each December 1 until the balance reaches \$6,250 and maintained for the life of the loan.

<b>ADMINISTRATIVE FEE:</b>	0.20%
----------------------------	-------

<b>DEFAULT RATE:</b>	8.00%
----------------------	-------

**DEBT OBLIGATIONS CURRENTLY OUTSTANDING:**

	<u>Outstanding</u>	<u>Maturity</u>
1985 Revenue Bonds	\$188,000	2025
<b>Total</b>	<b>\$188,000</b>	

**LIABILITY INSURANCE COVERAGE:**

Death or Personal Injury (per person)	<u>See attached policy declarations page</u>
Death or Personal Injury (per occurrence)	<u>See attached policy declarations page</u>
Property Damage on System	<u>See attached policy declarations page</u>

# Kentucky Association of Counties

## All Lines Fund

400 Englewood Drive

Frankfort, KY 40601

### Declarations Page

Policy Number P&C0833

Policy Period: 7/1/2012 to 7/1/2015

**Insured Name and Address**

North McLean County Water District  
PO Box 68  
217 Hill Street  
Livermore, KY 42352

For customer service please call  
(800)264-5226

Issued: 9/14/2012

**Business Description** Water District

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

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

Authorized  
Representative

*Kris Dana*

Date 9/14/2012

# KACo WORKERS COMPENSATION FUND

400 Englewood Drive  
Frankfort, KY 40601  
1-800-264-5226

## CERTIFICATE OF WORKERS COMPENSATION COVERAGE

KACO W/C-4

- 
- ITEM 1 -** Name and Address of Insured:  
North McLean County Water District  
PO Box 68  
217 Hill Street  
Livermore, KY 42352
- ITEM 2 -** Certificate Number: WC2012-2313
- ITEM 3 -** Effective Date: Sunday, July 01, 2012                      Expiration Date: Monday, July 01, 2013  
12:01 A.M., standard time at the address of the Insured as stated herein.  
Cancellation Notice: 60 Days - Pursuant to KRS 304.50
- ITEM 4 -** Coverage under this Certificate applies to the Kentucky Workers Compensation Law. (KRS 342)
- ITEM 5 -** Company's Limit of Indemnity Each Occurrence:  
(a) For Workers Compensation:    Statutory  
(b) For Employers Liability:    \$2,500,000
- ITEM 6 -** Workers Compensation Premium:    \$2,713.00
- ITEM 7 -** Special Fund Tax:    \$170.00
- ITEM 8 -** **TOTAL PREMIUM:\***    **\$2,883.00**
- ITEM 9 -** Payment Options:  
(1) Full payment by 8/1/2012. 1% discount applied = \$2,854.17  
(2) 50% payment by 8/1/2012 and 3 subsequent equal monthly pmts. on balance  
50% = \$1,441.50 Plus 3 monthly payments of \$480.50

Please Note: Effective November 1, 2012 any outstanding balance due on this premium will accrue a compounding monthly interest charge of 1%. To make certain no interest is charged, be sure to make full payment postmarked no later than October 31, 2012

\* An invoice accompanies this declaration for the total amount due.

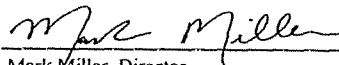
This Certificate of Coverage shall not be binding of the KACo Workers Compensation Fund unless countersigned by a duly authorized representative of the Fund.

*This Coverage has been placed with a Workers Compensation Self-Insured Group which has received a certificate of filing from the Commonwealth of Kentucky. Claims against group members are not covered by the Kentucky Insurance Guaranty Association.*

---

Dated at Frankfort, Kentucky this 30th day of May, 2012

pd  
6-25-12  
46185

  
Mark Miller, Director

**KACo**  
**Making Workers Comp Work in Kentucky**

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO  
ASSISTANCE AGREEMENT DATED SEPTEMBER 1, 2012

Request No. \_\_\_\_\_

Dated \_\_\_\_\_

ORIGINAL SENT TO:      Kentucky Infrastructure Authority  
                                 1024 Capital Center Drive  
                                 Suite 340  
                                 Frankfort, Kentucky 40601

COPY SENT TO:         Ms. Nancy Sanders  
                                 Director, Community Programs  
                                 Governor's Office for Local Development  
                                 1024 Capitol Center Drive  
                                 Frankfort, Kentucky 40601

FROM:                     North McLean County 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 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

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

Total

ALLOCATION OF FUNDING FOR EXPENSES

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

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

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

Respectfully submitted,

\_\_\_\_\_  
Governmental Agency

By: \_\_\_\_\_

Title: \_\_\_\_\_

Certificate of Consulting Engineers as to  
Payment Request

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

\_\_\_\_\_  
Engineer/Consultant

\_\_\_\_\_  
Firm Name



EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached Water Rate Schedule

FOR McLean County, Kentucky  
Community, Town or City

P.S.C. KY. No. 1

Original SHEET NO. 1

CANCELLING P.S.C. NO. \_\_\_\_\_

\_\_\_\_\_ SHEET NO. \_\_\_\_\_

NORTH McLEAN COUNTY  
WATER DISTRICT  
(Name of Utility)

RATES AND CHARGES

Monthly Rates

First 2,000 gallons	\$14.88 Minimum Bill
Next 8,000 gallons	\$ 5.39 per 1,000 gallons
Next 30,000 gallons	\$ 4.88 per 1,000 gallons
Over 40,000 gallons	\$ 4.40 per 1,000 gallons

DATE OF ISSUE: February 18, 2010

DATE EFFECTIVE: March 11, 2010

ISSUED BY: *Winfred W. Williams*  
(Signature of Officer) WINFRED W. WILLIAMS

TITLE: CHAIRMAN

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
IN CASE NO. 2010-00077 DATED March 17, 2010

KENTUCKY PUBLIC SERVICE COMMISSION
JEFF R. DEROUEN EXECUTIVE DIRECTOR
TARIFF BRANCH <i>Brent Kirtley</i>
EFFECTIVE <b>3/11/2010</b> PURSUANT TO 807 KAR 5:011 SECTION 9 (1)

EXHIBIT D

RESOLUTION

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

WHEREAS, the Board of Directors ("governing authority") of the North McLean County Water District, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water 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 construct 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 North McLean County Water District, as follows:

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

SECTION 2. That any officer of the Governmental Agency be and hereby is 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 \_\_\_\_\_, 2012.

\_\_\_\_\_  
Chairman

Attest:

\_\_\_\_\_  
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the North McLean County 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 \_\_\_\_\_, 2012; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this \_\_\_\_\_ day of \_\_\_\_\_, 2012.

\_\_\_\_\_  
Recording Officer

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and the North McLean County Water District, dated as of September 1, 2012

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

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

Based upon my review I am of the opinion that:

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

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

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

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

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

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

Very truly yours,

EXHIBIT F

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

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

Principal and Interest Payable  
on Each \_\_\_\_\_ and

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: \_\_\_\_\_

NORTH MCLEAN COUNTY WATER DISTRICT  
GOVERNMENTAL AGENCY

By: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

Title: \_\_\_\_\_



EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

69072v1



EXHIBIT D

RESOLUTION

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

WHEREAS, the Board of Directors ("governing authority") of the North McLean County Water District, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water 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 construct 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 North McLean County Water District, as follows:

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

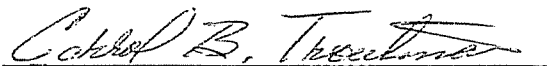
SECTION 2. That any officer of the Governmental Agency be and hereby is authorized, directed and empowered to execute necessary documents or agreements, and to otherwise act on behalf of the Governmental Agency to effect such financing.

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

ADOPTED on September 17, 2012.

  
Chairman

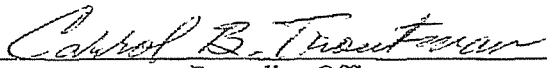
Attest:

  
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the North McLean County 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 September 17, 2012; 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 17<sup>th</sup> day of September, 2012.

  
\_\_\_\_\_  
Recording Officer



MINUTES OF REGULAR MEETING OF THE BOARD OF  
WATER COMMISSIONERS OF NORTH McLEAN  
COUNTY WATER DISTRICT HELD OCTOBER 15, 2012,  
AT 7:00 P.M., AT THE CITY BUILDING,  
CALHOUN, KENTUCKY

The regular meeting of the North McLean County Board of Water Commissioners was held on October 15, 2012, at 7:00 p.m., at the City Building, Calhoun, Kentucky.

Present were Commissioners:

Winfred W. Williams, Chairman

Carrol B. Troutman, Secretary-Treasurer

Keith Ayer

Dale Chandler.

Absent was Commissioner Gary Floyd.

Also present were the Board Office Secretary, Nadine Jennings; and John O. Hicks, III, Attorney.

Visitor present: Michael Hesse, Engineer.

The meeting was called to order by Chairman Winfred W. Williams, who presided.

The minutes of the regular meeting of September 17, 2012, were read and approved.

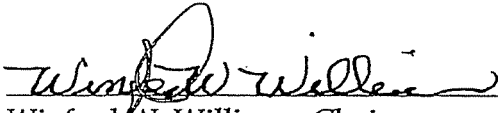
Chairman Williams presented the matters of the "General Closing Certificate of Governmental Agency" with regard to the proposed KIA loan and grant financing and the contract in the amount of \$229,489.55 with Bailey Construction for completion of Phase 2 of the waterline construction; and, after further discussion, upon motion by Commissioner

Troutman, seconded by Commissioner Chandler, and passed unanimously, the Board approved said General Closing Certificate and the construction contract with Bailey Construction Company in the aforesaid amount and authorized and directed that Chairman Winfred Williams and Secretary-Treasurer Carrol B. Troutman sign and execute said General Closing Certificate and construction contract, provided, however, there is specifically excluded from said construction contract any road bore under the McLean County High School property.

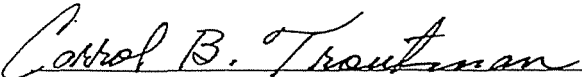
Chairman Williams then reported that the Water District has recently undergone a Kentucky Department of Water inspection, under which everything was found to be satisfactory, without any deficiencies whatsoever.

The bills payable were read and approved and ordered paid on motion by Commissioner Ayer, seconded by Commissioner Chandler, and passed unanimously.

There being no further discussion, upon motion duly made, seconded and unanimously passed, the meeting was adjourned at 8:00 p.m.

  
\_\_\_\_\_  
Winfred W. Williams, Chairman

ATTEST:

  
\_\_\_\_\_  
Carrol B. Troutman, Secretary-Treasurer

MINUTES OF REGULAR MEETING OF THE BOARD OF  
WATER COMMISSIONERS OF NORTH McLEAN  
COUNTY WATER DISTRICT HELD SEPTEMBER 17, 2012,  
AT 7:00 P.M., AT THE CITY BUILDING,  
CALHOUN, KENTUCKY

The regular meeting of the North McLean County Board of Water Commissioners was held on September 17, 2012, at 7:00 p.m., at the City Building, Calhoun, Kentucky.

Present were Commissioners:

Winfred W. Williams, Chairman

Carrol B. Troutman, Secretary-Treasurer

Keith Ayer

Gary Floyd

Dale Chandler.

Also present were the Board Office Secretary, Nadine Jennings; and John O. Hicks, III, Attorney.

Visitors present: None.

The meeting was called to order by Chairman Winfred W. Williams, who presided.

The minutes of the regular meeting of August 20, 2012, were read and approved.



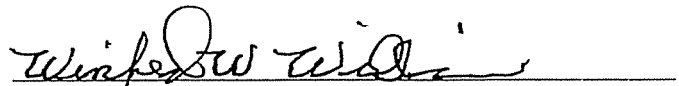
With regard to the City of Calhoun's request to take over the Water District's water meters, Chairman Williams reported the PSC attorney says that, as long as the Water District has had the meters in operation for at least ten years, then the Water District may keep such meters permanently as its own and would not be subject to annexation by the City of Calhoun.

Chairman Williams presented the matter of approval of the KIA Assistance Agreement; and, after further discussion, upon motion by Commissioner Ayer, seconded by Commissioner Floyd, and passed unanimously, the Board approved the Resolution of the North McLean County Water District approving and authorizing an Assistance Agreement between the North McLean County Water District and the Kentucky Infrastructure Authority, and further approving and authorizing that any officer of the North McLean County Water District be and hereby is authorized, directed and empowered to sign and execute the aforesaid Assistance Agreement and any and all necessary documents or agreements appertaining thereto and to otherwise act on behalf of the North McLean County Water District to effect such financing.

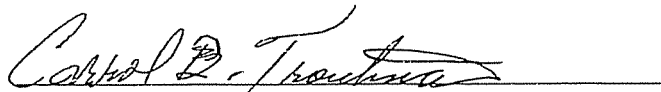
Chairman Williams presented the matter that it was necessary to fill in dirt in the Bill Jones waterway that has washed out; and, after further discussion, the consensus of the Board was that the Water District furnish sufficient dirt to Bill Jones so that the wash out in his waterway may be adequately repaired.

The bills payable were read and approved and ordered paid on motion by Commissioner Ayer, seconded by Commissioner Chandler, and passed unanimously.

There being no further discussion, upon motion duly made, seconded and unanimously passed, the meeting was adjourned at 7:50 p.m.

  
Winfred W. Williams, Chairman

ATTEST:

  
Carrol B. Troutman, Secretary-Treasurer



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

**Meeting Date/Location:**      **March 3, 2011 – 1:00 p.m.**  
   **Kentucky Infrastructure Authority**  
   **1024 Capital Center Drive, Suite 340, Frankfort**

**Members present:**

Mr. Tony Wilder, Commission, Department for Local Government  
Mr. Jamie Link, Finance and Administration Cabinet  
    (permanent proxy for Secretary Jonathan Miller, FAC)  
Mr. Hank List, Energy and Environment Cabinet  
    (permanent proxy for Secretary Leonard K. Peters, EEC)  
Ms. Roni-Anne Denham, Economic Development Cabinet  
    (proxy for Secretary Larry Hayes, EDC)  
Mr. Jerry Wuetcher, Public Service Commission  
    (permanent proxy for Executive Director Jeff Derouen, PSC)  
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities  
Mr. C. Ronald Lovan, representing the American Water Works Association  
Ms. Linda C. Bridwell, representing for-profit private water companies  
Mr. Thomas P. Calkins, representing the Kentucky Municipal Utilities Association

**Members absent:**

Mr. Damon Talley, representing the Kentucky Rural Water Association  
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky  
    Association of Counties

**Guests:**

Mr. Terry Frogue, City of Elkton  
Mr. Brian Gatewood, City of Williamstown  
Mr. George Woolwine, HDR Engineering  
Ms. Lara Kurtz, URS Corporation  
Mr. Bob Blankenship, HMB Engineers  
Mr. David Duttlinger, Bluegrass Area Development District  
Mr. Brad Montgomery, GRW Engineers  
Mr. Craig Sheehan, Kentucky Dept. of Public Health  
Mr. Joe Pavoni, GRW Engineers  
Mr. Michael Brothers, Bracken County Water District  
Mr. Jeff Reynolds, HMB Engineers  
Mr. R. David Johnson, Vanceburg Electric Plant Board  
Mr. William T. Stone, Vanceburg Electric Plant Board  
Ms. Laura Jefferson, Buffalo Trace Area Development District  
Mr. Chad McCormick, URS Corporation  
Mr. Michael Hesse, DLZ Engineering  
Mr. Bob Sturdivant, HDR Engineering  
Mayor Martin Voiers, City of Flemingsburg  
Mr. Dale Clary, City of Flemingsburg  
Mr. Joe Burns, Kentucky Rural Water Association

Ms. Samantha Gange, Legislative Research Commission  
Ms. Kristi Morris, Nicholas County Sanitation District  
Mr. Benton Hanson, HDR Engineering  
Mr. Tom Midkiff, Office of Financial Management  
Mr. Shafiq Amawi, Division of Water

## PROCEEDINGS

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

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

### I. BUSINESS (Board Action Required)

#### A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of February 3, 2011

Mr. Jerry Wuetcher noted a change needed to be made in the minutes on page 17 of the Board Book where the Executive Director of the Executive Branch Ethics Commission is referenced. Mr. John Steffon should be corrected to read Mr. John Steffen.

*Mr. Ron Lovan moved to approve the minutes of the February 3rd, 2011 regular board meeting with the correction. Mr. Tom Calkins seconded, and the motion carried unanimously.*

#### B. NEW PROJECTS/ACTION ITEMS

#### 1. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-01) IN THE AMOUNT OF \$8,906,000 TO THE CITY OF FLEMINGSBURG, FLEMING COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The City of Flemingsburg requested a \$8,906,000 Fund A loan to construct a new SBR (sequencing batch reactor) wastewater treatment plant (WWTP). The new plant will have a design capacity of 1.13 MGD and will be located adjacent to the existing WWTP located on KY32 in Flemingsburg. The City's existing plant is beyond its design life, does not have sufficient capacity and is difficult to repair. The existing plant also has difficulty maintaining proper effluent limits and has received Notice of Violations from the Division of Water. This project qualifies for the Green Project Reserve (GPR) funding for \$1,910,000 under the GPR categories of energy efficiency and environmentally innovative. The project also qualifies for 30% of additional subsidization (estimated at \$2,671,800) in the form of principal forgiveness. The unforgiven

balance is \$6,234,200 to be repaid in 20 years with an interest rate of 1%, and an estimated annual debt service payment of \$357,164.

DOW and KIA Staff recommended the approval of the loan with the standard conditions and the following special condition: The City will pass an ordinance increasing sewer rates per the following schedule no later than July 1, 2011: (a) 15% to be effective on or before July 1, 2011; (b) 15% to be effective on or before July 1, 2012; and (c) 20% to be effective on or before July 1, 2013.

*Mr. Hank List moved to approve the resolution with the standard conditions and the special condition indicated in the staff recommendations. Mr. Ron Lovan seconded, and the motion carried unanimously with Mayor David Cartmell abstaining.*

**2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-05) IN THE AMOUNT OF \$1,035,517 TO THE CITY OF WILLIAMSBURG, WHITLEY COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Williamsburg requested a fund A loan in the amount of \$1,035,517 for the construction of the Ball Park Pump Station/Force Main Replacement project. The project involves the replacement of an existing 700 gallon per minute pump station with a 1,200 gpm pump station and replacement of approximately 5,200 linear feet of 8" force main with a new 12" force main. This will reduce or eliminate sanitary sewer overflows from insufficient capacity and hydraulic overload at the existing Ball Park Pump Station and force main. The City is under an agreed order with the Kentucky Energy and Environment Cabinet. The project did not qualify for Green Project Reserve Funding. The project did qualify for additional subsidization in the amount of \$310,655. The unforgiven balance of the loan is \$724,862 to be repaid in 20 years with an interest rate of 1%, and an estimated annual debt service payment of \$41,528. DOW and KIA Staff recommended the approval of the loan with the standard conditions and the following special conditions: (1) The City shall continue to work with the consulting firm New Government Directions on a cost of service study to take before the Public Service Commission; (2) The results of the cost of service study shall be provided to KIA; (3) The City shall file the results of the cost of service study with the Public Service Commission prior to March 31, 2012, requesting a rate increase adequate to cover operating expenses, existing debt service and debt service on this new KIA loan; and (4) The City shall pass an ordinance or resolution no later than June 30, 2011 committing the first \$41,528.00 of the city's occupational tax revenue to be used for the first year's debt service repayment on this KIA loan. This tax revenue would only be used if the rate increases are not implemented prior to the first required debt service payment.

Mr. Jerry Wuetcher stated that the Public Service Commission (PSC) would not address the retail rates that would be imposed by the City because that is outside the PSC's jurisdiction. He wanted to ensure understanding that the PSC would

only require that the wholesale rates recover what should be properly allocated to the wholesale customer, not the entire debt service for the loan. Mr. Tom Calkins added that the Authority is concerned with the retail rate increases.

Ms. Williams suggested and the Board concurred that special condition number 3 be changed to read: "(3) The City shall file the results of the cost of service study with the Public Service Commission prior to March 31, 2012, requesting a wholesale rate increase adequate to cover operating expenses, existing debt service and debt service on this new KIA loan that are properly allocated to the wholesale customers."

The Board also agreed that an additional special condition be added as follows: "Prior to March 31, 2012, the City shall implement a retail rate increase adequate to cover operating expenses, existing debt service and debt service on this new KIA loan that are properly allocated to the retail customers."

Ms. Linda Bridwell expressed concern regarding special condition (4). She asked if committing the city's occupational tax revenue to be used for the first year's debt service repayment on this loan meets the spirit in the language of the regulation regarding the cost of service requirement. Mr. John Covington confirmed that the commitment by the city to use these funds as additional security is appropriate.

*Ms. Linda Bridwell moved to approve the resolution with the standard conditions and the revised special conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.*

**3. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-06) IN THE AMOUNT OF \$2,000,000 TO THE CITY OF VANCEBURG f/b/o VANCEBURG ELECTRIC PLANT BOARD, LEWIS COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The City of Vanceburg f/b/o Vanceburg Electric Plant Board requested a Fund A loan in the amount of \$2,000,000 for the CSO Renovation project. Funding will be utilized for the first phase of a two phase project to eliminate sewer overflows from the sanitary sewer system. This phase will consist of equipment purchases, closed circuit television investigations of the combined and sanitary sewers along with the lateral lines, design, planning and Phase I of construction. The City entered into a consent decree with the Commonwealth in 2007 which requires the elimination of all sewer overflows. This project includes both of the CSOs and the SSO in the southern end of the system. The project did not qualify for Green Project Reserve funding. The project did qualify for 30% additional subsidization in the amount of \$600,000. The unforgiven balance of the loan is \$1,400,000 to be repaid in 20 years with an interest rate of 1%, and an estimated annual debt service payment of \$80,207.

DOW and KIA staff recommended approval of the loan with the standard conditions and the following special conditions: (1) The City must pass an

ordinance no later than May 1, 2011 increasing sewer rates per the following schedule: a) 48% (thru adjusted rate table) and a \$2 per customer per month surcharge to be effective on or before July 1, 2011; b) 5% to be effective on or before July 1, 2012; c) 5% to be effective on or before July 1, 2013; and d) 5% to be effective on or before July 1, 2014. (2) The City must pass an ordinance no later than May 1, 2011 increasing water rates per the following schedule: a) 10% to be effective on or before July 1, 2011; b) 5% to be effective on or before July 1, 2012; c) 5% to be effective on or before July 1, 2013; and d) 5% to be effective on or before July 1, 2014. (3) The City shall set-aside \$24,600 from cash on hand to cover the Income Deficiency noted for FY2012. (4) The water and sewer components of the Gas, Water and Sewer fund will be split into separate full reporting components in the financial statements beginning with the year ended June 30, 2012.

*Ms. Linda Bridwell moved to approve resolution with the standard conditions and the special conditions indicated in the staff recommendations. Mayor David Cartmell seconded, and the motion carried unanimously.*

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A11-10) IN THE AMOUNT OF \$3,400,000 TO THE LOUISVILLE JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Kasi White, KIA, presented the project to the Board. The Louisville Jefferson County Metropolitan Sewer District (MSD) requested a Fund A loan in the amount of \$3,400,000 for Phase I green infrastructure improvements in the Northeast and Northwest Focus Areas. These areas are composed of several BMPs on various properties. BMPs will be selected based on specific site conditions and may include rain gardens, cisterns, dry wells, green streets, pervious pavers, green alleys, green roofs, green cross-walks, bioswales, tree wells, urban reforestation, bio-filtration and other infiltration BMPs. These projects will assist MSD in implementing its broader nonpoint source pollution program and reducing nonpoint source pollution by capturing and infiltrating stormwater runoff. Implementing these projects is necessary for MSD's compliance with its consent decree. The project qualified for the Green Project Reserve (GPR) funding for \$3,400,000 under the GPR category of green infrastructure. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1%, and an estimated annual debt service payment of \$194,790. DOW and KIA staff recommended approval of the loan with the standard conditions.

*Mayor David Cartmell moved to approve the resolution with the standard conditions. Mr. Tom Calkins seconded, and the motion carried unanimously.*

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING



**FUND (B11-06) LOAN IN THE AMOUNT OF \$175,000 TO THE CITY OF BEATTYVILLE, LEE COUNTY, KENTUCKY**

Ms. Kasi White, KIA, presented the project to the board. The City of Beattyville requested a Fund B loan in the amount of \$175,000 which will provide funding for Downtown Waterline Improvements. The project is for the installation of water lines with a higher pressure capacity to provide a secondary water source to the downtown area and to serve the Southside Water Association connection. The existing lines are deteriorating and constantly in need of repairs. Replacing the lines will reduce water loss resulting in the use of fewer chemicals and production of water. Approximately 4,400 linear feet of eight and ten inch ductile iron pipe will be installed. The financing is offered as 80% principal forgiveness and 20% loan. This project ranked 2nd on the Kentucky River Area Development District Water Management Council ranking completed in the fall of 2009. The unforgiven balance of the loan is \$35,000 to be repaid in 20 years with an interest rate of 1%, and an estimated annual debt service payment of \$2,002. KIA staff recommended approval of the loan with the standard conditions and the following special condition: No later than May 9, 2011, the City shall pass the necessary ordinance increasing water rates by at least 6% to be effective on or before July 1, 2011.

*Mr. Tom Calkins moved to approve the resolution with the standard conditions and the special condition indicated in the staff recommendations. Mr. Hank List seconded, and the motion carried unanimously.*

**6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B11-07) LOAN IN THE AMOUNT OF \$141,700 TO THE CITY OF ELKTON, TODD COUNTY, KENTUCKY**

Ms. Kasi White, KIA, presented the project to the board. The City of Elkton requested a Fund B loan in the amount of \$141,700 for the West Main, Commerce and 68/80 Sewer Extension project. Construction will include approximately 2,200 linear feet (l.f.) of 8" sewer main and 280 l.f. of 10" main extensions. These extensions will service a new business on West Main and also allow for future expansion of the wastewater system. The term of the loan is 20 years with an interest rate of 1%, and an estimated annual debt service payment of \$8,118. KIA staff recommended approval of the loan with the standard conditions and the following special condition: The City must pass an ordinance no later than April 1, 2011 increasing sewer rates per the following schedule: a) 5% to be effective on or before July 1, 2011, and b) 5% to be effective on or before July 1, 2012.

*Ms. Linda Bridwell moved to approve the resolution with the standard conditions and the special condition indicated in the staff recommendations. Mr. Ron Lovan seconded, and the motion carried unanimously.*

**7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B11-08) LOAN IN THE AMOUNT OF \$250,000 TO THE MCLEAN COUNTY FISCAL COURT OR NORTH MCLEAN COUNTY WATER DISTRICT, MCLEAN COUNTY, KENTUCKY**

Ms. Sandy Williams, KIA, presented the project to the board. The McLean County Fiscal Court, for the benefit of the North McLean County Water District and the citizens of McLean County, requested a Fund B loan in the amount of \$250,000. Upon agreement of both parties, the loan may be assigned by the fiscal court to the water district at the discretion of the Authority. Funding will be used to construct a water line and master meter beginning at the Calhoun tank and tying into a ten inch line on KY 250. This line will be both shorter and larger and will result in higher quality service to customers of the North McLean County Water District. The water district has had to cut off the water supply to poultry farms to provide an adequate and safe water supply to other customers. The financing is offered as 80% principal forgiveness and 20% loan. The unforgiven balance of the loan is \$50,000 to be repaid in 20 years with an interest rate of 2%, and an estimated annual debt service payment of \$3,146. KIA staff recommended approval of the loan with the standard conditions and the following special condition: The KIA loan commitment may be assigned by the McLean County Fiscal Court to the North McLean Water District upon written agreement of both parties and approval of the KIA Executive Director.

After discussion by the Board, a second special condition was added to the conditions of the loan as follows: If the loan is not assigned by the McLean County Fiscal Court to the North McLean County Water District, then the parties shall enter into a memorandum of agreement, prior to the execution of the loan agreement, which states that North McLean County Water District will annually transfer \$3,146 to the McLean County Fiscal Court until the KIA loan B11-08 is paid in full.

*Ms. Linda Bridwell moved to approve the resolution with the standard conditions and the amended special conditions in the staff recommendations. Mr. Tom Calkins seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to any potential application submitted by the North McLean County Water District to the Public Service Commission for authorization to enter into a loan agreement with KIA for the requested loan or for approval of the proposed construction project.*

**8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A GOVERNMENTAL AGENCIES PROGRAM FUND C LOAN (C11-01) IN THE AMOUNT OF \$621,000 TO THE BRACKEN COUNTY WATER DISTRICT, BRACKEN COUNTY, KENTUCKY**

Ms. Kasi White, KIA, presented the project to the board. The Bracken County Water District (BCWD) requested a Fund C loan in the amount of \$621,000 to replace approximately 11,220 linear feet of 12" PVC water main from the pump

house. The current water main is 25 years old and was constructed in ground that is extremely rocky. Updated pumps have caused additional pressure on the line and the new main will be able to handle the additional pressure. The term of the loan is 20 years with an interest rate of 3%, and an estimated annual debt service payment of \$42,758. KIA staff recommended approval of the loan with the standard conditions.

*Mayor David Cartmell moved to approve the resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to any potential application submitted by the Bracken County Water District to the Public Service Commission for authorization to enter into a loan agreement with KIA for the requested loan or for approval of the proposed construction project.*

**11. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F11-02) LOAN IN THE AMOUNT OF \$2,250,000 TO THE CITY OF WILLIAMSTOWN, GRANT COUNTY, KENTUCKY**

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Williamstown requested a Fund F loan in the amount of \$2,250,000 for the US 25N Water Main Replacement Phase II and III project. The project is for the replacement of approximately 7,160 linear feet of 6" water main with 12" on US 25N, Helton Road and Industrial Road. Also, 2,125 linear feet of 6" main on Garnett and Kelly Avenues and Sayer Drive. The loan does not qualify for Green Project Reserve funding. The project does not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 2% and an estimated annual debt service payment of \$142,675. DOW and KIA staff recommended approval of the loan with the standard conditions.

*Mr. Tom Calkins moved to approve the resolution with the standard conditions. Ms. Linda Bridwell seconded, and the motion carried unanimously.*

Chair Wilder called for a recess of the meeting. Chair Wilder reconvened the meeting after a 5 minute recess.

**9. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B11-03) LOAN IN THE AMOUNT OF \$550,000 TO THE NICHOLAS COUNTY SANITATION DISTRICT NO. 2, NICHOLAS COUNTY, KENTUCKY**

Mr. Brad Montgomery and Mr. Joe Pavoni, both of GRW Engineers, made a presentation to the Board regarding the Nicholas County Sanitation District No. 2 Lake Carnico Sanitary System Project. They reviewed the project's background, the proposed treatment, collection, treatment, and disposal, proposed system map, and project costs. Ms. Kristi Morris, representing the Nicholas County Sanitation District No. 2 and the Nicholas County Health Department, Mr. Craig

Sheehan, representing the Kentucky Department of Public Health, and Mr. David Duttlinger, representing the Bluegrass Area Development District, also contributed to the discussion of the project.

Chair Wilder reminded the Board that this project was tabled during last month's meeting and was now being brought before the Board again.

KIA staff recommended approval of the loan with the standard conditions and the following special conditions: (1) Re-authorization and re-allocation of the \$125,000 HB608 grant currently designated to the Nicholas County Fiscal Court to NCSD2 for the Lake Carnico project or a commitment of outside funds in the amount of \$125,000; (2) Upon bidding the project and prior to the award of the construction contracts, the District shall approve and provide a copy of the following to the Authority a) a copy of the signed Wastewater Sewer Use Ordinance detailing the operation of the newly constructed infrastructure including a mandatory hook-up clause for the affected customers, and b) a copy of the signed Wastewater User Charge Ordinance detailing the user rates to be charged to the affected customers. The User Charges assessed will be in an amount sufficient to cover the anticipated Operation, Maintenance and Reserve of the system as well as Debt Service requirements of the Authority loan to cover the life of the loan; and (3) NCSD2 will submit audited financial statements to the Authority within 180 days of each fiscal year end for the life of the loan beginning with the first full year of operation of the new infrastructure.

The project was discussed thoroughly by the Board.

*Ms. Linda Bridwell moved that the project be taken off the table in order to vote on the resolution. Mr. Jerry Wuetcher seconded, and the motion carried unanimously.*

*Mr. Ron Lovan moved to approve the resolution with the standard conditions and the special conditions indicated in the staff recommendations. Ms. Linda Bridwell seconded, and the motion carried unanimously.*

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

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

APPLICANT	FUND	AMOUNT
City of Flemingsburg	A	\$ 8,906,000
City of Williamsburg	A	\$ 1,035,517
City of Vanceburg	A	\$ 2,000,000

Louisville Jefferson Co MSD	A	\$ 3,400,000
City of Beattyville	B	\$ 175,000
City of Elkton	B	\$ 141,700
McLean County Fiscal Court	B	\$ 250,000
Nicholas County Sanitation District No. 2	B	\$ 550,000
Bracken County Water District	C	\$ 621,000
City of Williamstown	F	\$ 2,250,000

*Ms. Linda Bridwell moved to approve the resolution. Mr. Tom Calkins seconded, and the motion carried unanimously.*

**II. EXECUTIVE DIRECTOR'S REPORT**

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

- A. The US House of Representative's Appropriations Committee recommended for the FY 2011 Continuing Resolution reducing the Clean Water State Revolving Fund's Capitalization Grant appropriation by \$1.31 billion from requested \$2 billion. The Drinking Water State Revolving Fund's Capitalization Grant appropriation was reduced by \$457 million from the \$1.2 billion request. Mr. Covington was told these numbers may not be the final numbers but to anticipate significant cuts in the Capitalization Grant.
- B. Senate Bill 153 was introduced during the 2011 Regular Session of the Kentucky General Assembly and provided for local legislative body approval for changes in charges by non-taxing districts that produce increased revenues. This bill was meant to apply to water districts, sewer districts, and water commissions. This bill died in the Senate. Some of the provisions of this bill however were added to HB26. Mr. Covington explained that, if the bill were to pass, it would create a new section of KRS Chapter 220 to require sanitation district user fees, charges, and rates to be approved by the majority of the fiscal courts that participate in the district if the rate increase is greater than 5 percent; and, require that rate increases not occur more than once within a 12 month period. This could impact loans the Authority would make to any sewer districts or sanitation commissions.

**III. STATUS REPORT FOR FUNDS**

- A. 2003 Coal/Tobacco Development Grants
- B. IEDF Fund Grants
- C. 2020 Account / Fund B Grants
- D. Funds A, A2, B, B1, C, F, F2

**IV. ANNOUNCEMENTS/NOTIFICATIONS**

- Next scheduled KIA board meeting:  
 Tentatively scheduled for  
 Thursday, April 7, 2011  
 1024 Capital Center Drive, Suite 340  
 Frankfort, Kentucky

***There being no further business Ms. Linda Bridwell moved to adjourn. Mr. Tom Calkins seconded and the motion carried unanimously. The March 3rd, 2010, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.***

Submitted by:

Sandy Williams  
Sandy Williams, Secretary  
Kentucky Infrastructure Authority

4-1-2011  
Date





CL

Steven L. Beshear  
Governor

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

John E. Covington III  
Executive Director

March 8, 2011

Honorable Kelly Thurman, Judge Executive  
McLean County Fiscal Court  
210 Main Street, P.O. Box 127  
Calhoun, KY 42327

MAR 10 10 55 AM

**KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING LOAN FUND  
CONDITIONAL COMMITMENT LETTER (B11-08)**

Dear Judge Thurman:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On March 3, 2011, the Authority approved your financial assistance for the North McLean County Water District Line Extensions and Replacements project subject to the conditions stated below. The total cost of the project shall not exceed \$737,871 of which the Authority loan shall provide \$250,000 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amounts 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 McLean County Fiscal Court upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (March 8, 2012) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$ 250,000.
2. The loan shall contain principal forgiveness in the amount of 80%. Actual loan and forgiveness amounts will be based on actual project costs drawn from the Authority.





3. The loan shall bear interest at the rate of 2% per annum commencing with the first draw of funds.
4. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
5. Interest shall be payable on the unforgiven amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
6. Full principal payments will commence on 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 will be due each six months thereafter until the loan is repaid.
7. 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.
8. Loan and grant funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
9. 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.

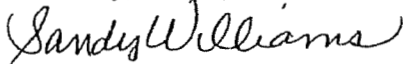
Judge Kelly Thurman  
March 8, 2011  
Page 4

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.
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,



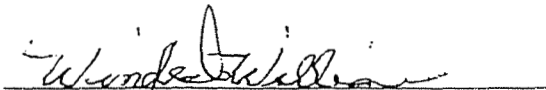
Sandy Williams  
Financial Analyst

Attachments

CC:

Michael Hesse, PE, DLZ Kentucky, Inc.  
Dirk Bedarff, Peck, Shaffer & Williams LLP  
State and Local Debt Office, DLG  
Borrower File - McLean County Fiscal Court - B11-08

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

3-15-2012  
Date

**ATTACHMENT A**

**McLean County Fiscal Court  
B11-08**

**EXECUTIVE SUMMARY**  
**KENTUCKY INFRASTRUCTURE AUTHORITY**  
**FUND B, INFRASTRUCTURE**  
**REVOLVING LOAN FUND**

Reviewer: Sandy Williams  
 Date: March 3, 2011  
 KIA Loan Number: B11-08  
 WRIS Number: WX21149025

**BORROWER:** MCLEAN COUNTY FISCAL COURT OR NORTH MCLEAN COUNTY WATER DISTRICT  
 MCLEAN COUNTY

**BRIEF DESCRIPTION:**  
 The McLean County Fiscal Court, for the benefit of the North McLean County Water District and the citizens of McLean County, is requesting a Fund B loan in the amount of \$250,000. Upon agreement of both parties, the loan may be assigned by the fiscal court to the water district at the discretion of the Authority. Funding will be used to construct a water line and master meter beginning at the Calhoun tank and tying into a ten inch line on KY250. This line will be both shorter and larger and will result in higher quality service to customers of the North McLean County Water District. The water district has had to cut off the water supply to poultry farms to provide an adequate and safe water supply to other customers.

PROJECT FINANCING:		PROJECT BUDGET	
Fund B Loan	\$ 250,000	Administrative Expenses	\$ 9,275
HB380 141C-2007 (CPBOC 04/17/2007)	200,000	Engineering Fees	132,760
HB608 303N-2008 (CPBOC 09/15/2009)	250,000	Construction	583,336
North McLean County Water District	37,871	Contingency	12,500
<b>TOTAL</b>	<b>\$ 737,871</b>	<b>TOTAL</b>	<b>\$ 737,871</b>

REPAYMENT		Est. Annual	
Rate	2.00%	Payment	\$ 3,146
Term	20 years	1st Payment	6 Mo. after first draw

PROFESSIONAL SERVICES	
Engineer	DLZ Kentucky, Inc.
Bond Counsel	Peck, Shaffer, & Williams

PROJECT SCHEDULE	
Bid Opening:	May 1, 2011
Construction Start:	July 1, 2011
Construction Stop:	November 1, 2011

DEBT PER CUSTOMER	
Existing:	\$ 145
Proposed:	\$ 174

**OTHER DEBT** See Attached

**OTHER STATE-FUNDED PROJECTS LAST 5 YRS** See Attached

RESIDENTIAL RATES		Users	Avg. Bill
Current	145	\$ 25.66	(for 4,000 gallons)
Additional	174	\$ 25.66	(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 2005	167,258	92,260	74,998	1.81
Audited 2006	153,342	46,065	107,277	3.33
Audited 2007	160,859	31,108	129,751	5.17
Audited 2008	118,883	30,209	88,674	3.94
Audited 2009	118,917	30,310	88,607	3.92
Prelim 2010	111,263	22,168	89,095	5.02
Projected 2011	107,931	20,107	87,824	5.37
Projected 2012	104,485	23,757	80,728	4.40
Projected 2013	101,412	23,223	78,189	4.37
Projected 2014	98,073	23,651	74,422	4.15
Projected 2015	94,456	24,401	70,055	3.87

Reviewer: Sandy Williams  
 Date: March 3, 2011  
 Loan Number: B11-08

**KENTUCKY INFRASTRUCTURE AUTHORITY  
 INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")  
 NORTH MCLEAN COUNTY WATER DISTRICT, MCLEAN COUNTY  
 PROJECT REVIEW  
 WX21149025**

**I. PROJECT DESCRIPTION**

The McLean County Fiscal Court, for the benefit of the North McLean County Water District and the citizens of McLean County, is requesting a Fund B loan in the amount of \$250,000. Upon agreement of both parties, the loan may be assigned by the fiscal court to the water district at the discretion of the Authority. Funding will be used to construct a water line and master meter beginning at the Calhoun tank and tying into a ten inch line on KY250. This line will be both shorter and larger and will result in higher quality service to customers of the North McLean County Water District. The water district has had to cut off the water supply to poultry farms to provide an adequate and safe water supply to other customers.

**II. PROJECT BUDGET**

	<u>Total</u>
Administrative Expenses	\$ 9,275
Engineering Fees	132,760
Construction	583,336
Contingency	12,500
<b>TOTAL</b>	<b>\$737,871</b>

**III. PROJECT FUNDING**

	<u>Amount</u>	<u>%</u>
Fund B Loan	250,000	34%
HB380 141C-2007 (CPBOC 04/17/2007)	200,000	27%
HB608 303N-2008 (CPBOC 09/15/2009)	250,000	34%
North McLean County Water District	37,871	5%
<b>Total</b>	<b>737,871</b>	<b>100%</b>

**IV. KIA DEBT SERVICE**

Construction Loan	\$250,000
Less: Principal Forgiveness (80%)	\$200,000
Amortized Loan Amount	\$ 50,000
Interest Rate	2.00%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 3,046
Administrative Fee (0.20%)	100
<b>Total Estimated Annual Debt Service</b>	<b>\$ 3,146</b>

**V. PROJECT SCHEDULE**

Bid Opening: May 1, 2011  
Construction Start: July 1, 2011  
Construction Stop: November 1, 2011

**VI. CUSTOMER BREAKDOWN AND RATE STRUCTURE**

<u>Customers</u>	<u>Current</u>	<u>Proposed</u>	<u>Total</u>
Residential Customers	1,265	0	1,265
Commercial Customers	27	0	27
Commercial Customers	4	0	4
Total	1,296	0	1,296

The monthly charge for water utility service is:

Date of Last Rate Increase	3/11/2010
Minimum Bill	\$14.88
Rates Per 1,000 Gallons	\$ 5.39
Cost for 4,000 gallons	\$25.66
Affordability Index (Rate/MHI)	1.0%

**VII. DEMOGRAPHICS**

In 2000, the County's population was 9,938 with a Median Household Income (MHI) of \$29,675. The median household income for the Commonwealth is \$33,672. The project will qualify for a 2% interest rate.

**VIII. FINANCIAL ANALYSIS (See Exhibit 1)**

This loan request is in the name of the McLean County Fiscal Court but may be assigned to the North McLean County Water District. However, the primary source of repayment is water revenue generated by the North McLean County Water District. The Fiscal Court and the Water District will enter into an agreement that an amount equal to the annual debt service payments will be transferred from the district to the court each year that the loan is outstanding unless the loan commitment is assigned to the water district.

Financial information for the North McLean County Water District was obtained from the audited financial statements of for the years ended December 31, 2005 through 2009.

**HISTORICAL**

Over the past 5 years, the water district has experienced strong cashflow. Although water revenues have declined for 4 of the past 5 years, the cost for purchased water

has remained steady between 41 and 44 percent of revenue. Operating expenses have increased slightly each year, but the increases have not overtaken the decline in revenue and cash available for debt service has remained strong. The district only has one outstanding debt issue with total debt service less than \$25,000 through the 2025 maturity. The utility showed positive balances in cash available for debt service all five years, ranging between 1.81 and 5.17.

As of December 2009, the balance sheet shows approximately \$188,000 in outstanding revenue bonds associated with the utility system.

#### PROJECTED

Projections are based on the following assumptions:

- \* Water revenues are projected to increase 2% per year as a result of the increased capacity provided by the project.
- \* Expenses are projected to increase by 4% annually.
- \* A replacement reserve of \$625 will be funded annually.
- \* The new debt service is estimated to be \$3,146 annually and will increase overall debt service to \$23,757 in 2012.

Debt service coverage is 4.40 in 2012 when principal and interest repayments begin.

Based on the proforma assumptions, the utility shows adequate cashflow to repay the KIA Fund B loan.

#### REPLACEMENT RESERVE

The annual replacement cost is \$625. This amount should be added to the replacement account each December 1 until the balance reaches \$6,250 and maintained for the life of the loan.

#### IX. DEBT OBLIGATIONS

<u>Debt Issue</u>	<u>Outstanding</u>	<u>Maturity</u>
1985 Revenue Bonds	\$188,000	2025
<b>Total</b>	<b>\$188,000</b>	

#### X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
US 431 Water Tank	HB608	\$250,000	Grant
Nucklos Water Line	HB380	\$30,000	Grant
Nucklos Water Line	HB608	\$77,770	Grant
NMCWD Water Line Extensions	HB608	\$250,000	Grant
NMCWD Water Line Extensions	HB380	\$200,000	Grant



## **XI. CONTACTS**

### **Applicant**

Name           McLean County Fiscal Court OR  
North McLean County Water District  
Address       210 Main Street, P.O. Box 127  
                  Calhoun, KY 42327  
County        McLean  
Contact       Kelly Thurman  
Phone         (270) 273-3213  
Email

### **Applicant Contact**

Name           DLZ Kentucky, Inc.  
Address       201 Brighton Park Blvd  
                  Frankfort, KY 40601  
Contact       Michael Hesse, PE  
Phone         (502) 695-2300  
Email         mhesse@dlz.com

### **Engineer**

Name           Michael Hesse, PE  
Firm           DLZ Kentucky, Inc.  
Address       201 Brighton Park Blvd  
                  Frankfort, KY 40601  
Phone         (502) 695-2300  
Email         mhesse@dlz.com

## **XII. RECOMMENDATIONS**

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

1. The KIA loan commitment may be assigned by the McLean County Fiscal Court (MCFC) to the North McLean County Water District (NMCWD) upon written agreement of both parties and approval of the KIA Executive Director.
2. If the loan is not assigned by the MCFC to the NMCWD, then the parties shall enter into a memorandum of agreement, prior to the execution of the loan agreement, which states that NMCWD will annually transfer \$3,146 to the MCFC until the KIA loan B11-08 is paid in full.

EXHIBIT 1  
 NORTH MCLEAN COUNTY WATER DISTRICT  
 CASH FLOW ANALYSIS

	Audited 2005	% Change	Audited 2006	% Change	Audited 2007	% Change	Audited 2008	% Change	Audited 2009	% Change	Prelim 2010	Projected 2011	Projected 2012	Projected 2013	Projected 2014	Projected 2015
<b>Operating Revenues</b>																
Water Revenues	556,004	-2%	544,263	11%	602,693	-6%	565,385	-2%	552,774	-1%	547,248	558,191	569,355	580,742	592,357	604,204
Other	15,803	10%	17,325	-3%	16,879	-10%	15,236	8%	16,465	0%	18,465	16,794	17,130	17,473	17,822	18,178
<b>Total Revenues</b>	<b>571,807</b>	<b>-2%</b>	<b>561,588</b>	<b>10%</b>	<b>619,572</b>	<b>-6%</b>	<b>580,621</b>	<b>-2%</b>	<b>569,239</b>	<b>-1%</b>	<b>563,711</b>	<b>574,985</b>	<b>586,485</b>	<b>598,215</b>	<b>610,179</b>	<b>622,382</b>
<b>Operating Expenses</b>	<b>40.48%</b>		<b>40.67%</b>		<b>43.45%</b>		<b>44.28%</b>		<b>43.03%</b>							
Purchased Water	225,044	-2%	221,337	18%	261,841	-4%	250,359	-5%	237,872	-1%	235,316	244,729	254,518	264,699	275,287	286,298
Operating Expenses	184,582	10%	203,741	6%	216,331	4%	224,201	-1%	222,132	0%	222,132	226,575	231,107	235,729	240,444	245,253
Depreciation	44,248	0%	44,127	7%	47,285	17%	55,422	-4%	53,452	0%	53,452	53,452	53,452	71,899	71,899	71,899
Replacement Reserve													625	625	625	625
<b>Total Expenses</b>	<b>453,874</b>	<b>3%</b>	<b>469,205</b>	<b>12%</b>	<b>525,458</b>	<b>1%</b>	<b>529,982</b>	<b>-3%</b>	<b>513,456</b>	<b>0%</b>	<b>510,900</b>	<b>524,756</b>	<b>539,702</b>	<b>572,952</b>	<b>588,255</b>	<b>604,075</b>
<b>Net Operating Income</b>	<b>117,933</b>	<b>-22%</b>	<b>92,383</b>	<b>2%</b>	<b>94,114</b>	<b>-46%</b>	<b>50,639</b>	<b>10%</b>	<b>55,783</b>	<b>-5%</b>	<b>52,811</b>	<b>50,229</b>	<b>46,783</b>	<b>25,263</b>	<b>21,924</b>	<b>18,307</b>
<b>Non-Operating Income and Expenses</b>																
Interest on Investments	5,077	232%	16,832	16%	19,459	-43%	11,181	-45%	6,116	-18%	5,000	4,250	4,250	4,250	4,250	4,250
Other	0		0		0		1,641		3,566		0					
<b>Total Non-Operating Income &amp; Expenses</b>	<b>5,077</b>	<b>232%</b>	<b>16,832</b>	<b>16%</b>	<b>19,459</b>	<b>-34%</b>	<b>12,822</b>	<b>-24%</b>	<b>9,682</b>	<b>-48%</b>	<b>5,000</b>	<b>4,250</b>	<b>4,250</b>	<b>4,250</b>	<b>4,250</b>	<b>4,250</b>
<b>Add Non-Cash Expenses</b>																
Depreciation	44,248	0%	44,127	7%	47,286	17%	55,422	-4%	53,452	0%	53,452	53,452	53,452	71,899	71,899	71,899
<b>Cash Available for Debt Service</b>	<b>167,258</b>	<b>-8%</b>	<b>153,342</b>	<b>5%</b>	<b>180,859</b>	<b>-26%</b>	<b>118,883</b>	<b>0%</b>	<b>118,917</b>	<b>-8%</b>	<b>111,263</b>	<b>107,931</b>	<b>104,485</b>	<b>101,412</b>	<b>98,073</b>	<b>94,456</b>
<b>Debt Service (per 2010-2015)</b>																
Existing Principal	70,876		28,061		14,000		14,000		15,000		15,000	6,000	7,000	7,000	8,000	11,000
Existing Interest	21,384		18,004		17,108		16,209		15,310		7,168	14,107	13,811	13,077	12,505	10,256
Proposed KIA Loan													3,146	3,146	3,146	3,146
<b>Total Debt Service</b>	<b>92,260</b>		<b>46,065</b>		<b>31,108</b>		<b>30,209</b>		<b>30,310</b>		<b>22,168</b>	<b>20,107</b>	<b>23,757</b>	<b>23,223</b>	<b>23,651</b>	<b>24,401</b>
<b>Income After Debt Service</b>	<b>74,998</b>		<b>107,277</b>		<b>129,751</b>		<b>88,674</b>		<b>88,607</b>		<b>89,095</b>	<b>87,824</b>	<b>80,728</b>	<b>78,189</b>	<b>74,422</b>	<b>70,055</b>
<b>Debt Coverage Ratio</b>	<b>1.81</b>		<b>3.33</b>		<b>5.17</b>		<b>3.94</b>		<b>3.92</b>		<b>5.02</b>	<b>5.37</b>	<b>4.40</b>	<b>4.37</b>	<b>4.15</b>	<b>3.87</b>

NORTH MCLEAN COUNTY WATER DISTRICT  
BALANCE SHEETS

ASSETS	2005	2006	2007	2008	2009	Project Completion
<b>Current Assets</b>						
Cash	141,569	124,940	138,563	151,325	228,815	316,639
Customer Deposit Checking	30,522	35,726	33,894	33,865	37,684	37,684
Certificates of Deposit	101,635	104,353	107,476	175,014	160,401	160,401
Accounts Receivable	51,264	50,574	53,322	48,596	49,118	48,627
Due From Other Governments	0	25,000	387	385	400	400
Inventory	10,412	12,629	12,710	14,251	22,262	21,149
Other	8,429	5,453	5,554	5,599	5,230	5,230
<b>Total Current Assets</b>	<b>343,831</b>	<b>358,675</b>	<b>351,906</b>	<b>429,035</b>	<b>503,910</b>	<b>590,130</b>
<b>Restricted Assets</b>						
Sinking Fund	36,430	37,859	38,775	36,269	5,971	36,269
Replacement and Extension Fund	24,768	27,292	29,692	33,301	29,581	29,877
Escrow Account						
Debt Service Reserve Fund						
Debt Service Fund						
<b>Total Restricted Assets</b>	<b>61,198</b>	<b>65,151</b>	<b>68,467</b>	<b>69,570</b>	<b>35,552</b>	<b>66,146</b>
<b>Utility Plant</b>						
Land, System, Building and Equipment	1,874,544	2,106,481	2,399,172	2,517,667	2,574,128	3,311,999
Less Accumulated Depreciation ( )	(616,722)	(860,849)	(707,934)	(759,316)	(811,004)	(847,898)
<b>Net Fixed Assets</b>	<b>1,257,822</b>	<b>1,445,632</b>	<b>1,691,238</b>	<b>1,758,351</b>	<b>1,763,124</b>	<b>2,464,101</b>
<b>Total Assets</b>	<b>1,662,851</b>	<b>1,869,458</b>	<b>2,111,611</b>	<b>2,256,956</b>	<b>2,302,586</b>	<b>3,120,377</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts Payable	14,772	18,924	17,232	15,872	16,241	16,403
Taxes Payable	2,487	2,515	2,197	2,414	1,963	1,963
Customer Deposits	3,500	2,700	2,700	2,700	2,500	2,700
Bonds Payable	12,000	14,000	14,000	15,000	6,000	7,000
Other	0	0	0	0	172	0
C.P. KIA Loan	0	0	0	0	0	2,056
<b>Total Current Liabilities</b>	<b>32,759</b>	<b>38,139</b>	<b>36,129</b>	<b>35,986</b>	<b>26,876</b>	<b>30,122</b>
<b>Long Term Liabilities</b>						
Revenue Bonds	231,000	217,000	203,000	188,000	182,000	168,000
Notes Payable	16,061	0	0	0	0	0
Customer Deposits	25,055	26,628	27,203	27,845	29,690	29,690
KIA Loan	0	0	0	0	0	47,944
<b>Total Long Term Liabilities</b>	<b>272,116</b>	<b>243,628</b>	<b>230,203</b>	<b>215,845</b>	<b>211,690</b>	<b>245,634</b>
<b>Total Liabilities</b>	<b>304,875</b>	<b>281,767</b>	<b>266,332</b>	<b>251,831</b>	<b>238,566</b>	<b>275,756</b>
<b>Retained Earnings:</b>						
Invested in Capital Assets Net of Related Debt	998,761	1,214,632	1,474,238	1,555,351	1,575,124	2,239,101
Restricted	61,198	65,151	68,467	69,570	35,552	66,146
Unrestricted	298,017	307,908	302,574	380,204	453,344	539,373
<b>Total Retained Earnings</b>	<b>1,357,976</b>	<b>1,587,691</b>	<b>1,845,279</b>	<b>2,005,125</b>	<b>2,064,020</b>	<b>2,844,621</b>
<b>Total Liabilities and Equities</b>	<b>1,662,851</b>	<b>1,869,458</b>	<b>2,111,611</b>	<b>2,256,956</b>	<b>2,302,586</b>	<b>3,120,377</b>
<b>Balance Sheet Analysis</b>						
Current Ratio	10.50	9.40	9.74	11.92	18.75	19.59
Debt to Equity	0.22	0.18	0.14	0.13	0.12	0.10
Working Capital	311,072	320,536	315,777	393,049	477,034	560,008
Percent of Total Assets in Working Capital	18.71%	17.15%	14.95%	17.42%	20.72%	17.95%
Percent of Operating Revenue in Receivables	32.7	32.9	31.4	30.5	31.5	31.5