

Case # 12-505

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ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
EAST PENDLETON COUNTY WATER DISTRICT

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and East Pendleton County Water District (the "Governmental Agency"), dated as of July 1, 2013

- 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

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EXHIBIT E
OPINION OF COUNSEL

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July 25, 2013

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and the
East Pendleton County Water District, dated as of July 1, 2013

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 East Pendleton 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.

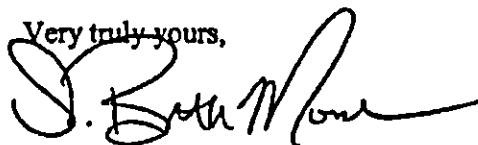
5) The execution and delivery of the Assistance Agreement and the performance by the Governmental Agency of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, 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,

A handwritten signature in black ink, appearing to read "S. Beth Moore". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

S. Beth Moore, Esq.



Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and East Pendleton 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 26 day of August, 2013.

GOVERNMENTAL AGENCY:

**EAST PENDLETON COUNTY WATER
DISTRICT**

By: William Thompson
Name: William Thompson
Title: Chairman

ATTEST:

By: [Signature]

Name: Bill Flaugh

Title: Secretary

79397v1

KENTUCKY INFRASTRUCTURE AUTHORITY
ASSISTANCE AGREEMENT
FUND B

PROJECT NUMBER B12-05
BORROWER: East Pendleton County Water District
BORROWER'S ADDRESS 601 Woodson Road
Falmouth, Kentucky 41040
DATE OF ASSISTANCE AGREEMENT: July 1, 2013

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AUTHORITY

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 U.S. Bank National Association (successor in interest to 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.

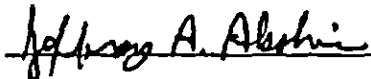
Section 9.8. Venue. The parties hereto agree that in the event of a default by the Governmental Agency pursuant to the provisions of Article 8 of this Agreement, the Authority shall, to the extent permitted under the laws of the Commonwealth, have the right to file any necessary actions with respect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

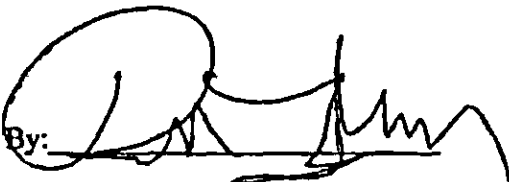
ATTEST:


Title: SECRETARY

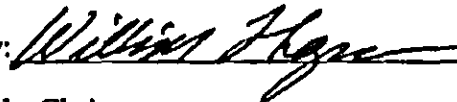
KENTUCKY INFRASTRUCTURE
AUTHORITY

By: 
Title: EXECUTIVE DIRECTOR


ATTEST:

By: 
Title: Secretary

GOVERNMENTAL AGENCY:
EAST PENDLETON COUNTY WATER
DISTRICT

By: 
Title: Chairman

APPROVED:


SECRETARY/FINANCE AND
ADMINISTRATION CABINET OF THE
COMMONWEALTH OF KENTUCKY

EXAMINED:

LEGAL COUNSEL TO THE
KENTUCKY INFRASTRUCTURE
AUTHORITY

APPROVED AS TO FORM AND LEGALITY


APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
EAST PENDLETON COUNTY WATER DISTRICT
PROJECT SPECIFICS
B12-05

GOVERNMENTAL AGENCY:

Name: East Pendleton County Water District
601 Woodson Road
Falmouth, KY 41040

Contact
Person: William Thompson, Chairman
(659) 654-4567

SYSTEM: Infrastructure

PROJECT:

This project is for painting the inside and outside of a 150,000 gallon water tower tank with epoxy paint. The tank will be cleaned and sandblasted with EPA approved inert material and the tank area will be fully contained to ensure that no dust escapes the project area. The project will not require any engineering or ground preparation and will be fully EPA and OSHA compliant.

PROJECT BUDGET:

	<u>Total</u>
Construction	160,000
Total	<u>\$ 160,000</u>

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 160,000	100%
Total	<u>\$ 160,000</u>	<u>100%</u>

KIA DEBT SERVICE:

Construction Loan	\$ 160,000
Interest Rate	2.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 10,454
Administrative Fee (0.20%)	\$ 320
Total Estimated Annual Debt Service	<u>\$ 10,774</u>

AMORTIZATION COMMENCEMENT DATE: June 1 and December 1

Interest payments will commence within six months from first draw of funds (estimated 12/1/13).

Full principal and Interest payments will commence within one year of initiation of operation (estimated 8/1/14).

REPLACEMENT RESERVE ACCOUNT:	\$	400	ANNUAL AMOUNT
	\$	4,000	TOTAL AMOUNT

The annual replacement cost is \$400. This amount should be added to the replacement account each December 1 until the balance reaches \$4,000 and maintained for the life of the loan.

ADMINISTRATIVE FEE: 0.20%

DEFAULT RATE: 8.0%

DEBT OBLIGATIONS CURRENTLY OUTSTANDING:

	<u>Outstanding</u>	<u>Maturity</u>
Series 1998 Revenue Refunding Bonds	\$ 695,000	2025
KIA (C97-01)	80,000	2017
Series 2002 Rural Development Bonds	430,000	2042
Series 2007 Rural Development Bonds	183,500	2042
Series 2007 Rural Development Bonds	94,100	2044
Total	<u>\$ 1,482,600</u>	

LIABILITY INSURANCE COVERAGE:

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

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED JULY 1, 2013**

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: East Pendleton 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>	<u>Expenses this Request</u>	<u>Expenses to 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 Rate Schedule

FOR Northeast Portion County
of Pendleton County
Community, Town or City

P.S.C. KY. NO. _____

_____ SHEET NO. _____

East Pendleton County Water District
(Name of Utility)

CANCELLING P.S.C. KY. NO. _____

_____ SHEET NO. _____

RATES

Monthly Rates

5/8" & 3/4" Meters

First	1,000	gallons	\$17.75	Minimum bill
Next	99,000	gallons	6.51	per 1,000 gallons
Over	100,000	gallons	5.55	per 1,000 gallons

1 1/4" Meters

First	20,000	gallons	\$141.44	Minimum bill
Next	80,000	gallons	6.51	per 1,000 gallons
Over	100,000	gallons	5.55	per 1,000 gallons

2" & 3" Meters

First	100,000	gallons	\$662.24	Minimum bill
Over	100,000	gallons	5.55	per 1,000 gallons

DATE OF ISSUE _____

Month / Date / Year

DATE EFFECTIVE 3-15-2004

Month / Date / Year

ISSUED BY Leslie Herbst

(Signature of Officer)

TITLE CHAIRMAN

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION

IN CASE NO. 2004-00050 DATED 3-18-2004

**PUBLIC SERVICE COMMISSION
OF KENTUCKY
EFFECTIVE**

MAR 15 2004

PURSUANT TO 807 KAR 011
SECTION 9 (1)

BY [Signature]
EXECUTIVE DIRECTOR

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00103 DATED AUG 01 2013

NOTICE TO THE CUSTOMERS
OF EAST PENDLETON COUNTY DISTRICT WATER DISTRICT

On May 13, 2013, East Pendleton County Water District applied to the Kentucky Public Service Commission ("PSC") for authority to adjust its rates for water service. After performing a review of East Pendleton County Water District's application and records, the PSC Staff has recommended that East Pendleton County Water District be granted an increase greater than that requested.

East Pendleton County Water District requested the following rates:

5/8-Inch x 3/4-Inch Meter
First 1,000 Gallons \$20.36 Minimum Bill
Next 99,000 Gallons 7.83 Per 1,000 gallons
Over 100,000 Gallons 6.63 Per 1,000 gallons

1 1/4-Inch Meter
First 20,000 Gallons \$165.00 Minimum Bill
Next 80,000 Gallons 7.83 Per 1,000 gallons
Over 100,000 Gallons 6.63 Per 1,000 gallons

2-Inch Meter
First 100,000 gallons \$825.00 Minimum Bill
Over 100,000 gallons 7.62 Per 1,000 gallons

3-Inch Meter
First 100,000 gallons \$825.00 Minimum Bill
Over 100,000 gallons 7.62 Per 1,000 gallons

Commission Staff has recommended the following rates:

5/8-Inch x 3/4-Inch Meter
First 1,000 Gallons \$18.42 Minimum Bill
Next 99,000 Gallons 9.33 Per 1,000 gallons
Over 100,000 Gallons 7.11 Per 1,000 gallons

1 1/4-Inch Meter
First 10,000 Gallons \$102.39 Minimum Bill
Next 90,000 Gallons 9.33 Per 1,000 gallons
Over 100,000 Gallons 7.11 Per 1,000 gallons

2-Inch Meter
First 20,000 gallons \$195.89 Minimum Bill
Next 80,000 Gallons 9.33 Per 1,000 gallons
Over 100,000 Gallons 7.11 Per 1,000 gallons

3-Inch Meter
First 30,000 gallons \$288.89 Minimum Bill
Next 70,000 Gallons 9.33 Per 1,000 gallons
Over 100,000 Gallons 7.11 Per 1,000 gallons

A copy of the PSC Staff report can be found at
http://psc.ky.gov/pscscd/2013%20cases/2013-00103/20130628_PSC_ORDER.pdt.

Pursuant to the PSC's Order of May 13, 2013, in Case No. 2013-00103, East Pendleton County Water District has requested that the PSC approve the higher rates. Any corporation, association, body politic, or person may submit comments on the proposed request no later than September 18, 2013. Comments shall be in writing and shall be submitted to the Executive Director, Public Service Commission, 211 Sower Boulevard, P.O. Box 615, Frankfort, Kentucky, 40602. Comments may also be submitted by electronic mail to psc.info@ky.gov. If the Commission does not received any objections or requests for intervention or hearing in this matter by September 18, 2013, the Commission will proceed to render a decision in the matter.

EXHIBIT D

RESOLUTION

**RESOLUTION OF THE EAST PENDLETON COUNTY WATER DISTRICT
APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT
BETWEEN THE EAST PENDLETON COUNTY WATER DISTRICT AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY**

WHEREAS, the Board of Commissioners, ("governing authority") of the East Pendleton 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 Wastewater System being maintained and operated by the Governmental Agency as the court-appointed receiver for Big Valley Sanitation, Inc. (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 East Pendleton 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 _____, 2013.

Chairman

Attest:

Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the East Pendleton 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 _____, 2013; 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 _____, 2013.

Secretary

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and the East Pendleton County Water District, dated as of July 1, 2013

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 East Pendleton 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 EAST PENDLETON 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: _____

EAST PENDLETON COUNTY WATER
DISTRICT, GOVERNMENTAL AGENCY

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE

78633v1

EXHIBIT D

RESOLUTION

RESOLUTION OF THE EAST PENDLETON COUNTY WATER DISTRICT
APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT
BETWEEN THE EAST PENDLETON COUNTY WATER DISTRICT AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

WHEREAS, the Board of Commissioners, ("governing authority") of the East Pendleton 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 Wastewater System being maintained and operated by the Governmental Agency as the court-appointed receiver for Big Valley Sanitation, Inc. (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;

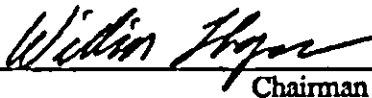
NOW, THEREFORE, BE IT RESOLVED by the East Pendleton County Water District, as follows:

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 August 13, 2013.


Chairman

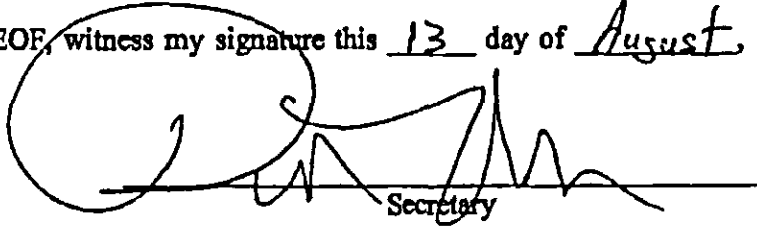
Attest:


Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the East Pendleton 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 August 13, 2013; 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 13 day of August, 2013.


Secretary

August 13, 2013

The East Pendleton County Water District held its meeting on August 13, 2013. Present were Bill Thompson, Chairman; Bill Flaughner, Secretary; Wayne Lonaker, Manager; and Bill Mitchell of Northern Kentucky Area Development District.

Bill Thompson called the meeting to order. Bill Flaughner read the minutes from the July 9, 2013 meeting. Bill Flaughner made a motion to approve the minutes, seconded by Bill Thompson. The minutes were accepted as read.

The Board reviewed the bank and financial statements. Bill Flaughner made a motion to approve the bank and financial statements, seconded by Bill Thompson. Motion carried. There were no customer adjustments this month.

Wayne discussed with the Board the purchase of a new computer and upgrade of the operating system from XP to Windows 7 for the Micro-Comm telemetry system. Wayne is to check into this further. No action was taken at this time.

Bill Flaughner made a motion to accept the KIA Resolution as defined, seconded by Bill Thompson. Motion carried.

The next meeting is scheduled for September 10, 2013. Bill Flaughner made a motion to adjourn, seconded by Bill Thompson. Meeting was adjourned.

Bill Thompson, Chairman
Bill Flaughner, Secretary



EAST PENDLETON COUNTY WATER DISTRICT

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

**Meeting Date/Location: August 2, 2012 – 1:00 p.m.
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340, Frankfort**

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Jamie Link, Finance and Administration Cabinet
(permanent proxy for Secretary Lori H. Flanery, FAC)
Mr. George Burgess, Economic Development Cabinet
(proxy for Secretary Larry Hayes, EDC)
Ms. Lona Brewer, Energy and Environment Cabinet
(permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Jerry Wuetcher, Public Service Commission
(permanent proxy for Executive Director Jeff Derouen, PSC)
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Members absent:

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

Guests:

Ms. Anshu Singh, Division of Water
Ms. Jennifer McIntosh, Kentucky River Area Development District
Mayor Cheryl Moore, City of South Shore
Mr. Bryan Kirby, CEDA
Mr. Jim Thompson Kentucky Engineering Group
Mr. Jimmy Mudd, Marlon County Water District
Mr. Lindsey Bironas, GRW Engineers
Ms. Adalyn Haney, GRW Engineers
Ms. Sandy Dunahoo, Nesbitt Engineering, Inc.
Mr. Josh Nacey, Legislative Research Commission
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Tom Marshall, Citizen
Mr. Gary Larimore, Kentucky Rural Water Association
Ms. Jennifer Kantner, Office of Financial Management
Mr. Nathan Cryder, Auditor of Public Accounts

PROCEEDINGS

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

Mr. Rusty Anderson, KIA, made maps available for viewing via the Water Resource Information System (WRIS) which showed an overview of the water and sewer 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 June 7, 2012

Mr. Damon Talley moved to approve the minutes of the June 7, 2012 regular board meeting. Mr. Ron Lovan seconded, and the motion carried unanimously.

B. PRESENTATION ON SPECIAL DISTRICTS

Mr. Nathan Cryder, Chief Policy Advisor, from the Auditor of Public Accounts made a presentation to the Board regarding the Special Districts project that was announced by the State Auditor on June 6, 2012. The goal is to inventory the special districts in Kentucky and to answer four basic questions: 1) How many are there in Kentucky; 2) Where are they located; 3) How much money flows through them; and 4) Which ones are in compliance with state law. Mr. Cryder stated there are about 47 different types of special districts ranging from water and conservation, ambulance and volunteer fire departments, to soil conservation. On June 6, 2012, the Auditor's office sent out a survey to approximately 1,160 special districts using a list that was provided to them from the Department for Local Government. They have received a 75-80% response rate from those surveys so far. They also sent surveys to all county judges, county clerks and sheriffs in the state. The Auditor's office has traveled throughout the state to all 15 area development districts to meet with the representatives to the special districts and elected officials. The goal is to redesign the system in a way that is fair for everyone involved. Once all the information is compiled and confirmed, the data will be available for all taxpayers. The goal is to have the project completed by the end of the year.

C. NEW PROJECTS/ACTION ITEMS

1. RESOLUTIONS AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY HONORING THOMAS P. CALKINS IN RECOGNITION OF DEDICATED SERVICE

Chair Tony Wilder read the resolution into the record before the board. Chair Wilder acknowledged that Tom Calkins served the board with dedication and provided valuable comments and input during his term.

Mr. Ron Lovan moved to approve the resolution. Mr. Damon Talley seconded, and the motion carried unanimously.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND A INTEREST RATES FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND F INTEREST RATES FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY ESTABLISHING FUND B INTEREST RATES FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

At this time, Ms. Sandy Williams introduced a new staff member to KIA, John LeFevre, Financial Analyst. Mr. LeFevre had previously worked for the Energy and Environment Cabinet and in finance in the private sector.

Ms. Sandy Williams, KIA, presented the resolutions to establish the Fund A, Fund F, and Fund B interest rates. She also presented a handout referencing the interest rate history for all four loan programs from July 1, 2002 through June 30, 2012. In compliance with state and federal administrative regulations that govern how the Authority is to set interest rates based on the prevailing market conditions, the availability of funds, the demand for financial assistance, and that rates need to be at or below market rate, KIA staff recommended to lower interest rates at this time. The interest rates for KIA Fund A, Fund F, and Fund B loans approved by the Authority during the period July 1, 2012 through June 30, 2013 shall be as follows: the standard interest rate is 2.75%, the first non-standard rate is 1.75% and the lowest non-standard rate is 0.75%, as defined in the 2013 Clean Water and Drinking Water SRF Intended Use Plans. Fund C loan interest rates are not established by the KIA Board but are set at the time of the corresponding bond issuance and are tied to the interest rate of the bonds. An interest rate of 3% is offered to any Fund C loans that are tied to the surplus fund investments.

Mr. Damon Talley moved to approve the three interest rate resolutions for Fund A, Fund F, and Fund B. Mr. George Burgess 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 (A12-30) IN THE AMOUNT OF \$500,000 TO THE CITY OF JENKINS, LETCHER COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Jenkins requested a \$500,000 Fund A loan for the Sewer Main Rehab Phase III project. The loan will be combined with an RD Grant and an RD Loan for a total project amount of \$1,500,000. This project involves the rehabilitation of the sewer collection system in the Dunham area of Jenkins in an effort to reduce excessive inflow and infiltration (I&I) from the collection system. This will involve open cuts, replacement of approximately 13,000 linear feet of eight inch clay pipe, trenchless technologies, chemical grouting and manhole repairs and replacement. The Dunham area is known to have significant wastewater flows that do not correspond to water usage and a number of manholes become submerged during flood events. The area is also believed to have a large number of properties with downspout connections that feed into the sanitary sewer system and the intent is to identify and eliminate as many of these as possible. The project will not be reported for Green Project Reserve funding. The project qualified for additional subsidization of 10% of the loan amount, or \$50,000. The unforgiven balance of the loan is \$450,000 to be repaid in 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$25,172. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Williams explained to the Board that new information will now be added to the Executive Summary sheets which are presented as a part of the credit analysis for each project. The new information pertains to the Project Budget on the summary sheet and will show the RD fee scale percentage for engineering fees. This new information was requested from the members of the Capital Projects and Bond Oversight Committee, who also review and approve projects that request funding from KIA.

A correction will be made to the Credit Analysis on page 57, under Demographics, regarding the interest rate. The interest rate used for this loan should read 0.75%, instead of 1%. A correction will be made to the Resolution on page 51, under Section 2, regarding the name of the project. It should read the Sewer Main Rehab Phase III project.

Mr. Damon Talley moved to approve the Fund A (A12-30) resolution with the standard conditions. 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 AN INFRASTRUCTURE REVOLVING FUND (B12-05) LOAN IN THE AMOUNT OF \$160,000 TO THE EAST PENDLETON WATER DISTRICT, PENDLETON COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The East Pendleton Water District requested a \$160,000 Fund B loan for the Water Tank Refurbishment project. The project is for painting the inside and outside of a 150,000 gallon water tower tank with epoxy paint. The tank will be cleaned and sandblasted with EPA approved inert material and the tank area will be fully contained to ensure that no dust escapes the project area. The project will not require any engineering or ground preparation and will be fully EPA and OSHA

compliant. The term of the loan is 20 years with a 2.75% interest rate and an estimated annual debt service payment of \$10,774. KIA staff recommended approval of the loan with the standard conditions.

Mr. Ron Lovan moved to approve the Fund B (B12-05) resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the fact that the loan will have to come before the PSC for approval.

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 (B12-06) LOAN IN THE AMOUNT OF \$548,180 TO THE MARION COUNTY WATER DISTRICT, MARION COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The Marion County Water District requested a \$548,180 Fund B loan for the Highway 84 Water Line Upgrades project. This project is for the replacement of approximately 25,000 linear feet of forty year old four inch water line with a six inch line along Highway 84 in the Raywick area of Marion County. Water demand in the area and beyond it requires a six inch line to provide the necessary pressure and volume. The existing line has been prone to breakage resulting in water outages and boil water advisories when pressure has dropped below mandatory levels. The project ranked fifty-third on the 2013 DWSRF priority list and it is highly unlikely that there will be enough invitation declarations of higher priority projects for it to be invited. The term of the loan is 20 years with a 1.75% interest rate and an estimated annual debt service payment of \$33,700. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund B (B12-06) resolution with the standard conditions. Mr. George Burgess seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the fact that the project and the loan will have to come before the PSC for approval.

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 (B12-07) LOAN IN THE AMOUNT OF \$300,000 TO THE SYMSONIA WATER DISTRICT, GRAVES COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The Symsonia Water District requested a \$300,000 Fund B loan for the New Storage Tank, Wells and Treatment Facility project. The loan will be combined with a grant from HB808 in the amount of \$595,000 for a total project amount of \$895,000. The District currently has a treatment building, two groundwater wells, and a 75,000 gallon storage tank. The project will include a new 150,000 gallon ground storage tank, two groundwater wells, a booster pump station and a treatment building. The existing treatment facility and ground wells will be taken off line when the new facilities are completed. The existing tank needs some repairs and may be taken off line temporarily for the repairs. The new groundwater wells will

be pumped through the chemical feed manhole and into the ground storage tank for contact time. The booster pumps will pull from the ground tank and pump it into the system. They are capable of supplying the system and filling the existing tank. The term of the loan is 20 years with a 1.75% interest rate and an estimated annual debt service payment of \$18,443. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund B (B12-07) resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the fact that the loan will have to come before the PSC for approval.

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 (B12-08) LOAN IN THE AMOUNT OF \$358,000 TO THE CITY OF SCOTTSVILLE, ALLEN COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The City of Scottsville requested a \$358,000 Fund B loan for the Spring Valley Sewer Phase II project. The project is for the construction of 2,600 linear feet of eight inch PVC gravity sewer and thirteen manholes on Christian Drive and Jackson Avenue to serve thirty-three new customers. The loan will be combined with a grant from HB1 in the amount of \$358,000 for a total project amount of \$716,000. The term of the loan is 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$20,026. KIA staff recommended approval of the loan with the standard conditions.

Mr. Jamie Link moved to approve the Fund B (B12-08) resolution with the standard conditions. Mr. George Burgess seconded, and the motion carried unanimously.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B12-09) LOAN IN THE AMOUNT OF \$1,600,000 TO THE CITY OF SOUTH SHORE, GREENUP COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the board. The City of South Shore requested a \$1,600,000 Fund B loan for the acquisition of the assets of South Shore Water Works (SSWW). SSWW is a private water system that is regulated by the Public Service Commission. The owner wishes to retire and the purchase will assure the public of a dependable and affordable finished water supply. All equipment, personal property, real estate, easements, leases and interests in real estate that are owned by SSWW or a separate realty company that is owned by the SSWW stockholder will be purchased by the City. The City will not assume any existing liabilities of the existing SSWW operation. The business was appraised by Raffell's Financial Consultants in 2006. The appraisal was based on an evaluation of the business' ability to generate income, a market review for other water company sales, and an estimate of the asset value of the

business. SSWW was organized in 1954 and serves customers in the City of South Shore and outlying areas of northwestern Greenup and northeastern Lewis Counties. The design capacity of the treatment plant is 920,000 gallons per day and the plant operates at about 50% of capacity. From 2008 through 2011 the customer count was stable at 2,259 while gallons of water sold ranged from a low of 116 million in 2011 to a high of 129 million in 2008. Reported water loss each year was about 15%. Disruptions of water service are typical due to the age of the distribution system. The term of the loan is 20 years with an interest rate of 0.75% and an estimated annual debt service payment of \$89,500. KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund B (B12-09) resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the fact that the loan will have to come before the PSC for approval.

9. 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

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 Jenkins	A12-30	\$ 500,000
East Pendleton Water District	B12-05	\$ 160,000
Marion County Water District	B12-06	\$ 548,180
Symsonia Water District	B12-07	\$ 300,000
City of Scottsville	B12-08	\$ 358,000
City of South Shore	B12-09	\$ 1,600,000

Mr. George Burgess moved to approve the resolution. Mr. Jerry Wuetcher 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 public meeting for the Draft 2013 Intended Use Plan was conducted on July 12, 2012 and the public comment period will close August 3, 2012. To date, only one comment had been received. The Plan should be finalized in a week and anticipate sending out invitations to the selected projects on the priority list.
- B. Mr. Covington has discussed with board members Damon Talley and Ron Loran the issues regarding cost based rates. They are still evaluating the issue and how to

proceed; therefore It is still under consideration and will be brought up at a later meeting.

- C. The September board meeting may be canceled due to the fact that staff is closing out last year's funding cycle and invitations for next year's funding cycle have not been sent yet. At the time of the meeting there were no applications to be considered.
- D. There have been discussions from Louisville MSD and Oldham County Environmental Authority regarding the Orchard Grass Regional Wastewater Treatment Project. Louisville MSD is preparing some information for Oldham County Environmental Authority. Oldham County Environmental Authority does not have that information yet. Once they have the information, the loan for that project will be revisited.

III. STATUS REPORT FOR FUNDS A, A2, B, B1, C, F, F2

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, September 6, 2012
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mayor David Cartmel moved to adjourn. Mr. Jerry Wuetcher seconded and the motion carried unanimously. The August 2, 2012, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:



Sandy Williams, Secretary
Kentucky Infrastructure Authority

9-4-12
Date



Steven L. Beshear
Governor

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

John E. Covington III
Executive Director

August 7, 2012

Mr. William Thompson, Chairman
East Pendleton County Water District
601 Woodson Road
Falmouth, KY 41040

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (B12-05)**

Dear Mr. Thompson:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On August 2, 2012, the Authority approved your loan for the Water Tank Refurbishment project subject to the conditions stated below. The total cost of the project shall not exceed \$160,000 of which the Authority loan shall provide \$160,000 of the funding. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the East Pendleton County Water District upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (8/7/2013) 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 \$160,000.
2. The loan shall bear interest at the rate of 2.75% per annum commencing with the first draw of funds.

Mr. William Thompson
August 7, 2012
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3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. 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.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

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

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

3. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding or any new sources of funding not reflected in Attachment A shall be immediately reported and may cause this loan to be subject to further consideration.
4. Upon receipt of construction bids a tabulation of such bids and engineer's recommendations on compliance with bid specifications and recommendation for award, shall be forwarded to the Authority for final approval and sizing of this loan and the project.
5. Based on the final "as bid" project budget, the community must provide satisfactory proof, based on then existing conditions, that the revenue projections in the attached descriptions are still obtainable and that the projections of operating expenses have not materially changed. The "as bid" project budget shall be reviewed and approved by your consultant engineer
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Authority.
8. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
9. Documentation of Clearinghouse Endorsement and Clearinghouse Comments.
10. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.

Mr. William Thompson
August 7, 2012
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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: Wayne Lonaker, Manager, East Pendleton County Water District
Bill Mitchell, Pendleton County Community Development Office
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - East Pendleton County Water District - B12-05

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



Accepted

8-14-2012

Date

ATTACHMENT A

**East Pendleton County Water District
B12-05**

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

Reviewer: Sandy Williams
Date: August 2, 2012
KIA Loan Number: B12-05
WRIS Number: WX21191002

BORROWER: EAST PENDLETON COUNTY WATER DISTRICT
PENDLETON COUNTY

BRIEF DESCRIPTION:

This project is for painting the inside and outside of a 150,000 gallon water tower tank with epoxy paint. The tank will be cleaned and sandblasted with EPA approved inert material and the tank area will be fully contained to ensure that no dust escapes the project area. The project will not require any engineering or ground preparation and will be fully EPA and OSHA compliant.

PROJECT FINANCING:

Fund B Loan 160,000
TOTAL \$ 160,000

PROJECT BUDGET

Construction 160,000
TOTAL \$ 160,000

REPAYMENT

Rate 2.75% Est. Annual Payment \$ 10,774
Term 20 years 1st Payment 6 Mo. after first draw

PROFESSIONAL SERVICES

Engineer None
Bond Counsel Peck, Shaffer, & Williams

PROJECT SCHEDULE

Bid Opening: September 2012
Construction Start: October 2012
Construction Stop: December 2012

DEBT PER CUSTOMER

Existing: \$ 724
Proposed: \$ 773

OTHER DEBT

See Attached

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

See Attached

RESIDENTIAL RATES

	Users	Avg. Bill
Current	2,049	\$ 37.28 (for 4,000 gallons)
Additional	0	\$ 37.28 (for 4,000 gallons)

REGIONAL COORDINATION

This project is consistent with regional planning recommendations.

CASHFLOW

	Cash Available for Debt Service	Debt Service	Income after Debt Service	Coverage Ratio
Audited 2008	198,589	158,084	40,505	1.3
Audited 2009	198,002	149,808	48,394	1.3
Audited 2010	189,748	146,115	23,633	1.2
Audited 2011	90,729	153,868	(63,139)	0.6
Projected 2012	85,133	128,924	(43,791)	0.7
Projected 2013	143,689	139,511	4,178	1.0
Projected 2014	156,968	141,670	15,318	1.1
Projected 2015	140,357	139,662	695	1.0

Reviewer: Sandy Williams
Date: August 2, 2012
Loan Number: B12-05

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND "B")
EAST PENDLETON WATER DISTRICT, PENDLETON COUNTY
PROJECT REVIEW
WX21191002**

I. PROJECT DESCRIPTION

The East Pendleton Water District is requesting a Fund "B" loan in the amount of \$160,000 for the Water Tank Refurbishment Project. This project is for painting the inside and outside of a 150,000 gallon water tower tank with epoxy paint. The tank will be cleaned and sandblasted with EPA approved inert material and the tank area will be fully contained to ensure that no dust escapes the project area. The project will not require any engineering or ground preparation and will be fully EPA and OSHA compliant.

The District serves approximately 2,000 customers and its activities are subject to PSC jurisdiction. The District purchases substantially all of its water from the Falmouth Water Department.

II. PROJECT BUDGET

	<u>Amount</u>	<u>%</u>
Construction	\$ 160,000	100%
Total	\$ 160,000	100%

III. PROJECT FUNDING

	<u>Amount</u>	<u>%</u>
Fund B Loan	\$ 160,000	100%
Total	\$ 160,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 160,000
Interest Rate	2.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 10,454
Administrative Fee (0.20%)	\$ 320
Total Estimated Annual Debt Service	\$ 10,774

V. PROJECT SCHEDULE

Bid Opening	September 2012
Construction Start	October 2012
Construction Stop	December 2012

VI. RATE STRUCTURE

A. Customers

<u>Customers</u>	<u>Current</u>
Residential	2,039
Commercial	9
Industrial	1
Total	<u>2,049</u>

B. Rates

	<u>Current</u>
Date of Last Rate Increase	03/15/04
Minimum (1,000 gallons)	\$17.75
Next 99,000 Gallons	6.51
Over 100,000 Gallons	5.55
Cost for 4,000 gallons	\$37.28
Affordability Index (Rate/MHI)	1.0%

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2006-2010, the County's population was 14,894 with a Median Household Income (MHI) of \$44,670. The median household income for the Commonwealth is \$41,576. The project will qualify for a 2.75% interest rate.

VIII. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information for the District was obtained from the audited financial statements for the years ended December 31, 2008 through 2011.

HISTORICAL

Revenues declined 5% from \$929,102 in 2008 to \$885,834 in 2011. Revenues increased sequentially in 2009 and 2010 due to customer growth. Revenues declined in 2011 due to a wetter than normal summer and a reduction of about \$25,000 in purchases from a local mine and a dairy. The warmer winter resulted in conditions that made it easier for the mine to source more water from the Ohio River. Operating

expenses increased 12% from \$534,358 to \$598,360. Purchase water cost declined with volume decreasing from \$230,879 to \$207,352. The purchase cost was \$1.98 per thousand gallons each year. Operating expenses increased 12% from \$534,358 to \$598,360. Cash flow available for debt service declined from about \$200,000 in each of 2008 and 2009 to \$90,729 in 2011. The debt coverage ratio declined from 1.3 in 2008 to 0.8 (-\$63,139) in 2011 with debt service costs being constant each year at about \$150,000. A bond issue was retired during 2011 which will reduce debt service costs by \$25,000 in 2012.

At the end of 2011 the current ratio was 1.4 and the debt to equity ratio was 0.5. Unrestricted cash was equal to about two months of expenses. The District's bond resolution requires the maintenance of a depreciation fund and a sinking fund. The sinking fund requirement includes maintenance of two months of anticipated operating expenses in the restricted account in addition to upcoming debt service amounts. Approximately 10% of total assets are restricted for debt service and depreciation.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues from growth (from existing capacity) will increase 1% per year. Also, in 2012, revenues will also recover some of the weather related volume loss that occurred in 2011.
- 2) Operating expenses will increase 3% per year.
- 3) Cash flow after debt service in 2012 is estimated to have a shortfall of about \$44,000 based on the above two assumptions. If volume does not improve significantly, the District will need to request a rate increase to return to a positive cash flow. The estimated shortfall is \$75,000 in 2013 and an additional \$30,000 in 2014. The projection assumes this shortfall will be remedied before repayment of the proposed loan begins in 2013.
- 4) The District will automatically increase rates for any increase in water purchase cost which is currently \$1.98 per thousand gallons.
- 5) A replacement reserve of \$400 will be funded annually for ten years.
- 6) The new debt service is estimated at \$10,774 annually.
- 7) Debt service coverage is 1.0 in 2013 when principal and interest repayments begin.

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

REPLACEMENT RESERVE

The annual replacement cost is \$400. This amount should be added to the replacement account each December 1 until the balance reaches \$4,000 and maintained for the life of the loan.

IX. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
Series 1998 Revenue Refunding Bonds	\$ 695,000	2025
KIA (C97-01)	80,000	2017
Series 2002 Rural Development Bonds	430,000	2042
Series 2007 Rural Development Bonds	183,500	2042
Series 2007 Rural Development Bonds	94,100	2044
Total	\$ 1,482,600	

X. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Water	HB608	163,130	Grant
Waterline Expansion	CDBG	349,731	Grant

XI. CONTACTS

Applicant	
Name	East Pendleton County Water District
Address	601 Woodson Road Falmouth, KY 41040
County	Pendleton
Contact	Wayne Lonaker
Phone	(859) 654-2100
Email	wayne@epwd.net

Applicant Contact	
Name	Pendleton County Community Development Office
Address	P.O. Box 171 Falmouth, KY
Contact	Bill Mitchell
Phone	(859) 854-4567
Email	bill.mitchell@nkadd.org

XII. RECOMMENDATIONS

KIA staff recommends approval of the loan with the standard conditions.

**EAST PENDLETON COUNTY WATER DISTRICT
BALANCE SHEETS (DECEMBER YEAR END)**

ASSETS	Audited 2008	Audited 2009	Audited 2010	Audited 2011	Upon Completion 2012
Current Assets					
Cash	203,530	167,246	179,897	128,070	84,279
Accounts Receivable	65,344	72,274	82,932	62,180	68,600
Inventory	18,819	13,865	15,468	15,728	16,000
Other Receivables	0	0	9,750	0	0
Total Current Assets	285,893	253,185	288,047	205,978	168,879
Restricted Assets					
Cash	257,608	252,702	245,894	236,226	236,225
Construction	205,484	270,035	252,946	219,008	219,008
Certificates of Deposit	235,309	239,529	243,943	247,348	247,349
Accrued Interest	857	0	0	0	0
Total Restricted Assets	899,258	762,266	742,783	702,582	702,582
Utility Plant					
Land, System, Building and Equipment	5,868,506	6,176,717	6,651,667	6,716,066	6,676,086
Construction in Progress	288,596	16,897	0	0	0
Total	6,158,402	6,193,314	6,651,667	6,716,066	6,676,086
Less Accumulated Depreciation ()	(2,327,562)	(2,601,610)	(2,677,323)	(2,646,784)	(3,022,184)
Net Fixed Assets	3,830,820	3,691,704	3,974,344	3,669,302	3,653,902
Other Assets					
Bond Issue Costs	51,938	48,611	45,288	41,961	38,636
Total Other Assets	51,938	48,611	45,288	41,961	38,636
Total Assets	4,867,707	4,755,768	5,050,660	4,819,823	4,763,999
LIABILITIES					
Current Liabilities					
Accounts Payable	36,459	31,331	30,292	29,310	28,310
Taxes Payable	3,612	4,471	4,827	3,346	3,346
Customer Deposits	25,310	24,855	29,215	30,719	30,719
Accrued Interest	22,328	22,361	22,421	20,723	20,723
C.P. Longt Term Debt	71,500	72,500	74,800	68,400	61,100
Total Current Liabilities	159,208	155,318	161,355	142,493	145,193
Long Term Liabilities					
Long Term debt	1,837,000	1,563,500	1,482,600	1,424,200	1,363,100
Proposed KIA Loan	0	0	0	0	100,000
Total Long Term Liabilities	1,837,000	1,563,500	1,482,600	1,424,200	1,523,100
Total Liabilities	1,796,208	1,718,818	1,643,955	1,566,693	1,668,293
Retained Earnings:					
Invested in Capital Assets Net of Related Debt	2,122,320	2,055,704	2,417,144	2,388,702	2,289,702
Restricted For Debt Service	280,608	274,631	269,206	259,900	238,225
Restricted For Depreciation	213,188	216,174	220,831	223,674	247,349
Unrestricted	465,407	490,839	499,724	362,654	342,430
Total Retained Earnings	3,071,501	3,036,948	3,406,705	3,253,130	3,095,706
Total Liabilities and Equities	4,867,707	4,755,768	5,050,660	4,819,823	4,763,999
Balance Sheet Analysis					
Current Ratio	1.8	1.8	1.8	1.4	1.2
Debt to Equity	0.6	0.6	0.5	0.5	0.5
Days Sales in Accounts Receivable	25.7	27.6	31.5	25.6	27.5

**EXHIBIT 1
EAST PENDLETON COUNTY WATER DISTRICT
CASH FLOW ANALYSIS (DECEMBER YEAR END)**

	Audited 2008	% Change	Audited 2009	% Change	Audited 2010	% Change	Audited 2011	% Change	Projected 2012	Projected 2013	Projected 2014	Projected 2015
Operating Revenues												
Water Revenues	883,454	1%	894,583	2%	911,180	-8%	838,235	3%	863,434	872,068	853,789	985,347
Sewer Revenues	20,032	8%	21,888	2%	22,410	-5%	21,187	3%	21,833	22,051	22,272	22,495
Other	25,616	22%	31,330	-10%	28,050	-6%	28,352	-5%	25,000	25,000	25,000	25,000
Revenue Adjustment	0		0		0		0		0	75,000	30,000	0
Total Revenues	929,102	2%	947,811	1%	961,620	-8%	885,834	3%	910,267	894,119	1,033,061	1,042,842
Operating Expenses												
Purchased Water	230,879	-5%	219,211	3%	228,422	-6%	207,352	3%	213,573	219,980	228,579	233,376
Operating Expenses	534,358	1%	537,320	7%	573,980	4%	598,360	3%	616,311	634,800	653,844	673,459
Depreciation	188,485	5%	174,028	1%	173,713	2%	178,689	-2%	173,400	183,400	183,400	183,400
Replacement Reserve	0		0		0		0		0	400	400	400
Total Expenses	953,722	0%	930,559	5%	976,115	1%	984,401	2%	1,005,284	1,038,580	1,084,223	1,090,635
Net Operating Income	(2,420)	-81%	17,252	-184%	(14,495)	580%	(98,567)	-4%	(95,017)	(44,461)	(31,162)	(47,783)
Non-Operating Income and Expenses												
Interest Income	26,784	-74%	6,942	26%	6,730	-34%	5,787	-18%	4,750	4,750	4,750	4,750
Other	5,760		(220)		(200)		4,820		0	0	0	0
Total Non-Operating Income & Expenses	32,524	-79%	6,722	27%	6,530	24%	10,607	-55%	4,750	4,750	4,750	4,750
Add Non-Cash Expenses												
Depreciation	188,485	5%	174,028	1%	173,713	2%	178,689	-2%	175,400	183,400	183,400	183,400
Cash Available for Debt Service	196,589	1%	198,002	-14%	169,748	-17%	90,729	-6%	85,133	143,889	158,868	140,357
Debt Service												
Existing Principal	71,300		72,500		72,500		74,800		58,400	61,100	66,300	67,500
Existing Interest	84,764		77,108		73,615		79,068		70,524	67,837	64,596	61,388
Proposed KIA Loan	0		0		0		0		0	10,774	10,774	10,774
Total Debt Service	156,064		149,608		146,115		153,868		128,924	139,511	141,870	139,662
Income After Debt Service	40,505		48,394		23,633		(63,139)		(43,791)	4,178	15,318	693
Debt Coverage Ratio	1.3		1.3		1.2		0.6		0.7	1.0	1.1	1.0