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ASSISTANCE AGREEMENT  
BETWEEN KENTUCKY INFRASTRUCTURE AUTHORITY  
AND  
HYDEN/LESLIE WATER DISTRICT

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TRANSCRIPT OF PROCEEDINGS

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Peck, Shaffer & Williams  
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and Hyden/Leslie Water District (the "Governmental Agency"), dated as of May 1, 1993

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

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May 11, 1993

Kentucky Infrastructure Authority  
075 Capitol Annex  
Frankfort, KY 40601

RE: Assistance Agreement by  
and between Kentucky  
Infrastructure Authority  
and Hyden/Leslie Water  
District dated as of  
May 1, 1993

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 Hyden/Leslie 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 politics 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 document 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.

Sincerely,



Kenneth A. Buckle

a:ms-93003

a:00 tan

Re: Assistance Agreement between the Kentucky  
Infrastructure Authority ("KIA") and  
Hyden/Leslie 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 water district and political subdivision of the Commonwealth of Kentucky with full power to own its properties, conduct its affairs, enter into the Assistance Agreement and consummate the transactions contemplated thereby.

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

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

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

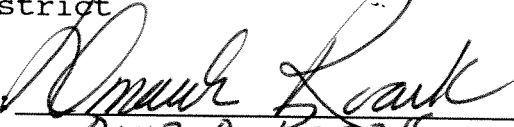
10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Governmental Agency indicated after their respective names and the signatures subscribed above their names are their genuine signatures.



1993. WITNESS our signatures, this 11 day of MAY,

GOVERNMENTAL AGENCY:

Hyden/Leslie County Water  
District

By:   
Name: DONALD ROBERTS  
Title: Chairman

ATTEST:

By:   
Name: Vetch Asher  
Title: Secretary

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"):

### W I T N E S S E T H

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 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 income and revenues of the System.

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

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

(D) 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.

## 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 System outstanding at the time this Assistance Agreement is executed as identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.5(D) hereof.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT;  
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.

## ARTICLE V

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

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

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

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

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

The Service Charges imposed by the Governmental Agency shall be paid by the users of the System and accordingly the Project not less frequently than the Service Charge Payment period set forth in the Project Specifics, and shall be remitted to the Authority by the Governmental Agency with a report showing collections and any delinquencies. A report of all collections and delinquencies shall be made at least semi-annually on or before each Payment Date identified in the 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 for the services of the Project as shall result in net revenues to the Governmental Agency at least adequate to provide for the payments to the Authority required by this Assistance Agreement.

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

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

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

Section 5.7. 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 upon users of the Project and facilities constituting the System, and will promptly cause water service to be discontinued to any premises where any billing for such facilities and services shall not be paid in a timely manner.

## ARTICLE VI

### OTHER COVENANTS OF THE GOVERNMENTAL AGENCY

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

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

Section 6.3. Establishment of Completion Date. The completion date for the Project shall be evidenced to the Authority by a certificate signed by the Engineer and an authorized representative of the Governmental Agency stating that, 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. System Not to Be Disposed Of. The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not sell, mortgage, or in any manner dispose of, or surrender



control or otherwise dispose of any of the facilities of the System or any part thereof (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.

## ARTICLE VII

### MAINTENANCE, OPERATION, INSURANCE AND CONDEMNATION

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

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

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

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

Section 7.5. Covenant to Insure - Casualty. The Governmental Agency agrees to insure the Project facilities in such amount as like properties are similarly insured by political subdivisions similarly situated, against loss or damage of the kinds usually insured against by political

subdivisions similarly situated, by means of policies issued by reputable insurance companies duly qualified to do such business in the Commonwealth.

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

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

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

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

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

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

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

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

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

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

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

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

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

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

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.

## 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.

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

ATTEST:

KENTUCKY INFRASTRUCTURE  
AUTHORITY

Wendy Eater Thomas  
Title Secretary/Treasurer

By William Renna  
Title Executive Director

ATTEST:

GOVERNMENTAL AGENCY:  
HYDEN/LESLIE COUNTY WATER  
DISTRICT

By: Witch Ashe  
Title: Secretary

By: Paul Lark  
Title: Chairman

APPROVED:

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

EXAMINED:

Peck Shaffer + Williams  
LEGAL COUNSEL TO THE KENTUCKY  
INFRASTRUCTURE AUTHORITY

EXHIBIT A  
PROJECT SPECIFICS  
B291-04

NAME: Hyden/Leslie County Water District  
CONTACT PERSON: Donald Roark, Chairman  
ADDRESS: HC 61, Box 2590  
Hyden, Kentucky 41749  
TELEPHONE: 606-672-2791

ENGINEER: NAME: CMW Inc.  
ADDRESS: P.O. Box 831  
136 Big Hill Avenue  
Richmond, Kentucky 40476  
CONTACT: Kerry Odle  
TELEPHONE: 606-623-2966

**LIABILITY INSURANCE**

COVERAGE: Kentucky Association of Counties, Coverage Agreement No. 0377  
Death or Personal Injury (per person) \$1,000,000.00 \*  
Death or Personal Injury (per occurrence) \$1,000,000.00 \*  
Property Damage on System \$5,000,000.00 \*

\* All amounts are subject to coverage limits stated in policy.

ADMINISTRATIVE FEE: .20%

DEFAULT RATE: 10%

**PROJECT COST**

**BREAKDOWN:**

Acquisition	\$ 5,000
Construction per contract	1,581,148
Construction per force account	234,580
Engineering design	145,272
Engineering inspection	75,705
Back-up Pump for Raw Water w/piping	9,000
Capitalized Interest	35,000
Legal	7,500
Other Engineering (permits, geotechnical etc.)	7,500
Planning	5,000
Contingencies	91,236
TOTAL	<u>\$ 2,196,941</u>

**SERVICE CHARGE**

PAYMENT PERIOD: Monthly

**PAYMENT DATES:**

The December 1 or June 1 succeeding the project completion date which is at least three months, but no more than nine months, after the project completion date.

LOAN RATE: 3.0%

LOAN AMOUNT: \$1,975,141

**FINAL LOAN TERM**

(APPROXIMATELY): 20 Years

**ESTIMATED ANNUAL**

**DEBT SERVICE:**

\$ 130,428	annual debt service
3,950	administrative fee
13,043	coverage for maintenance
<u>\$ 147,421</u>	Total

**OTHER FINANCING SOURCES:**

Tap-on Fees	\$ 121,800
Leslie County Fiscal Court	\$ 100,000

**DEBT OBLIGATIONS  
CURRENTLY OUTSTANDING:**

<u>Bonds Payable</u>	<u>Outstanding</u>	<u>Yearly D.S. Required</u>
1968 Issue	\$117,000	\$13,000 (approx.)
1989 Issue	\$900,000	\$52,500 (approx.)

**PROJECT DESCRIPTION**

The water district is seeking to undergo a major expansion project to upgrade the quality of water service available in the Hyden/Leslie County area. The proposed project would include 44.2 miles of water line extensions, 3 new ground storage tanks and 3 pumping stations, and would extend service to a potential 704 residential and commercial customers not currently served by the system. Currently, 563 new customers have committed to the system.

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO  
ASSISTANCE AGREEMENT DATED \_\_\_\_\_

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

Dated \_\_\_\_\_

ORIGINAL SENT TO: Kentucky Infrastructure Authority  
Room 075, Capitol Annex  
Frankfort, Kentucky 40601

COPY SENT TO: Ms. Nancy Sanders  
Director, Community Programs  
Department for Local Government  
1024 Capitol Center Drive  
Frankfort, Kentucky 40601

FROM: \_\_\_\_\_ ("Govenmental 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>Funding Source</u>	<u>Portion of Expenses this Request</u>	<u>Portion of Expenses Total to Date</u>
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Totals

The Governmental Agency certifies it has also paid Project expenses 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

HYDEN-LESLIE COUNTY WATER DISTRICT

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CLASSIFICATION OF SERVICE

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APPLICABLE: Hyden and Leslie County

AVAILABILITY: Residential and Commercial Customers

RESIDENTIAL WATER RATES

First	2,000 gallons	17.30 Minimum Bill
Next	3,000 gallons	4.80 per 1,000 gallons
Next	5,000 gallons	3.80 per 1,000 gallons
Next	15,000 gallons	3.10 per 1,000 gallons
Next	25,000 gallons	2.70 per 1,000 gallons
Next	50,000 gallons	2.30 per 1,000 gallons
Next	100,000 gallons	1.90 per 1,000 gallons
Over	200,000 gallons	1.50 per 1,000 gallons

COMMERCIAL WATER RATES

First	2,000 gallons	25.90 Minimum Bill
Next	3,000 gallons	7.20 per 1,000 gallons
Next	5,000 gallons	5.70 per 1,000 gallons
Next	15,000 gallons	4.70 per 1,000 gallons
Next	25,000 gallons	4.10 per 1,000 gallons
Next	50,000 gallons	3.50 per 1,000 gallons
Next	100,000 gallons	2.90 per 1,000 gallons
Over	200,000 gallons	2.30 per 1,000 gallons



EXHIBIT D

RESOLUTION \_\_\_\_\_

RESOLUTION OF THE HYDEN/LESLIE COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE HYDEN/LESLIE COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners, ("governing authority") of the Hyden/Leslie County Water District, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water facilities and improvements to the Governmental Agency's Water System (the "Project") and

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

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

NOW, THEREFORE, BE IT RESOLVED by the Hyden/Leslie 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 11 MAY 93, 1993.

  
\_\_\_\_\_  
Presiding Officer

Attest:

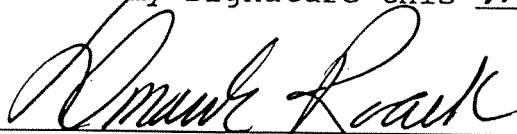
  
\_\_\_\_\_

Title: Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Recording Officer of the Hyden/Leslie, 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 11 MAY 93, 1993; 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 11  
day of MAY, 1993.



Recording Officer

EXHIBIT E

COLLETT & BUCKLE, P.S.C.

ATTORNEYS AT LAW

P.O. BOX 1810

HYDEN, KENTUCKY 41749

EDMOND COLLETT  
KENNETH A. BUCKLE

606-672-3400  
606-672-3900  
FAX 606-672-4294

May 11, 1993

Kentucky Infrastructure Authority  
075 Capitol Annex  
Frankfort, KY 40601

RE: Assistance Agreement by  
and between Kentucky  
Infrastructure Authority  
and Hyden/Leslie Water  
District dated as of  
May 1, 1993

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 Hyden/Leslie 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 politics 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 document 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.

Sincerely,



Kenneth A. Buckle

a:ms-93003  
a:00 tan



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

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

KENTUCKY INFRASTRUCTURE AUTHORITY

By \_\_\_\_\_

Title \_\_\_\_\_

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

By \_\_\_\_\_

Title \_\_\_\_\_

ATTEST:

\_\_\_\_\_

Title \_\_\_\_\_

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

NONE



RESOLUTION \_\_\_\_\_

RESOLUTION OF THE HYDEN/LESLIE COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE HYDEN/LESLIE COUNTY WATER DISTRICT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY.

WHEREAS, the Board of Commissioners, ("governing authority") of the Hyden/LeSLie County Water District, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain water facilities and improvements to the Governmental Agency's Water System (the "Project") and

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

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

NOW, THEREFORE, BE IT RESOLVED by the Hyden/LeSLie 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 11 MAY 93, 1993.

  
\_\_\_\_\_  
Presiding Officer

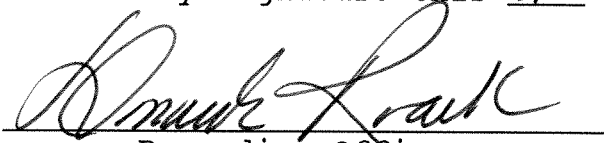
Attest:

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

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Recording Officer of the Hyden/Leslie 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 MAY 93, 1993; 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 11  
day of MAY, 1993.

  
Recording Officer

KENTUCKY INFRASTRUCTURE AUTHORITY  
ASSISTANCE AGREEMENT  
FUND B2

PROJECT NUMBER	<u>B291-04</u>
BORROWER:	<u>Hyden/Leslie County Water</u> <u>District</u>
BORROWER'S ADDRESS	<u>HC 61, Box 2590</u> <u>Hyden, Kentucky 41749</u>
DATE OF ASSISTANCE AGREEMENT:	<u>May 1, 1993</u>

# Hyden-Leslie County Water District

A special called meeting of the Hyden-Leslie County Water District, Hyden, Kentucky 41749 was held at the Leslie County Extension Service Office, Main Street, Hyden, Kentucky 41749 at 11:00 A.M. on 11 May 1993.

## 1. Roll Call:

Present: Vetch Asher  
Clayton Napier  
Donald Roark

Absent: C. Allen Muncy

Others Present: Leihman Howard, Jr., Manager of District.  
Hon. Kenneth Buckle, Attorney for District.

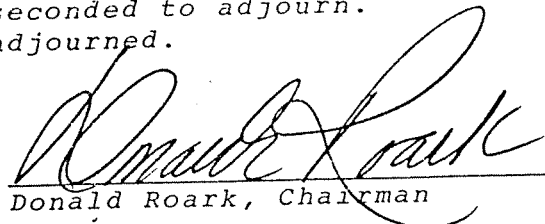
## 2. Adoption of resolution and authorization to sign and execute General Closing Certificate of Governmental Agency dated 11 May 93.

Clayton Napier made motion and Vetch Asher seconded to adopt the attached resolution and authorize the Chairman, Donald Roark, to sign the General Closing Certificate of Governmental Agency dated 11 May 1993. Motion carried.

The resolution as stated above is to be made a part of these permanent minute records.

## 3. Adjournment:

With no further business to come before the Board, Vetch Asher made motion and Clayton Napier seconded to adjourn. Motion carried and the meeting adjourned.

  
Donald Roark, Chairman

KENTUCKY INFRASTRUCTURE AUTHORITY  
SEPTEMBER 16, 1991 -- 1:30 P.M.

A meeting of the Kentucky Infrastructure Authority (KIA) was called to order by Chairman L. Rogers Wells, Jr., at 1:30 p.m., September 16, 1991, in Room 285 of the Capitol Annex, Frankfort, Kentucky.

Other members present were: Secretary Carl Bradley, Natural Resources and Environmental Protection Cabinet; Secretary Gene C. Royalty, Cabinet for Economic Development; Commissioner Lee Troutwine, Department of Local Government; Mr. Wayne Wells; and Mr. Raymond Bradbury.

Guests present were: Mr. John Johnson, City Manager, City of Pikeville; Mr. Jack Sykes, Pikeville City Engineer; Mr. Harold Hopkins and Mr. Cleve Fleming both from Pikeville.

Chairman Wells, noting a quorum was present and the press had been notified, called the meeting to order.

Chairman Wells called for a motion to approve the minutes of the KIA Full Committee on July 24, 1991; KIA Executive Committee on August 8, 1991, and KIA Executive Committee on September 5, 1991. Commissioner Troutwine moved to approve the minutes, Mr. Wells seconded and motion Carried.

The following two (2) Federally Assisted Wastewater Revolving Loan (Fund A) resolutions were presented to the KIA board for approval:

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A FEDERALLY  
ASSISTED WASTEWATER REVOLVING LOAN (FUND A) OF  
\$370,650, TO THE CITY OF GREENUP, GREENUP COUNTY,  
FOR WASTEWATER SYSTEM IMPROVEMENTS

This project consists of rehabilitation of the wastewater collection system and treatment plant. Conditions for funding are noted in the KIA board book of 9/16/91.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A FEDERALLY  
ASSISTED WASTEWATER REVOLVING LOAN (FUND A) OF  
\$6,009,300, TO THE CITY OF GEORGETOWN, SCOTT  
COUNTY, FOR EXPANSION OF WASTEWATER TREATMENT  
PLANT

This project consists of upgrade and expansion of the existing wastewater treatment plant. KIA noted one condition: Evidence that the O&M reserve is funded by the city in the amount of \$300,645.

Mr. Bill Gatewood, Division of Water, discussed the environmental portion of the projects and Mr. Chris Bowling, KIA, gave the credit analysis. Secretary Bradley moved to approve the resolutions; Mr. Bradbury seconded and motion Carried.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A FEDERALLY  
ASSISTED WASTEWATER REVOLVING LOAN (FUND A) OF  
\$679,312, TO THE CITY OF STANFORD, LINCOLN COUNTY,  
FOR REHAB OF SEWAGE COLLECTION SYSTEM

Mr. Gatewood presented a review of a Federally Assisted Wastewater Revolving Loan (FAWRL) (Fund A) of \$679,312 to the City of Stanford, Lincoln County. The city is under a court order to achieve compliance with water quality standards; project will consist of the rehabilitation of the sewage collection system. Mr. Bowling gave the credit analysis noting a rate increase is proposed to generate sufficient revenues to cover the debt service. Mr. Wells moved to approve the resolution; Commissioner Troutwine seconded and motion Carried.

AMENDMENT OF A FEDERALLY ASSISTED WASTEWATER  
REVOLVING LOAN (FUND A) TO THE CITY OF PIKEVILLE,  
PIKE COUNTY

Mr. Gatewood and Mr. Bowling noted the use of occupational tax for repayment of this loan. The project includes the construction of a wastewater treatment plant. Pros and cons are noted in the KIA 9/16/91 board book. DOW recommended approval of the amendment. Mr. Bradbury moved to approve the amendment; Secretary Bradley seconded and motion Carried.

The following two (2) Federally Assisted Wastewater Revolving Loan (Fund A) resolutions were presented to the KIA board for approval:

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A FEDERALLY  
ASSISTED WASTEWATER REVOLVING LOAN (FUND A) OF  
\$1,418,220, TO THE CITY OF HICKMAN, FULTON COUNTY,  
FOR UPGRADE OF WASTEWATER PLANT AND PUMP STATIONS

This project consists of upgrade of the wastewater treatment plant and pump stations.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A FEDERALLY  
ASSISTED WASTEWATER REVOLVING LOAN (FUND A) OF  
\$956,000, TO THE CITY OF WILLIAMSBURG, WHITLEY  
COUNTY, FOR WASTEWATER COLLECTION SYSTEM  
IMPROVEMENTS

This project consists of rehab of the wastewater collection system.

Mr. Gatewood discussed the environmental portion of the project and Ms. Debby Milton, KIA, gave the credit analysis. Both DOW and KIA recommended the projects for approval. Commissioner Troutwine moved to approve the resolutions; Secretary Royalty seconded and motion Carried.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF AN  
INFRASTRUCTURE REVOLVING LOAN (FUND B) OF  
\$1,626,004, TO THE CITY OF NEWPORT/HARBOR TOWN,  
CAMPBELL COUNTY, FOR PUBLIC IMPROVEMENTS

Ms. Terri Wellman, Department of Local Government (DLG), gave a review of an Infrastructure Revolving Loan (Fund B) to the City of Newport, Campbell County. The development of this project, know as Harbor Town, will consist of three phases. The first phase will consist of clearing and grading of the site to allow for construction of two restaurant structures and a hotel. Ms. Lynn Travis, KIA, gave the credit analysis. KIA recommends approval based on the four conditions listed in the KIA board book of 9/16/91. Secretary Royalty moved to approve the resolution; Mr. Bradbury seconded and motion Carried.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF AN  
INFRASTRUCTURE REVOLVING LOAN (FUND B) OF  
\$273,500, TO THE CITY OF MURRAY/FISHER PRICE,  
CALLOWAY COUNTY, FOR CONSTRUCTION OF WATER TOWER  
AND EXTENSION OF SEWER LINES

Ms. Wellman presented a review of a Fund B project to the City of Murray, Calloway County. This project will consist of the expansion of the Fisher Price plant in Murray, including the construction of a 1 million gallon storage tank and extension of sewer lines. Ms. Milton gave the credit analysis noting a recommendation of approval of the Community Development Block Grant or substitution of other funds. Commissioner Troutwine moved to approve the resolution; Mr. Wells seconded and motion Carried.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES GRANT (FUND B1) OF \$270,000, TO ANDERSON  
COUNTY/CITY OF LAWRENCEBURG FOR THE TYRONE AND  
LOCK ROAD WATER LINE EXTENSION

Mr. Glenn Oldham, DLG, presented a review of the Fund B1 project. The project includes the construction of water lines and will provide treated water supplies to residents presently unserved. Ms. Milton gave the credit analysis. Secretary Royalty moved to approve the resolution; Secretary Bradley seconded and motion Carried.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES GRANT (FUND B1) OF \$152,000, TO THE  
ELKHORN WATER DISTRICT, FRANKLIN COUNTY, FOR  
STORAGE UPGRADE

Mr. Oldham presented a review of the project and Mr. Bob Pennington, KIA, gave the credit analysis. The project proposes to erect a 250,000 gallon water storage tank and install water lines and appurtenances. Both DLG and KIA recommended approval of the project. Commissioner Troutwine moved to approve the resolution; Mr. Bradbury seconded and motion Carried.

The following three (3) Water Resources Grant (Fund B1) projects were presented to the KIA board for approval:

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES GRANT (FUND B1) OF \$300,000, TO THE WACO  
WATER DISTRICT, MADISON COUNTY, FOR A STORAGE  
FACILITY

The Water District proposes to install a water storage tank in the WACO area. KIA staff recommended the implementation of: improving water rate collection; water district or another funding source commitment of \$13,725 in additional funds to the project if needed, and the water district move forward with a rate increase.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES GRANT (FUND B1) OF \$1,500,000, TO THE  
WEBSTER COUNTY WATER DISTRICT, WEBSTER COUNTY, FOR  
WATER LINE EXTENSIONS

The project proposes to provide potable water in moderately dense residential areas. KIA staff recommended a rate increase.



RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES GRANT (FUND B1) OF \$500,000, TO THE  
CITY OF LYNCH, HARLAN COUNTY, FOR WATER SYSTEM  
IMPROVEMENTS

The project consists of replacement of irreparable main transmission lines. KIA staff made the following recommendations: improve water collection rate; implement a rate increase; audit financials every year, and pay no more than the FmHA scale of \$35,300 for engineering design without justification of unusual circumstances.

Mr. Oldham presented a review of the projects and Ms. Lynn Travis, KIA, gave the credit analysis. Mr. Bradbury moved to approve the resolutions; Mr. Wells seconded and motion Carried.

The following two (2) Water Resources Grant (Fund B1) projects were presented to the Executive Committee for approval:

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES GRANT (FUND B1) OF \$500,000, TO THE  
NORTH MERCER WATER DISTRICT, MERCER COUNTY, FOR  
WATER LINE EXTENSIONS

The project proposes installation of PVC water lines and all necessary appurtenances which will provide water to 342 residences. The District should be able to adequately operate and maintain the system.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES GRANT (FUND B1) OF \$400,000, TO THE  
CITY OF GEORGETOWN, SCOTT COUNTY, FOR DRINKING  
WATER SUPPLY

The project consists of multiple components which will improve the supply and quantity of potable water for the City. KIA staff recommended a 10% contingency amount in the project funding.

Mr. Oldham presented a review of the projects and Mr. Bowling gave the credit analysis. Mr. Wells moved to approve the resolutions; Secretary Bradley seconded and motion Carried.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES GRANT (FUND B1) OF \$2,000,000 AND LOAN  
(FUND B2) OF \$4,262,372, TO THE BEAVER-ELKHORN  
WATER DISTRICT, FLOYD COUNTY, FOR WATER SYSTEM  
IMPROVEMENTS

Mr. Oldham presented a review of the project and Mr. Bowling gave the credit analysis. The project involves a B1 grant and B2 loan and consists of upgrading of water treatment plant and construction of water lines with necessary appurtenances. KIA staff recommends approval based on the condition that an adequate rate structure is approved by PSC and the District, and recommends that the engineering fees do not exceed the FmHA scale. Mr. Bradbury moved to approve the resolution; Commissioner Troutwine seconded and motion Carried.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES LOAN (FUND B2) OF \$1,250,992, TO THE  
MARTIN COUNTY WATER DISTRICT #2, FOR CONSTRUCTION  
OF WATER LINES AND STORAGE TANKS

Mr. Oldham presented a review of the project and Mr. Pennington gave the credit analysis. The project consists of construction of 38.6 miles of water line and two 100,000 gallon storage tanks to serve 422 new customers as well as upgrading service of 75 existing customers. Recommendations and conditions are listed in the KIA board book of 9/16/91. Mr. Bradbury moved to approve the resolution; Mr. Wells seconded and motion Carried.

RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A WATER  
RESOURCES LOAN (FUND B2) OF \$2,270,265, TO  
HYDEN/LESLIE COUNTY, FOR UPGRADE OF WATER SERVICE

Mr. Oldham presented a review of the project and Mr. Pennington gave the credit analysis. The project consists of expansion and upgrade of the quality of water service. 563 new customers have currently committed to the system. KIA staff recommended approval based on the following conditions: approval and implementation of the proposed water rate restructuring by the district, and approval of KYDOT \$100,000 grant or substitution of other funds. Secretary Bradley moved to approve the resolution; Mr. Bradbury seconded and motion Carried.

The following two (2) Governmental Agencies Program Loan (Fund C) projects were presented to the Board for approval. Mr. Pennington presented a review of the projects.

**RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A GOVERNMENTAL  
AGENCIES PROGRAM LOAN (FUND C) OF \$260,525, TO THE  
CITY OF WILMORE, JESSAMINE COUNTY, FOR UPGRADE OF  
WATER SYSTEM**

The project consists of the upgrade of the city's water system and other improvements. KIA staff recommended funding on the condition that the city does receive CDBG funding.

**RESOLUTION OF THE KENTUCKY INFRASTRUCTURE  
AUTHORITY AUTHORIZING ISSUANCE OF A GOVERNMENTAL  
AGENCIES PROGRAM LOAN (FUND C) OF \$105,441, TO  
EDMONSON COUNTY, FOR EXTENSION OF WATER LINES**

The project consists of the extension of water lines to new service areas within the district. Recommendation for approval of this project is conditional upon Hart County receiving a commitment for CDBG funding.

Mr. Pennington presented a review of the projects. Secretary Bradley moved to approve the resolutions; Mr. Bradbury seconded and motion Carried.

**AMENDMENT TO A GOVERNMENTAL AGENCIES PROGRAM LOAN  
(FUND C) TO TRIMBLE COUNTY WATER DISTRICT**

Mr. Pennington presented a review of the amendment. The Water District proposes to amend the scope of work to add funding for the cost overrun of a FmHA project related to the existing scope of work. KIA staff recommended approval based on the condition of the proposed rate structure's approval and implementation by the District. Mr. Wells moved to approve the amendment; Secretary Bradley seconded and motion Carried.

A status report was included in the KIA board book regarding KIA Funds A, B, B1, B2, C and D. Fund A: Total Funds Committed: \$61,565,505, Balance Available: \$4,449,897. A \$37 million grant is expected October 1, 1991. Fund B: Total Funds Committed: \$23,451,291, Balance Available: \$10,548,709. Fund B1: Total Funds Committed: \$5,622,000, Balance Available: \$378,000. Fund B2: Total Funds Committed: \$8,053,233, Balance Available: \$21,946,767. Fund C: Total Funds Committed: \$34,369,903, Total Project Amount: \$59,213,566. Fund D: Total Funds Committed: \$14,074,000, Balance Available: \$7,926,000.

KIA Board Minutes--9/16/91  
Page Eight

With no further business, meeting adjourned.

Submitted by:

A handwritten signature in cursive script that reads "Marilyn Eaton". The signature is written in dark ink and is positioned above a horizontal line.

Marilyn Eaton  
Secretary/Treasurer



WALLACE G. WILKINSON  
GOVERNOR

L. ROGERS WELLS, JR.  
CHAIRMAN

**KENTUCKY INFRASTRUCTURE AUTHORITY**

075 CAPITOL ANNEX  
FRANKFORT, KENTUCKY 40601  
(502) 564-2090  
TELECOPIER (502) 564-7416

JAMES R. RAMBEY  
EXECUTIVE DIRECTOR

GORDON L. MULLIS  
SECRETARY/TREASURER

October 1, 1991

Mr. Donald Roark, Chairman  
Hyden/Leslie County Water District  
HC 61, Box 2590  
Hyden, Kentucky 41749

**KENTUCKY INFRASTRUCTURE AUTHORITY  
WATER RESOURCES LOAN  
CONDITIONAL LOAN COMMITMENT B291-04  
WATER SYSTEM EXPANSION PROJECT**

Dear Mr. Roark:

The Kentucky Infrastructure Authority ("KIA") commends your efforts to promote economic development and improved public service facilities in your community. Your loan application to the KIA for the construction of 44.2 miles of water line extensions, 3 new ground storage tanks and 3 pumping stations was approved by the Authority September 16, 1991. The total cost of the project shall not exceed \$2,539,165 of which the KIA loan shall provide up to \$2,270,265. Other anticipated funding for the project is reflected in the Attachment A. The final loan amount will be equal to the KIA portion of estimated project amount applied to the actual project cost if the actual costs are lower than estimated. Attachment A incorporated herein by reference fully describes the project.

A loan agreement will be executed between the Authority and the Hyden/Leslie County Water District upon satisfactory performance of the conditions set forth in this letter. A period of eleven (11) months from the date of this letter, September 1, 1992, will be allowed for you to meet the conditions and enter the loan agreement. A one time extension may be granted with acceptable justification. Funds will be available for disbursement only after execution of the loan agreement.

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

1. The KIA project loan shall not exceed \$2,270,265.
2. The loan shall bear interest at the rate of 3.0% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period of 20 years from the date this loan is closed.

Mr. Donald Roark  
October 1, 1991  
Page Two

4. Interest shall be payable on the amount of actual funds received commencing six months from the initial draw of funds and each six months thereafter until the loan is repaid.
5. Principal shall be payable semi-annually commencing one year from the closing date of the loan or project completion.
6. A loan servicing fee of two-tenths of one percent of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Annual revenues equalling ten percent of the annual debt service on this loan shall be set aside in a repair and maintenance fund until such fund has a balance equal to five percent of the original loan amount.
8. Loan funds will be disbursed after execution of the loan agreement as project cost is incurred.
9. The final loan agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.
10. Prior to project closeout you shall provide a written description of the economic development benefits derived from the project.

The following is a list of the standard conditions to be satisfied prior to execution of the loan agreement or incorporated in the loan agreement. Items 1 through 6 must be provided to the Department of Local Government and Items 7 and 8 shall be provided directly to the KIA.

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. Proof of approval must be sent to DLG.
2. The Department for Local Government should be consulted prior to preparation of bidding specifications for guidance on federal or state requirements. One important point in this regard, is that projects funded by the Authority may or may not require payment of state prevailing wage rates. Legal counsel should be sought on this issue.

Mr. Donald Roark  
October 1, 1991  
Page Three

3. Applicant must provide to DLG a bid 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 bidding procedures used are in compliance with applicable federal and state law.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the Attachment A description shall be provided to DLG prior to pre-closing the Authority loan and disbursement of the loan moneys. Rejections of any anticipated project funding shall be immediately reported to DLG and may cause the loan to be subject to further consideration.
5. 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 DLG for final approval. DLG shall provide information to the Authority for sizing of the loan.
6. All easements or purchases of land shall be completed prior to commencement of construction and reported to DLG.
7. Based on the final "as bid" project budget the community must provide to the Authority satisfactory proof based on then existing conditions that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed.
8. Any required adjustment in utility service rates shall be adopted by ordinance or resolution, as applicable, by the city council or appropriate governing board and provided to the Authority. If required by applicable provisions of law, a public hearing on the proposed rate adjustment shall be held 30 days prior to the adoption of the service rate ordinance. Any required approvals by the Kentucky Public Service Commission shall be obtained.

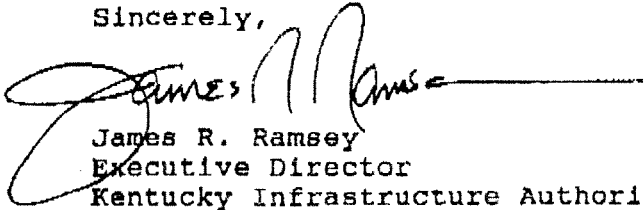
The following is a list of the special conditions to be satisfied prior to execution of the loan agreement or incorporated in the loan agreement. PLEASE provide the items to AIA for review and approval and copy DLG.

1. Approval and implementation of the proposed water rate restructuring by the district.
2. Approval of the Kentucky Department of Transportation (DOT) \$100,000 grant or substitution of other funds.

Mr. Donald Roark  
October 1, 1991  
Page Four

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.

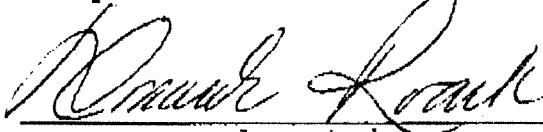
Sincerely,

  
James R. Ramsey  
Executive Director  
Kentucky Infrastructure Authority

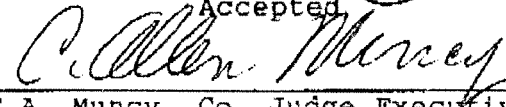
Attachment  
JRR/LT/sj

- c: Libby McManis, Department of Local Government
- Roger Peterman, Peck, Shaffer & Williams
- Kerry Odle, CMW Inc.

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms.

  
\_\_\_\_\_  
Accepted

10/11/91  
Date

  
\_\_\_\_\_  
C.A. Muncy, Co. Judge Executive

10-11-91



WATER RESOURCES REVOLVING LOAN FUND

B \_\_\_\_\_  
B-1 \_\_\_\_\_  
B-2 X

Review Sheet

Project: Hyden/Leslie County Water District-Water Main Extensions

Date: 8-9-91

Applicant: Hyden/Leslie County Water District

Reviewer: Glenn D. Oldham

Contractor: Haignman Muncy, Inc., MEH, C. Allen Muncy, CS/E

Phone: 606/672-2791  
606/672-3200

Funding:

<u>Source</u>	<u>Type</u>	<u>Amount</u>
KIA Water Resources Loan Fund	Loan	\$2,270,265.00
Kentucky Dept. of Highways	Grant	100,000.00
Local Contribution	Tap Fees	<u>\$ 168,900.00</u>
Total Project Cost		\$2,539,165.00

County: Leslie

Median Family Income Level: Above \_\_\_\_\_ Below X  
Kentucky: 23,422 Leslie Co.: 15,499

Project Description:

This project proposes the extension of 44.2 miles of 6", 4" and 3" water main, three storage facilities and three pumping stations to make service available to 704 currently unserved Leslie County customers. A portion of the lines with necessary appurtenances will allow for the development of a 100 acre industrial park along the Hyden Spur from the Daniel Boone Parkway. Construction of approximately six (6) miles of the proposed line extensions will be carried out by the county, utilizing their employees and equipment.

Unemployment Data:

Preliminary Labor Force estimates for June 1991 reveal an unemployment rate of 11.3% for Leslie County. This compares with a statewide rate of 7.2% and a national rate of 6.9% for the same period.

Water Resources Revolving Loan Fund  
Review Sheet  
(continued)

Overall Project Effectiveness:

Project accomplishments would address stated need. A total of 704 potential customers would be serviced with a safe and adequate supply of drinking water, and the basic infrastructure would be in place for the establishment of a 100 acre industrial park. Overall, the standard of living for all affected residents would be upgraded by successful implementation of proposed activities

Priority Ranking: I

Reasons:

The project proposal adequately meets criteria for funding per established regulations and guidelines. The proposal addresses the elimination of health hazards and makes a reasonable argument for development potential.

Additional Staff Comments:

- To the county's credit, they have already purchased the 100 acre site for the industrial park.

Reviewer: Eric Coffman  
August 20, 1991

KENTUCKY INFRASTRUCTURE AUTHORITY  
INFRASTRUCTURE REVOLVING FUND (FUND B2)  
HYDEN/LESLIE COUNTY WATER DISTRICT  
CREDIT ANALYSIS

I. PROJECT DESCRIPTION

The water district is seeking to undergo a major expansion project to upgrade the quality of water service available in the Hyden/Leslie County area. The proposed project would include 44.2 miles of water line extensions, 3 new ground storage tanks, and 3 pumping stations, and would extend service to a potential 704 residential and commercial customers not currently served by the system. Currently, 563 new customers have committed to the system.

II. PROJECT COST AND FUNDING

A.	Acquisition (Tank Site)	\$ 10,000
B.	Construction (Water Lines)	2,046,080
C.	Engineering Design	145,242
D.	Engineering Inspection	75,705
E.	Interest during Construction	35,000
F.	Legal	7,500
G.	Other Engineering Costs	10,500
H.	Planning	5,000
I.	Contingencies	204,608
	TOTAL	<u>\$2,539,165</u>

\*"Other" includes Soils, Permits, Property & Site Surveys

FUNDING-

A.	KIA Loan	\$2,270,265
B.	Kentucky Dept. of Highways Grant	100,000
C.	District Cash (Tap-on Fees)	168,900
	TOTAL	<u>\$2,539,165</u>

III. LOAN SIZE AND DEBT SERVICE ESTIMATE

A.	Loan Amount	\$2,270,265
B.	Annual Debt Service (20 years @ 3%)	152,598
C.	Administration Fee (.2% of loan amount)	4,540
D.	Coverage for maintenance (10% of debt service)	<u>15,260</u>
	TOTAL ANNUAL DEBT SERVICE REQUIREMENT	\$ 172,398

## IV. CASH FLOW ANALYSIS

Projected Revenues-	
Residential Customers (based on 1492 customers at \$21.93 ave. monthly bill)	\$ 392,590
Commercial Customers (based on 301 customers at \$59.08 ave. monthly bill)	213,407
Interest Income	3,600
Service Charges	900
Late Payment Penalties	4,800
Sewer Collection Fee	<u>1,800</u>
<b>TOTAL PROJECTED REVENUES</b>	<b>\$ 617,097</b>
Projected Expense	
Operation and Maintenance (projected)	\$ 361,040
Existing Yearly Debt Service	65,500
Debt Service on new KIA Loan	<u>172,398</u>
<b>TOTAL PROJECTED EXPENSE</b>	<b>\$ 598,938</b>
<b>TOTAL PROJECTED NET INCOME</b>	<b>\$ 18,159</b>

## V. DEBT COVERAGE RATIO

$$\begin{aligned} \text{Coverage} &= \frac{\text{Total Revenues} - \text{O\&M}}{\text{Total Yearly Debt Service}} \\ &= \frac{617,097 - 361,040}{237,898} \\ &= \frac{256,057}{237,898} \quad \text{or} \quad 1.08 \text{ Coverage Ratio} \end{aligned}$$

## VI. GENERAL COMMENTS

1. The water district currently serves 968 residential, 1 industrial and 260 commercial customers for a total of 1,229. The proposed project will add at least 521 new residential and 41 commercial customers, with the potential for 704 new customers.
2. A proposed rate restructuring would raise both the residential and commercial user rates by about 29%. The average monthly residential bill would rise from \$15.65 to \$21.93 while the average commercial bill would rise from \$41.98 to \$59.08. The average residential usage is 4,770 gallons.

3. For the purposes of the credit analysis, the new rate proposals, 563 new residential customers, and 41 new commercial customers were included due to the magnitude of the effects these changes will have on the district's revenues.
4. The district's water rates were last restructured in 1989.
5. The proposed project will help create economic development in that one the water line extensions will serve an area proposed as a county industrial park.
6. Only 20% of Leslie County residents currently have access to water service of any kind. The Hyden/Leslie County Water District is the only entity which provides water service to this county. The Leslie County Health Department has written that there are currently over 7,000 Leslie County residents who are using unsafe water supplies and that 70% of the private water supplies which have been tested have been positive for coliform organisms and other contaminants.
7. The district plans to open bids in February of 1992 and start construction in April. Construction will take one year.
8. Engineers:
 

Name: CMW Inc.  
 Address: P.O. Box 831  
 136 Big Hill Avenue  
 Richmond, KY 40476  
 Contact: Kerry Odle  
 Phone: (606) 623-2966
9. Government Agency:
 

Name: Hyden/Leslie County Water District  
 Address: HC 761; Box 2590  
 Hyden, KY 41749  
 Contact: Leighman Howard, Jr.  
 Phone: (606)672-2791
10. Debtor's Obligations

<u>Bonds Payable</u>	<u>Outstanding</u>	<u>Yearly D.S. Required</u>
1968 Issue	\$117,000	\$13,000 (approx.)
1989 Issue	\$900,000	\$52,500 (approx.)

## VII. RECOMMENDATION

After thorough credit analysis, the KIA staff recommend this project for funding under the following conditions:

1. Approval and implementation of the proposed water rate restructuring by the district.
2. Approval of KyDOT \$100,000 grant or substitution of other funds.