

ASSISTANCE AGREEMENT
BETWEEN THE KENTUCKY INFRASTRUCTURE AUTHORITY
AND
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

TRANSCRIPT OF PROCEEDINGS

Peck, Shaffer & Williams LLP
Covington, Kentucky

INDEX TO TRANSCRIPT OF PROCEEDINGS

In re: Assistance Agreement between Kentucky Infrastructure Authority (the "Authority") and Lexington-Fayette Urban County Government (the "Governmental Agency"), dated as of November 1, 2013

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

DISTRIBUTION LIST

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Lexington-Fayette Urban County Government
DEPARTMENT OF LAW

Jim Gray
Mayor

Janet M. Graham
Commissioner

January 15, 2014

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Lexington-Fayette Urban County Government, dated as of December 16, 2013 (Loan No. A13-007)

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 Lexington-Fayette Urban County Government (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 wastewater treatment works 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 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 urban county government and political subdivision of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.
- 2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency

enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

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

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

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

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

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

8) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the acquisition and construction of the Project.

9) All proceedings and actions of the Governmental Agency with respect to which the Assistance Agreement is to be delivered were had or taken at meetings

properly convened and held in substantial compliance with the applicable provisions of Sections 61.805 to 61.850 of the Kentucky Revised Statutes.

Very truly yours,



Edward W. Gardner
Attorney Sr.

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AUTHORITY

Re: Assistance Agreement between the Kentucky Infrastructure Authority ("KIA") and Lexington-Fayette Urban County Government (the "Governmental Agency"), dated as of November 1, 2013

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

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

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

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

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

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


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

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

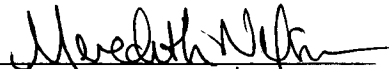
10. The individuals named below are the duly elected or appointed qualified and acting incumbents in the office of the Governmental Agency indicated after their respective names and the signatures subscribed above their names are their genuine signatures.

WITNESS our signatures, this 16th day of December, 2013.

**GOVERNMENTAL AGENCY:
LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT**

By: 
Name: Jim Gray
Title: Mayor

ATTEST:

By: 
Name: Meredith Nelson
Title: Urban County Council Clerk

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AUTHORITY

KENTUCKY INFRASTRUCTURE AUTHORITY

ASSISTANCE AGREEMENT

FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND PROGRAM
FUND A

PROJECT NUMBER: A13-007
BORROWER: Lexington-Fayette Urban County Government
BORROWER'S ADDRESS 200 East Main Street
Lexington, Kentucky 40507
DATE OF ASSISTANCE AGREEMENT: November 1, 2013
CFDA NO.: 66.458

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AUTHORITY

ASSISTANCE AGREEMENT

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ASSISTANCE AGREEMENT

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

WITNESSETH

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

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

WHEREAS, the Program is funded in part, pursuant to the Capitalization Grant Operating Agreement between the Authority and the U.S. Environmental Protection Agency dated as of March 1, 1990 (the "Federal Agreement") under which the Authority is responsible for providing certain "match funding" described in the Federal Agreement; and

WHEREAS, the Authority has issued, and will issue from time to time, its revenue bonds pursuant to a General Trust Indenture dated as of September 1, 1989 (the "Indenture") between the Authority and National City Bank (F/K/A First Kentucky Trust Company) (the "Trustee") in order to provide the "match funding" for the 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 AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED 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.

"*Cabinet*" means the Environmental and Public Protection Cabinet of the Commonwealth.

"*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.

"*Federal Act*" shall mean the Water Quality Act of 1987, 33 U.S.C. § 1251 et. seq.

"*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 March 1, 1989 between the Authority and the Trustee.

"*Interagency Agreement*" means the Interagency Agreement dated as of March 1, 1990 between the Authority and the Cabinet.

"*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.

"*Resolution*" means the resolution of the Governmental Agency in the form of the resolution attached hereto as Exhibit D authorizing the execution of this Assistance Agreement.

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

"*Program*" shall mean the program authorized by KRS 224A.111 and the Indenture as the "federally assisted wastewater 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, a Treatment Works project, 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 Treatment Works 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.

"*Treatment Works*" shall mean Treatment works as defined in the Act.

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 the Federal Act and any regulations issued thereunder.

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

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

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

(C) This Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability hereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or

similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(D) To the knowledge of the Governmental Agency, there is no controversy or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Agency or its governing body to make payments under this Assistance Agreement or to construct the 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.

(J) The Governmental Agency is in full compliance with all federal and state labor and procurement laws in connection with the planning, design, acquisition and construction of the Project.

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 Treatment Works 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 semiannually, 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 Prepay 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, subject to compliance by the Governmental Agency with the covenants and conditions set forth in Exhibit G hereto, the 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 and all such Debt Obligations that may hereafter be issued on a parity with the Debt Obligations identified in the Project Specifics; provided, however, the Authority shall receive notice of any additional financings in accordance with Section 5.6 (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 and the Cabinet appropriate documentation, satisfactory to the Authority indicating the following:

(A) That the Authority and the Cabinet and any appropriate regulatory agency of the Commonwealth as may be designated by the Authority or the Cabinet, 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 Cabinet.

(G) Duly authorized representatives of the Cabinet 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, the Cabinet and any other participating federal or state agency, the Engineers, and all construction contractors, such conference to be held in accordance with guidelines established by the Authority and the Cabinet. 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 Cabinet 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 for the Governmental Agency and approved by state and federal agencies.

(O) If requested, the Governmental Agency will erect at the Project sites, signs satisfactory to the Authority and the United States Environmental Protection Agency noting the participation of the Authority and the U.S. Government, respectively, 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 and the Cabinet, acting by and through their 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 and the Cabinet such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state assistance.

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

(S) 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.

(T) 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 Cabinet, 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.

(U) 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 and the Cabinet 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.

(V) The Governmental Agency shall require all laborers and mechanics employed by contractors and subcontractors on the Project shall be paid wages at rates not less than prevailing on projects of a character similar in the locality as determined by the Secretary of Labor in accordance with subchapter IV of Chapter 31 of title 40, United States Code.

(W) The Governmental Agency covenants that the Project is comprised of improvements constituting green infrastructure, water or energy efficiency improvements or other environmentally innovative activities.

Section 4.2. Additional Conditions to Disbursement Required Under the Federal Agreement. The Governmental Agency, in order to comply with the terms and conditions of the Federal Agreement, further covenants and further agrees to additional conditions to disbursement, as follows:

(A) That the Project shall be completed no later than the date set forth in the Project Specifics.

(B) Notwithstanding any other agreements contained herein regarding the maintenance of books and records, that it shall maintain Project accounts in accordance with generally accepted Governmental accounting standards, as required by Section 603(d) of the Federal Act. The Governmental Agency shall retain such records for no less than three (3) years following the final payment by the Governmental Agency under this Assistance Agreement or if any portion of the Project is disposed of, until at least three (3) years after such disposition; provided that if any litigation, claim, appeal or audit is commenced prior to the end of such period such records shall be maintained until the completion of such action or until three (3) years after such commencement, whichever is later.

(C) That it has not and will not apply any other federal funding to the Project in a manner that would cause it to receive "double benefits" as described in Section 603 of the Water Quality Act of 1987.

(D) That all property required for the completion of the Project shall be obtained, by easement, purchase or other means acceptable to the Authority, prior to commencement of construction and that the relocation of any Person resulting therefrom be in accordance with 49 CFR24 for Uniform Relocation Assistance and Real Property Acquisition Act of 1970.

(E) That all Project contractors shall be required to retain Project records for the periods established for the retention of the Governmental Agency's records in Section 4.2(B).

(F) That no more than fifty percent (50%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the final plan for operation for the Project.

(G) That no more than ninety percent (90%) of the proceeds of the Loan shall be disbursed until approval by the Cabinet of the draft operations and maintenance manual.

(H) That final disbursement will not be allowed until approval by the Cabinet of a final operations and maintenance manual.

(I) That, as required by 40 CFR 35.2218, all engineering services regarding construction and regarding the first year of operation of the Project shall be provided for, including the following:

(1) The operation of the Project and the revision of the operations and maintenance manual as necessary to accommodate actual operating experience;

(2) The training of operating personnel, including preparation of curricula and training material for operating personnel; and

(3) Advice as to whether the Project is meeting the Project performance standards (including three quarterly reports and one project performance report).

(J) That it shall advise the Cabinet and the Authority in writing of the date for initiation of operation of the Project.

(K) That one year after operation is initiated, it shall certify to the Cabinet and the Authority that the Project is capable of meeting the Project performance standards.

(L) That it shall provide that qualified inspectors are present at the construction site. A summary of such inspector's qualifications and experience shall be submitted to the Cabinet and the Authority.

(M) That it shall notify the Authority and the Cabinet of the completion date of the Project.

(N) That it agrees to the terms and conditions of its application for assistance and the Authority's commitment to provide assistance, the terms of which are incorporated herein by reference.

(O) That all measures required to minimize water pollution to affected waters shall be employed in the construction of the Project including compliance with Section 404 of PL 92-500, as amended, it being understood that approval of the Project does not constitute sanction or approval of any changes or deviations from established water quality standards, criteria implementation dates, or dates established by enforcement proceedings.

(P) That it shall enact a sewer use ordinance complying with the requirements set forth in the Federal Agreement and the Interagency Agreement.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Agency shall submit to the Authority (or the Trustee acting on behalf of the Authority, if so designated) and the Cabinet a Requisition for Funds prior to the fifth day 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 disbursement by the Authority.

Upon the Authority's receipt of the Requisition for Funds, and such additional documentation as it may require, and subject to certification by the Cabinet, 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, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve, 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, to provide for the operation of the System as required under this Assistance Agreement and to make required deposits to the Maintenance and Replacement Reserve.

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, to provide for the operation of the System as required under this Assistance Agreement and to make

required deposits to the Maintenance and Replacement Reserve, 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". The Governmental Agency shall deposit into the Maintenance and Replacement Reserve an amount equal to the amount set forth in the Project Specifics at the times set forth in the Project Specifics. Amounts in the Maintenance and Replacement Reserve may be used for extraordinary maintenance expenses related to the Project or for the unbudgeted costs of replacing worn or obsolete portions of the Project.

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, to provide for the operation of the System as required under this Assistance Agreement and to make the required deposits to the Maintenance and Replacement Reserve.

(B) That it will furnish to the Authority and the Cabinet 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. 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.

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 accordance with the "Uniform System of Accounts" established by the Commonwealth, in which complete and accurate entries shall be made of all its transactions relating to the System and which shall at all reasonable times be subject to the inspection of the Authority.

Section 6.8. Audit Requirements. Within one hundred eighty (180) days after the end of each fiscal year of the Governmental Agency, the Governmental Agency shall provide to the Authority, itemized financial statements of income and expense and a balance sheet in reasonable detail, certified as accurate by a firm of independent certified public accountants or the Auditor of Public Accounts of the Commonwealth. All financial information must be satisfactory to the Authority as to form and content and be prepared in accordance with generally accepted accounting principles on a basis consistent with prior practice unless specifically noted thereon. With such financial statements, the Governmental Agency shall furnish to the Authority a certificate stating that, to the best knowledge of the authorized representative signing such certificate, no default under this Assistance Agreement exists on the date of such certificate, or if any such default shall then exist, describing such default with specificity. All recipients and subrecipients expending \$300,000 or more in a year in Federal awards must have a single or program-specific audit conducted for that year in accordance with OMB Circular A-133.

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 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, without the prior written consent of the Authority, which consent shall not be unreasonably withheld, 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, the Federal 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.

Section 6.12. Further Covenants under the Federal Agreement. The Governmental Agency shall comply with all further requirements or conditions which may arise from time to time in order to assure compliance with the Federal Act, and with the agreements of the Authority set forth in the Federal Agreement, including but not limited to the following:

(A) The Governmental Agency shall provide all information requested of it by the Authority or the Cabinet so that (i) the Grants Information Control System, referred to in the

Federal Agreement, can be maintained, (ii) the accounting and auditing procedures required by Sections 603 and 606 of the Federal Act can be maintained and (iii) the Authority can furnish the information required of its under the Federal Agreement.

(B) Qualified operating personnel, properly certified by the Cabinet, shall be retained by the Governmental Agency to operate the Project during the entire term of this Assistance Agreement. An approved plan of operating and an operations and maintenance manual for the Project shall be provided by the Governmental Agency to the Cabinet and the Authority. The Project shall be operated and maintained in an efficient and effective manner.

(C) All residents in the service area of the Project must be offered the same opportunity to become users of the Project regardless of race, creed, color, or level of income.

(D) The Governmental Agency shall comply with provisions contained in the following federal regulations, orders, acts and circulars and the following statutes and regulations of the Commonwealth.

(1) Federal:

- (a) 49 CFR, Part 24, Implementing the Uniform Relocation Assistance and Real properties Acquisition Policies Act of 1970
- (b) 40 CFR, Part 35, 140(a)
- (c) 40 CFR, Part 15, Administration of Clean Water Act with respect to grants and loans
- (d) 40 CFR, Part 7,8, and 12, Nondiscrimination and Equal Employment Opportunity Act
- (e) 40 CFR, Part 29, Intergovernmental Review
- (f) 40 CFR, Part 32, Debarment and Suspension
- (g) 40 CFR, Part 35, Subpart K
- (h) Executive Order 11246, as amended, 11625 and 12138
- (i) Title VI of the Civil Rights Act of 1964, as amended
- (j) Age Discrimination Act
- (k) Rehabilitation Act of 1973
- (l) Contract work Hours and Safety Standards Act

(2) State:

- (a) KRS 224
- (b) KRS 224A.111 Federally Assisted Wastewater Revolving Fund
- (c) KRS Chapter 337, Labor Laws
- (d) 401 KAR Chapter 5

Section 6.13. Continuing Disclosure Obligation. The Governmental Agency covenants and agrees that notwithstanding any other provision of this Assistance Agreement to the contrary, upon written notice from the Authority that the Schedule of Payments provides ten percent (10%) or more of the debt service requirements on an issue of the Authority's Bonds and

that compliance by the Governmental Agency with the requirements of Securities and Exchange Commission Rule 15c2-12, as amended (the "SEC Rule") is required in connection with the Authority's Bonds, the Governmental Agency shall provide to the Authority such information as may be required by the Rule, within the time periods set out in such notice by the Authority, to enable the Authority to establish to the satisfaction of prospective purchasers of the Authority's Bonds that the requirements of the SEC Rule will be satisfied in connection with the issuance of the Authority's Bonds. The Governmental Agency further understands and agrees that the Authority shall act as the Governmental Agency's disclosure agent for purposes of compliance with the SEC Rule and that upon a failure by the Governmental Agency to provide the information required to be provided under the SEC Rule within the time frame specified in such notice, the Authority and/or the beneficial owners and holders of the Authority's Bonds shall be specifically granted the right of enforcing the provisions of this Section 6.13 by an action in mandamus, for specific performance, or similar remedy to compel performance.

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 injury, death and property damage) and in such amounts as are set forth in the Project Specifics, and naming the Authority as an additional insured.

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

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

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

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

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

Any balance of the net proceeds of the award in such eminent domain proceedings after the carrying out of the mandatory proceedings stipulated in (A) and (B) of this Section 7.10, shall be paid to the Governmental Agency upon delivery to the Authority of a certificate signed by an authorized officer of the Governmental Agency to the effect that the Governmental Agency has complied with either subparagraph (A) or (B), or both, of this Section, and written approval of such certificate by an authorized officer of the Authority. In no event will the Governmental Agency voluntarily settle or consent to the settlement of any prospective or pending

condemnation proceedings with respect to the Project or any part thereof without the written consent of the Authority.

Section 7.11. Flood Insurance. All structures located in flood prone areas shall be covered by flood insurance carried by the Governmental Agency for an amount equal to the total Project cost excluding the cost of land and any uninsurable improvements, or for the maximum limit available under the National Flood Insurance Act of 1968, as amended, whichever is less, for the entire useful life of the Project.

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 (other than an event of default arising under Section 6.13 of this Assistance Agreement), 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.

(D) Submit a formal referral to the appropriate federal agency, as required by the Federal Agreement.

The sole remedies for an Event of Default under this Assistance Agreement arising by virtue of the failure of the Governmental Agency to comply with the provisions of Section 6.13 hereof shall be those remedies specifically set forth in Section 6.13 hereof

Section 8.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Authority under this Assistance Agreement, the Authority shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and all receipts therefrom, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Authority may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

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

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

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

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

ARTICLE IX

MISCELLANEOUS PROVISIONS

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

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

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

Section 9.4. Binding Effect. This Assistance Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal corporation, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Assistance Agreement shall not be revocable by either of the 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. Assignability. The rights of the Authority under this Assistance Agreement shall be assignable by the Authority without the consent of the Governmental Agency, but none of the rights, duties or obligations of the Governmental Agency under this Assistance Agreement shall be assignable by the Governmental Agency without the prior written consent of the Authority.

Section 9.7. 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 9.8. Applicable Law. This Assistance Agreement will be governed by and construed in accordance with the laws of the Commonwealth.

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:

Jeff Abshier
SECRETARY
Title: _____

**KENTUCKY INFRASTRUCTURE
AUTHORITY**

By: [Signature]
EXECUTIVE DIRECTOR
Title: _____

ATTEST:

Meredith Neff
Title: Urban County Council Clerk

**GOVERNMENTAL AGENCY:
LEXINGTON-FAYETTE URBAN
COUNTY GOVERNMENT**

By: [Signature]
Title: Mayor

APPROVED:

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

EXAMINED:

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

2014 FEB 6 PM 1 30

RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY

APPROVED AS TO FORM AND LEGALITY

[Signature]
APPROVED
FINANCE AND ADMINISTRATION CABINET

EXHIBIT A
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PROJECT SPECIFICS
A13-007

GOVERNMENTAL AGENCY:

Name: Lexington-Fayette Urban County Government
 200 East Main Street
 Lexington, KY 40507

Contact
 Person: Jim Gray
 Mayor

SYSTEM: Wastewater

PROJECT:

This project involves various storm water abatement projects to comply with the City's Consent Decree with the EPA. The Anniston-Wickland project will construct new storm sewers and appurtenances along Spring Station Drive to Bryan Station Road. Various Phase II will address larger scale flooding issues in five separate areas in the City.

PROJECT BUDGET:

	<u>Total</u>
Land, Easements	713,815
Engineering Fees - Design	369,980
Construction	4,079,888
Contingency	68,957
Total	\$ 5,232,640

FUNDING SOURCES:

	<u>Amount</u>	<u>%</u>
Anniston-Wickland (SX21067045)	\$ 926,000	18%
Various - Phase I (SX21067047)	3,731,640	71%
Local Funding (SX21067047)	575,000	11%
Total	\$ 5,232,640	100%

KIA DEBT SERVICE:

Construction Loan	\$ 4,657,640
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 277,016
Administrative Fee (0.20%)	9,315
Total Estimated Annual Debt Service	\$ 286,331

EXHIBIT B

REQUEST FOR PAYMENT WITH RESPECT TO
ASSISTANCE AGREEMENT DATED NOVEMBER 1, 2013
LOAN NO. A13-007

Request No. _____

Dated: _____

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

Copy sent to: Mr. Joel Murphy
 Water Infrastructure Branch, SRF and SPAP Section
 Division of Water
 Energy and Environment Cabinet
 200 Fair Oaks, 4th Floor
 Frankfort, Kentucky 40601

FROM: Lexington-Fayette Urban County Government (the "Governmental Agency")

Gentlemen:

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

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

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

ELIGIBLE PROJECT EXPENSES INCURRED

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

Total

ALLOCATION OF FUNDING FOR EXPENSES

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

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,

LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT
Governmental Agency

By: _____

Title _____

CERTIFICATE OF CONSULTING ENGINEERS AS TO PAYMENT REQUEST

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

Engineer/Consultant

Firm Name

EXHIBIT C

SCHEDULE OF SERVICE CHARGES

See Attached

Sewer User Fees and Surcharge Rates

All sanitary sewer user fees are based on water consumption as an approximation of sewer use into the facility. The consumption amount is provided by the water service supplier (Kentucky American Water Co.) and is based on water meter readings. Provision is made in each sewer user schedule for water not discharged to the sewer system (e.g., irrigation, pool filling). Additionally, all sanitary sewer users are permitted to contract with Kentucky American Water Co. for a separate irrigation meter to supply water used in irrigation or other uses not discharged to the sanitary sewer system. This meter will not be subject to sewer user fees

The Lexington-Fayette Urban County Government's rate schedule is broken into two tiers. Schedule A (residential) and Schedule B (non-residential).

Schedule A:

Applies to single family dwellings or multi-unit dwellings which are individually metered.

	As of July 1, 2013
First unit (0-100 cubic feet)	\$4.99
Each additional unit (100 cubic feet)	\$3.76

The spring/summer sewer user fee is charged on the lower of actual consumption or the previous fall/winter consumption average. This will allow for pool filling and landscape watering during spring/summer months. New customers with no fall/winter average are charged at a rate of 90 percent of water consumption until the fall quarter begins.

Schedule B:

Applies to all users not classified under schedule A.

	As of July 1, 2013
First unit (0-100 cubic feet)	\$6.05
Each additional unit (100 cubic feet)	\$4.56

Schedule B users may be charged for extra-strength loading of conventional pollutants as follows:

Pollutants	In excess of	per lb charge as of July 1, 2013

Biochemical Oxygen Demand (BOD)	250 mg/l	\$.823
Suspended Solids	250 mg/l	\$.681
Ammonia Nitrogen	25 mg/l	\$ 2.068

The urban county government permits Schedule B users to install exclusion meters for the purpose of excluding from sewer user fees any water not returned to the sewer system. For more information on exclusion meters, please call (859) 425-2409.

To download the application for sewer user charge exclusion, please click [here](#).

Schedule A Social Security/Disability Rate Adjustment

Any user subject to Schedule A who is the legal title/leaseholder/renter of the benefited property who is age sixty-five (65) or older or who is receiving social security disability benefits and whose annual household income (as defined in section 16-59.1 of the Lexington-Fayette Urban County Government Charter and Code of Ordinance) is twenty-five thousand dollars (\$25,000) or less, said amount of income to be adjusted annually in accordance with the Social Security Administration's cost of living adjustment, can apply for a discount. Upon acceptance for the discount, said user's bill shall be decreased by thirty (30) percent of the billing amount or the amount of the rate for the first unit of usage, whichever is greater.

For more information, please contact Adult and Tenant Services at (859) 258-3810.

Tap-on Desk

The Sanitary Sewer Tap-on Desk is responsible for insuring that sewer line installation is performed correctly in order to protect groundwater from contamination and to prevent groundwater infiltration into the sanitary sewer system.

Sanitary Sewer Tap-on Desk
 Division of Water Quality
 Tate Building
 125 Lisle Industrial Ave.,
 Ste. 180
 (859) 258-3433

Responsibilities of the Tap-on Desk include:

- To collect tap-on fees associated with the sanitary sewer system;
- To inspect sewer line installation to insure it meets State Plumbing Code requirements and LFUCG specifications; and
- To maintain copies of as-built drawings in order to locate sanitary sewer laterals and main.

Tap-on Fees Updated July 1, 2013

Prior to every future tap-on or connection to any sewer pipe, main lateral, trunk line, interceptor or other installation or facility of the sanitary sewer system, there shall be paid a tap-on fee for the privilege of connecting to the system and which shall be in addition to the requirement, as prescribed in section 16-38 of the Code of Ordinances, that connections to the system be made at the sole expense of the connecting property owner.

Single family residences, townhomes and duplexes (per unit)

1/4 acre or less	\$886.17
From 1/4 to 1/2 acre	\$1,645.58
From 1/2 to 3/4 acre	\$2,407.11
From 3/4 to 1 acre	\$3,293.28
Larger than 1 acre	\$4,179.44

Apartments, condominiums, hospitals and nursing homes

Each efficiency unit	\$354.88
Each 1 bedroom unit	\$658.02
Each 2 bedroom unit	\$860.81
Each 3 or 4 bedroom unit	\$1,064.66
Minimum for each building	\$1,772.32

<u>Motels</u> Each living unit	\$658.02
<u>Trailer parks</u> Each trailer or space	\$886.17
<u>Service stations (standalone or quickmart center)</u> Each station	\$5,065.61
<u>Restaurant, business, professional, commercial and industrial buildings, including such facilities in hospitals or nursing homes</u>	

Fee based on square feet of floor space Minimum fee for each urban county government connection	\$1.014 per square foot \$886.17
<u>Storage areas, warehouses and distribution centers</u> Fee based on square feet of floor space Minimum fee for each urban county government connection	\$0.211 per square foot \$886.17
<u>Swimming pools</u> Fee based on each 100 cubic feet	\$1.521 per 100 cubic feet
<u>Non-profit school establishments*</u> Fee based on square feet of floor space <i>*Evidence of non-profit status must be provided or establishment will be treated as a commercial space.</i>	\$0.506 per square foot

EXHIBIT D

RESOLUTION

A RESOLUTION APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY TO PROVIDE \$4,657,640 OF LOAN FUNDS FOR WASTEWATER SYSTEM IMPROVEMENTS.

WHEREAS, the Urban County Council ("Governing Authority") of the Lexington-Fayette Urban County Government, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Wastewater 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, IT IS RESOLVED by the Lexington-Fayette Urban County Government, as follows:

SECTION 1. That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority dated as of November 1, 2013 substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing to the Governmental Agency for the Project.

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

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

ADOPTED on _____.

Mayor

Attest:

Title: Urban County Council Clerk

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Urban County Council Clerk of the Lexington-Fayette Urban County Government; that the foregoing is a full, true and correct copy of a Resolution adopted by the Urban County Council of said City at a meeting duly held on _____, 2013; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this ____ day of _____, 2013.

Urban County Council Clerk

EXHIBIT E

OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Agency]

[Date]

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

RE: Assistance Agreement by and between Kentucky Infrastructure Authority and Lexington-Fayette Urban County Government, dated as of November 1, 2013

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the Commonwealth of Kentucky and is legal counsel to the Lexington-Fayette Urban County Government (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 wastewater treatment works 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 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 municipal corporation and political subdivision of the Commonwealth of Kentucky validly existing under the Constitution and statutes of the Commonwealth of Kentucky.

2) The Assistance Agreement has been duly executed and delivered by the Governmental Agency and is a valid and binding obligation of the Governmental Agency enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or

similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

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

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

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

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

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

8) To the best of my knowledge, the Governmental Agency has fully complied with all federal and state labor and procurement laws in connection with the acquisition and construction of the Project.

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

Very truly yours,

EXHIBIT F

TO ASSISTANCE AGREEMENT BETWEEN
THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
("GOVERNMENTAL AGENCY") AND
THE KENTUCKY INFRASTRUCTURE AUTHORITY

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

Principal and Interest Payable
on Each _____ and _____

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

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

KENTUCKY INFRASTRUCTURE
AUTHORITY

By: _____

Title: _____

LEXINGTON-FAYETTE URBAN COUNTY
GOVERNMENT
Governmental Agency

By: _____

Title: _____

ATTEST:

Title: _____

EXHIBIT G

ADDITIONAL COVENANTS AND AGREEMENTS

(A13-007)

LFUCG – Stormwater Projects

- 1) The following Projects are proposed to be funded under this Assistance Agreement:

Anniston/Wickland Storm Water Improvement Project, SX21067045 (Anniston-Wickland Project)

Various Storm Water Management Projects Phase II, SX21067047, subdivided as follows:

Cardinal Laramie Project, Phases 1, 2 and 3 (Cardinal Laramie Project)

Idle Hour Project, (Idle Hour Project)

Walhampton Project, (Walhampton Project)

Rogers Road Project (Rogers Road Project)

Perimeter Park Project (Perimeter Park Project)

- 2) The following Projects must undergo a complete environmental review resulting in a Categorical Exclusion Determination (CED), a State Planning and Environmental Assessment Report (SPEAR), or an Environmental Impact Statement (EIS) with a Record of Decision issued by the Department for Environmental Protection prior to advertising for bids:

Cardinal Laramie Project – Phases 2 and 3

Walhampton Project

Rogers Road Project

Perimeter Park Project

The Cardinal Laramie Project – Phase 1; Idle Hour Project and Anniston-Wickland Project have already completed an environmental review and received approval from the Division of Water (DOW).

- 3) The following Projects must receive DOW approval of the Plans and Specifications with regard to SRF funding for each identified project prior to advertising for bidding:

Cardinal Laramie Project – Phases 2 and 3

Walhampton Project

Rogers Road Project

Perimeter Park Project.

The Cardinal Laramie Project – Phase 1; Idle Hour Project and Anniston-Wickland Project have already received DOW approval for the plans and specifications.

- 4) **The Authority to Award (bid) package, including the Disadvantaged Business Enterprise (DBE) reviews, must be approved by DOW prior to all contracts being awarded for the following Projects:**

**Cardinal Laramie Project – Phases 2 and 3
Walhampton Project
Rogers Road Project
Perimeter Park Project**

The Cardinal Laramie Project – Phase 1; Idle Hour Project and Anniston-Wickland Project have already received the Authority to Award package from DOW.

DOW must conduct a preconstruction and project management conference for all contracts.

- 5) **Planning and design costs for Projects will be reimbursed monthly to the Governmental Agency upon presentation to the Authority and DOW of invoices and supporting documentation showing costs incurred. No more than 50% of the loan funds designated for each individual Project's planning and design may be requested by the Governmental Agency prior to presentation of the plans and specifications to DOW.**
- 6) **The remaining 50% of the loan funds designated for planning and design for each Project may be requested upon approval of the plans and specifications by DOW.**
- 7) **No funds for any Project will be reimbursed to the Governmental Agency until such time as a copy of the eClearinghouse review letter and comments are received on an identified Project by the Authority and DOW.**
- 8) **No construction funds for projects will be reimbursed to the Governmental Agency until KIA receives from DOW a certification letter that states that a Project has been bid and meets all SRF requirements.**
- 9) **All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.**
- 10) **Construction costs will be reimbursed monthly to the Governmental Agency upon presentation to KIA and DOW of invoices and supporting documentation showing costs incurred.**

RESOLUTION NO. 677 -2013

A RESOLUTION APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT BETWEEN THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AND THE KENTUCKY INFRASTRUCTURE AUTHORITY TO PROVIDE \$4,657,640 OF LOAN FUNDS FOR STORMWATER IMPROVEMENTS PROJECTS (BUNDLE 3).

WHEREAS, the Urban County Council ("Governing Authority") of the Lexington-Fayette Urban County Government, ("Governmental Agency") has previously determined that it is in the public interest to acquire and construct certain facilities and improvements to the Governmental Agency's Wastewater 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 COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT:

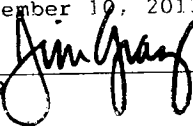
Section 1 - That the Governing Authority hereby approves and authorizes the Assistance Agreement between the Governmental Agency and the Authority, attached hereto and incorporated herein by reference, substantially in the form on file with the Governmental Agency for the purpose of providing the necessary financing in the amount of \$4,657,640 to the Governmental Agency for stormwater improvements projects (Bundle 3).

Section 2 - That the Mayor and Urban County Council Clerk of the Governmental Agency be and hereby are authorized, directed, and empowered to execute necessary documents or agreements and to otherwise act on behalf of the Governmental Agency to effect such financing.

Section 3 - That this Resolution shall become effective on the date of its passage.

PASSED URBAN COUNTY COUNCIL: December 19, 2013

MAYOR



ATTEST:

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AUTHORITY

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Urban County Council Clerk of the Lexington-Fayette Urban County Government; that the foregoing is a full, true and correct copy of a Resolution adopted by the Urban County Council of said City at a meeting duly held on 12-10-2013; that said official action appears as a matter of public record in the official records or journal of the governing authority; that said meeting was held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820 and 61.825; that a quorum was present at said meeting; that said official action has not been modified, amended, revoked or repealed and is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature this 13th day of December,
2013.



Urban County Council Clerk

81339v1

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AUTHORITY

Lexington-Fayette Urban County Government Council Meeting

Lexington, Kentucky December 10, 2013

The Council of the Lexington-Fayette Urban County Government, Kentucky convened in regular session on December 10, 2013, at 6:00 P.M. Present were Mayor Jim Gray in the chair presiding, and the following members of the Council: Council Members Ellinger, Farmer, Ford, Gorton, Henson, Kay, Lawless, Mossotti, Myers, Scutchfield, Stinnett, Akers, Beard, and Clarke. Absent was Council Member Lane.

* * *

The following resolutions were given second reading. Upon motion of Mr. Ellinger, seconded by Ms. Scutchfield, the resolutions were approved by the following vote:

Aye: Ellinger, Farmer, Ford, Gorton, Henson,
Kay, Lawless, Mossotti, Myers, Scutchfield,
Stinnett, Akers, Beard, Clarke-----14

Nay: -----0

A Resolution approving and authorizing an Assistance Agreement between the Lexington-Fayette Urban County Government and the Ky. Infrastructure Authority to provide \$10,194,421 of loan funds for Trunk Sewer Projects (Bundle 1).

A Resolution approving and authorizing an Assistance Agreement between the Lexington-Fayette Urban County Government and the Ky. Infrastructure Authority to provide \$4,657,640 of loan funds for Stormwater Improvements Projects (Bundle 3).

A Resolution approving and authorizing an Assistance Agreement between the Lexington-Fayette Urban County Government and the Ky. Infrastructure Authority to provide \$6,000,000 of loan funds for Expansion Area 2A Pump Station and Force Main Project.

* * *

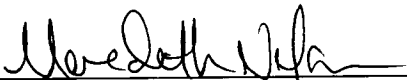
Upon motion of Ms. Gorton, seconded by Mr. Myers, and approved by majority vote (Mr. Beard was absent when the vote was taken), the meeting adjourned at 7:56 p.m.

/s/ Meredith Nelson
Clerk of the Urban County Council

CERTIFICATION

I, Meredith Nelson, Clerk of the Urban County Council, do hereby certify that the foregoing is an excerpt from the Minutes of the meeting of the Lexington-Fayette Urban County Council held on the 10th day of December, 2013, as they appear in Official Journal, Volume 105.

Given under my hand and Seal of the Lexington-Fayette Urban County Government, Lexington, Kentucky, this 13th day of December, 2013.



Clerk of the Urban County Council

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AUTHORITY

REVISED
KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: **March 7, 2013 – 1:00 p.m.**
 Kentucky Infrastructure Authority
 1024 Capital Center Drive, Suite 340, Frankfort

Members present:

Mr. Tony Wilder, Commissioner, Department for Local Government
Mr. Sam Ruth, Finance and Administration Cabinet
 (proxy for Secretary Lori H. Flanery, FAC)
Mr. Robert Aldridge, Economic Development Cabinet
 (proxy for Secretary Larry Hayes, EDC)
Ms. Lona Brewer, Energy and Environment Cabinet
 (permanent proxy for Secretary Leonard K. Peters, EEC)
Mr. Jerry Wuetcher, Public Service Commission
 (permanent proxy for Executive Director Jeff Derouen, PSC)
Mr. C. Ronald Lovan, representing the American Water Works Association
Mr. Damon Talley, representing the Kentucky Rural Water Association
Mr. Jody Jenkins, Union County Judge/Executive, representing the Kentucky
 Association of Counties
Ms. Linda C. Bridwell, representing for-profit private water companies
Mr. Marty T. Ivy, representing the Kentucky Municipal Utilities Association

Members absent:

Mr. David W. Cartmell, Mayor, City of Maysville, representing the Kentucky League of Cities

Guests:

Mr. Shafiq Amawi, Division of Water
Ms. Jennifer Kantner, Office of Financial Management
Mr. Charlie Martin, LFUCG
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Jerry Kennedy, Bullitt County Sanitation District
Mr. Herb LeMaster, Tetra Tech
Mr. James Simpson, Henry County Water District
Mr. Tom Green, Tetra Tech
Mr. Terry Frogue, City of Elkton
Mr. George Woolwine, HDR Engineering
Mr. Laura Gilkerson, GRW Engineers
Ms. Ruthie Ashbaugh, First District Magistrate, Bullitt County
Ms. Lisa Craddock, Deputy Judge Executive, Bullitt County
Mr. John Wood, Mayor, City of Barlow
Mr. Dennis Golem, Wells Fargo

PROCEEDINGS

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

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

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of February 7, 2013

Mr. Damon Talley moved to approve the minutes of the February 7, 2013 regular board meeting. Mr. Sam Ruth seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. KENTUCKY WATER MANAGEMENT PLAN

Mr. John Covington, KIA, presented to the Board the Kentucky Water Management Plan for approval. The Plan was presented last month for review, a couple of refinements had been made, and a list of each area development district's utilities had been added. Mr. Covington asked for the Board's action to accept the area development districts' methodology for ranking their projects. The Plan is available on the KIA's website and copies will be sent to the appropriate parties and to the Governor's office.

Mr. Damon Talley moved to accept the area development districts' methodology for ranking their projects. Mr. Marty Ivy seconded, and the motion carried unanimously.

2. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A13-007) IN THE AMOUNT OF \$4,657,640 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, presented the project to the Board. The Lexington-Fayette Urban County Government requested a \$4,657,640 Fund A loan for the Anniston/Wickland Storm Water Improvements and Various Storm Water Management Projects Phase II. These projects have been grouped together as one loan for administrative purposes due to the close proximity of their estimated completion dates. Engineering costs were evaluated separately for each project.

The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet (KYEPPC) filed suit in federal court against the Government in 2006 alleging various violations of the Clean Water Act. The Government completed negotiations with EPA and KYEPPC to resolve the alleged violations. The resulting Consent Decree agreement was entered in the United States District Court – Eastern District of Kentucky on January 3, 2011. The settlement agreement requires the Government to undertake extensive studies, sewer improvement projects, and management plans to correct the problems that were alleged. The settlement affords the Government up to 13 years to correct the problems. The Government has estimated that the cost of remedial measures would approach \$500 million over the life of the Consent Decree. The Government increased sanitary sewer rates to fund obligations under the Consent Decree and also adopted a storm water management fee. The Consent Decree requires completion of \$30 million in storm water flood abatement projects over the next ten years. The projects included in this request will reduce peak storm water flows by construction of a detention basin and conveyance system, new storm sewers, and increasing the capacity of existing storm sewers.

The Anniston/Wickland Storm Water Improvement project proposes to construct new storm sewers and appurtenances between the Bryan Station High School/Wickland Drive basin area and the Anniston Drive basin area. The new storm sewer will be constructed along Spring Station Drive to Bryan Station road. Various Storm Water Management Projects Phase II includes projects in five locations: 1) The Walhampton project, near the intersection of Nicholasville Road and Man O War Boulevard, will construct storm water detention basins and approximately 1,500 linear feet (LF) of thirty to fifty-four inch pipe with various inlet structures. The detention basins will be constructed on properties that the Government intends to purchase; 2) The Cardinal-Laramie project near Clays Mill Road and Lane Allen Road includes both the addition and replacement of storm sewers, replacement of a box culvert, and stream bank stabilization; 3) The Rogers Road project involves the installation of 900 LF of box culvert, 1,300 LF of thirty-six inch storm pipe and related conveyance infrastructure to mitigate chronic flooding at twelve residential structures near the intersection of Allen Drive and Rogers Road; 4) The Idle Hour project proposes realignment and upsizing of the existing storm sewer system with the installation of 2,200 LF of eighteen to forty-two inch piping; and 5) The Perimeter Park project involves construction of fifteen and eighteen inch storm sewers to connect an upstream detention basin discharge to downstream storm piping near the intersection of Alumni Drive and New Circle Road.

Under the 2012 Capitalization Grant Equivalencies the project qualified for Green Project Reserve funding of \$50,000 under the category of Green Infrastructure. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1.75% and a total estimated annual debt service payment of \$286,331. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund A (A13-007) resolution with the standard conditions. Mr. Damon Talley seconded, and the motion carried unanimously.

3. **RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A13-002) IN THE AMOUNT OF \$13,674,302 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY**

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A13-003) IN THE AMOUNT OF \$10,194,421 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A13-015) IN THE AMOUNT OF \$21,641,030 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY

RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED WASTEWATER REVOLVING FUND LOAN (A13-018) IN THE AMOUNT OF \$6,000,000 TO THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, presented four Lexington-Fayette Urban County Government loan requests to the Board. The four loan requests will be used to construct nine different projects totaling \$51,509,753.

The Lexington-Fayette Urban County Government requested a \$13,674,302 Fund A loan for the Bob-O-Link Trunk Sewer, Wolf Run Tank and Wolf Run Trunk Sewer Project. The Bob-O-Link Trunk Sewer project will replace approximately 7,600 linear feet (LF) of fifteen inch diameter sewer lines with fifteen to twenty-four inch lines. The Wolf Run Tank project will construct a 1.8 million gallon equalization facility in the vicinity of Kilrush Drive and New Circle Road to manage peak flow periods. The Wolf Run Trunk Sewer project will replace approximately 1,600 LF of thirty inch sewer lines with forty-two inch lines. Under the 2012 Capitalization Grant Equivalencies the project qualified for Green Project Reserve funding of \$234,064, with a breakdown to the green categories as follows: \$172,996 - Green Infrastructure, and \$61,068 - Environmentally Innovative. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1.75% and a total estimated annual debt service payment of \$840,636. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

The Lexington-Fayette Urban County Government requested a \$10,194,421 Fund A loan for the Eastlake Trunk Sewer Replacement, Century Hills Trunk

Sewer Replacement, West Hickman Trunk Sewer Replacement; and Woodhill Trunk Sewer Replacement Projects. The Eastlake Trunk Sewer Replacement project will replace approximately 1,800 linear feet (LF) of fifteen inch diameter sewer lines with eighteen to twenty-one inch lines. The Century Hills Trunk Sewer Replacement project will replace approximately 3,100 LF of twelve to fifteen inch diameter sewer lines with eighteen to twenty-one inch lines. The West Hickman Trunk Sewer Replacement project will replace approximately 800 LF of sewer lines with fifteen to eighteen inch lines. Additionally, a 3,900 LF parallel sanitary sewer with a forty-eight inch diameter will be constructed to eliminate upstream SSOs. The Woodhill Trunk Sewer Replacement project will replace approximately 3,700 linear feet of twelve to eighteen inch diameter sewer lines with fifteen to thirty inch lines. Under the 2012 Capitalization Grant Equivalencies the project qualified for Green Project Reserve funding of \$209,042, with a breakdown to the green categories as follows: \$129,042 - Green Infrastructure, and \$80,000 - Environmentally Innovative. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1.75% and a total estimated annual debt service payment of \$626,708. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

The Lexington-Fayette Urban County Government requested a \$21,641,030 Fund A loan for Phase I of the Town Branch Wastewater Treatment Plant Wet Weather Storage Tanks project. The existing sewer system lacks the capacity to meet LFUCG's EPA mandated Capacity Assurance Program. The project is a component of the Remedial Measures Plan that was submitted to the U.S. Environmental Protection Agency to comply with the Consent Decree. The project involves the design and construction of a multi-phase wet weather storage facility at the Town Branch Wastewater Treatment Plant on Lisle Industrial Avenue. The first phase includes the relocation of existing facilities, environmental assessments, soil remediation and the construction of a 22 million gallon wet weather storage tank. When all phases are complete, total storage volume will be approximately 44 million gallons with a projected cost to exceed \$111 million. Phase I includes some design costs for project components that must be compatible between all phases. Under the 2012 Capitalization Grant Equivalencies the project qualified for Green Project Reserve funding of \$405,000, with a breakdown to the green categories as follows: \$50,000 - Green Infrastructure, \$5,000 - Water Efficiency, and \$350,000 - Energy Efficiency. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1.75% and a total estimated annual debt service payment of \$1,330,395. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

The Lexington-Fayette Urban County Government requested a \$6,000,000 Fund A loan for the Expansion Area 2A Wastewater System project. The project is currently under construction and eligible costs will be reimbursed with SRF funds. The project was not specifically identified in the Consent Decree but was initiated by the Government prior to submission of the Remedial Measures Plan to address recurring SSO's. Expansion Area 2A is a planning region in Lexington which was brought into the Urban Service Area in 1996. The area is experiencing rapid development and sanitary sewer improvements are required to service the largely undeveloped area. The system of improvements were identified in the

1999 201 Facilities Plan Update as being constructed in the upper portions of the North Elkhorn watershed. This project will design and build the 201 Plan facilities by providing sanitary sewer to the undeveloped area and reducing demands on the aging North Elkhorn force main. The project involves the construction of a 7,400 gallon per minute pump station, 5,000 linear feet of twenty-four inch force main, 5,500 linear feet of gravity sewers ranging in size from eight to forty-eight inches in diameter, and rehabilitation of an existing pump station. Four existing pump stations will be eliminated. Under the 2012 Capitalization Grant Equivalencies the project qualified for Green Project Reserve funding of \$385,000, with a breakdown to the green categories as follows: \$10,000 - Green Infrastructure, and \$375,000 - Environmentally Innovative. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1.75% and a total estimated annual debt service payment of \$368,854. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund A13-002 resolution, the Fund A13-003 resolution, the Fund A13-015 resolution and the Fund A13-018 resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously.

4. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B13-001) LOAN IN THE AMOUNT OF \$320,000 TO THE CITY OF ELKTON, TODD COUNTY, KENTUCKY

Mr. John LeFevre, KIA, presented the project to the Board. The City of Elkton requested a Fund B loan in the amount of \$320,000 for waterline improvements. The first improvement includes approximately 1,400 linear feet of older four inch cast iron line that will be replaced. A portion of the existing line has been taken out of service due to the inability to ensure safe drinking water due to rust deposits and corrosion. The second improvement includes the construction of approximately 2,800 linear feet of new eight inch PVC waterline. The line will provide water to a new development ready property, fix an inadequate water pressure problem in the area, and allow for the disconnection of shared lines between the City of Elkton and the Todd County Water District. The term of the loan is 20 years with a 1.75% interest rate and an estimated annual debt service payment of \$19,672. KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund B (B13-001) Resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.

5. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND (B13-002) LOAN IN THE AMOUNT OF \$89,225 TO THE BULLITT COUNTY SANITATION DISTRICT, BULLITT COUNTY, KENTUCKY

Ms. Sandy Williams, KIA, presented the project to the Board. The Bullitt County Sanitation District requested a Fund B loan in the amount of \$89,225 with 95% principal forgiveness for the Big Valley MHP Lagoon Rehabilitation project. The proposed project will repair and up-grade the existing facilities at the Big Valley collection system and lagoon treatment facility. Action is required to eliminate an immediate jeopardy to human health and curtail documented environmental degradation. The rehabilitation activities are to be conducted by the District conditioned upon prior approval by the Bullitt County Fiscal Court and after the District is designated the receiver of the system based on action of the Kentucky Public Service Commission (PSC) and the Franklin Circuit Court. The PSC filing with the Court requests that the system be declared abandoned and that the District be named receiver. The wastewater system was abandoned due to the death of the former owner. The system is in total disrepair and untreated wastewater is discharging to the creek. Some homeowners may be without service. There also appears to be some broken sewer lines allowing raw sewage to discharge in dry creek beds. The project consists of the following: a) Pump Station rehabilitation, acquisition of two new pumps, rails and related equipment; b) Site preparation and installation of 700LF of chain link fencing; c) Rebuild two aerators and purchase of one existing unit to be held as standby; d) Jet-Vac 1000LF main sewer line; section to be cleaned extends from pump station to Big Valley Road due to improper or no maintenance, and debris entering from unplugged and abandoned laterals restricting flow; e) Purchase and installation of cable, equipment and controls for electrical system; f) Purchase and installation of new concrete lid for chlorine contact chamber; existing lid is badly deteriorated; g) Clean chlorine contact chamber that is half full of debris; h) Install new baffle-fencing in lagoon to replace existing fencing that has rotted; and i) Purchase and install effluent flow meter; a regulatory requirement.

The unforgiven balance of the loan is \$4,461 to be repaid in 5 years with an interest rate of 1.75% and an estimated annual debt service payment of \$945. KIA staff recommended approval of the loan with the standard conditions and the following special conditions: (1) Receipt of a legal opinion that the Bullitt County Sanitation District's expenditure of funds to rehabilitate and operate the Big Valley Sanitation facilities as a court-appointed receiver is for a public purpose and use and is consistent with KRS Chapter 220; and (2) Documentation that the Bullitt County Fiscal Court will provide \$12,000 to the Bullitt County Sanitation District each year for 2 years for the operation and maintenance costs of the Big Valley Sanitation facilities.

Mr. Jerry Wuetcher recommended adding a condition to the loan that the Franklin Circuit Court must issue an order appointing the Bullitt County Sanitation District as Receiver of the Big Valley Collection System. The order shall include that if the Receiver were to transfer the property to a non-governmental third party then the Receiver would be responsible for repaying the loan. The Board members, KIA staff and representatives from the Bullitt County Sanitation District and Bullitt County participated in a discussion on the project.

Mr. Damon Talley moved to approve the Fund B (B13-002) loan to the Bullitt County Sanitation District (BCSD) in its capacity as Receiver of Big Valley Sanitation, Inc., with the standard conditions, and subject to the following special conditions: (1) No funds be distributed until BCSD provides proof

that Franklin Circuit Court has appointed BCSD as receiver and has approved BCSD's entry into a loan agreement with KIA; (2) Should the court-appointed receiver of Big Valley Sanitation, Inc. seek to transfer the assets of Big Valley Sanitation, Inc. to a private, non-public entity, the court-appointed receiver must notify KIA and obtain its approval before making such transfer and, upon such notice and at KIA's option, the loan will become immediately due and payable; and (3) the additional special conditions set forth in the staff recommendations. Ms. Linda Bridwell seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining due to the involvement the PSC has with the project.

6. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F11-09) INCREASING THE LOAN AMOUNT TO \$430,000 TO THE CITY OF BARLOW, BALLARD COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, presented the project to the Board. The City of Barlow requested an increase of \$200,000 to their existing \$230,000 Fund F Loan that was previously approved on May 5, 2011, for the New Clearwell Construction & Water Tank Refurbishment project. The new loan amount is \$430,000 and the new total project cost is \$520,000 with \$90,000 to be provided by local funds. The increase stems primarily from a discrepancy between the estimated cost per cubic yard of concrete (\$600 per cu. yd.) and the actual bid price of the concrete (\$1,000 per cu. yd.) to be used in the construction of the clearwell. The original scope of the project remains unchanged. The city will proceed with the construction of a new clearwell and repair and refurbishment of a 100,000 gallon water storage tank. Under the 2010 Capitalization Grant Equivalencies the project did not qualify for Green Project Reserve funding. The project qualified for additional subsidization in the amount of \$172,000. The revised unforgiven balance of the loan is \$258,000 to be repaid in 20 years with an interest rate of 1% and a revised estimated annual debt service payment of \$14,910. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund F (F11-09) Resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously.

7. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F11-17) INCREASING THE LOAN AMOUNT TO \$518,000 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY

Mr. Shafiq Amawi, DOW, and Ms. Sandy Williams, presented the project to the Board. The City of Harrodsburg requested an increase of \$80,000 to their existing \$438,000 Fund F Loan that was previously approved on December 8, 2011, for the Water Main Improvements project. The new revised loan amount is

\$518,000. The increase is required to complete the Bellows Mill Road Section of the project. When the entire project was originally bid, costs were higher due to two road bores and cost increases from the original estimate for some items. Because of this, the City did not pursue the Bellows Mill component until they were certain that there would be no additional cost overages on the other original project components. Under the 2011 Capitalization Grant Equivalencies the project did not qualify for Green Project Reserve funding. The project qualified for additional subsidization in the amount of \$181,300. The revised unforgiven balance of the loan is \$336,700 to be repaid in 20 years with an interest rate of 1% and a revised estimated annual debt service payment of \$19,458. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund F (F11-17) Resolution with the standard conditions. Ms. Lona Brewer seconded, and the motion carried unanimously.

8. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F13-002) LOAN IN THE AMOUNT OF \$1,688,950 TO THE CITY OF HARRODSBURG, MERCER COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The City of Harrodsburg requested a \$1,688,950 Fund F loan for the Water Distribution Improvements and North Main Water Storage Tank projects. The first project involves replacement of approximately 24,000 linear feet of water lines in older sections of the system with eight inch PVC. Valves and fire hydrants will also be replaced. The water supply is affected when lines break and the risk of public health danger exists. The second project will refurbish a storage tank by removing the existing lead based interior and exterior paint, repainting the tank, and proper disposal of the lead based residue. The 2012 Drinking Water Capitalization Grant did not contain a "green" requirement. The project qualified for additional subsidization in the amount of \$168,895. The unforgiven balance of the loan is \$1,520,055 to be repaid in 20 years with an interest rate of 1.75% and an estimated annual debt service payment of \$94,206. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Ms. Linda Bridwell moved to approve the Fund F (F13-002) resolution with the standard conditions. Mr. Robert Aldridge seconded, and the motion carried unanimously.

9. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F13-021) LOAN IN THE AMOUNT OF \$4,000,000 TO THE FRANKFORT ELECTRIC AND WATER PLANT BOARD, FRANKLIN COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Ms. Sandy Williams, KIA, presented the project to the Board. The Frankfort Electric and Water Plant Board requested a \$4,000,000

Fund F loan for the Alternate Power Generation project. The project involves the design and construction of a 2,800 KW diesel power generation facility for the water treatment plant which currently has no back-up power source. The proposed facility will permit the plant to run at full capacity during a major outage. It will provide power to a distribution pump station that serves east Frankfort and will be capable of supplying power to maintain water service to downtown Frankfort in the event of a city wide outage. The proposed facility will also provide emergency power to the security system at the water treatment plant, which will maintain the existing video surveillance system, alarms, automated gate locks, and radio intercom system. The Water Utility directly serves customers both within and outside the Frankfort City limits and in part of northern Woodford County that was previously serviced by the North Woodford Water District which was acquired by the Plant Board in 1989. Wholesale service is provided to the Elkhorn, Farmdale, Northeast Woodford County, Peaks Mill, US 60 and South Anderson Water Districts, which are PSC regulated. Additionally, service is provided to the North Shelby Water Company and the City of Georgetown. Wholesale sales represent about 23% total sales. The Water Utility will undergo a cost of service study later this year and anticipates raising rates every two years in conjunction with future cost of service studies. The 2012 Drinking Water Capitalization Grant did not contain a "green" requirement. The project qualified for additional subsidization in the amount of \$400,000. The unforgiven balance of the loan is \$3,600,000 to be repaid in 20 years with an interest rate of 1.75% and an estimated annual debt service payment of \$223,112. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Marty Ivy moved to approve the Fund F (F13-021) resolution with the standard conditions. Mr. Sam Ruth seconded, and the motion carried unanimously.

10. RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED DRINKING WATER REVOLVING FUND (F13-039) LOAN IN THE AMOUNT OF \$2,855,000 TO THE HENRY COUNTY WATER DISTRICT #2, HENRY COUNTY, KENTUCKY

Ms. Anshu Singh, DOW, and Mr. John LeFevre, KIA, presented the project to the Board. The Henry County Water District #2 requested a \$2,855,000 Fund F loan for the Morton Ridge Main Upgrade project. The project involves the installation of approximately 24,000 linear feet of twenty inch ductile iron water main from the treatment plant to the District's first storage tank. It will replace twelve inch line that is a source of continuous breaks and leaks. The project will also provide the capacity to supply water to a neighboring district. The District is in the process of installing new variable frequency drives (VFD's) on the three pumps that send water from the treatment plant into the distribution system. Completion of the two projects will reduce pump run times and thus energy usage. The District is a rural water company serving approximately 6,300 customers in Henry, Trimble, Carroll, Oldham and Shelby counties and is regulated by the Public Service Commission. Wholesale service is provided to the West Carroll Water District and both Eminence and New Castle Water Works. Approximately 20% of water sold is to wholesale customers. The 2012 Drinking Water Capitalization Grant did

not contain a “green” requirement. The project did not qualify for additional subsidization. The term of the loan is 20 years with an interest rate of 1.75% and an estimated annual debt service payment of \$176,940. Both DOW and KIA staff recommended approval of the loan with the standard conditions.

Mr. Damon Talley moved to approve the Fund F (F13-039) resolution with the standard conditions. Mr. Ron Lovan seconded, and the motion carried unanimously, with Mr. Jerry Wuetcher abstaining. Mr. Wuetcher abstained due to the fact the loan and the construction project will have to be approved by the PSC.

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

This is a routine resolution allowing KIA to reimburse expenses that are paid out of the Authority’s funds with bond proceeds. The projects listed below are covered under this resolution:

APPLICANT	FUND	AMOUNT
Lexington-Fayette Urban Co Govt	A13-002	\$ 13,674,302
Lexington-Fayette Urban Co Govt	A13-003	\$ 10,194,421
Lexington-Fayette Urban Co Govt	A13-007	\$ 4,657,640
Lexington-Fayette Urban Co Govt	A13-015	\$ 21,641,030
Lexington-Fayette Urban Co Govt	A13-018	\$ 6,000,000
City of Elkton	B13-001	\$ 320,000
Bullitt County Sanitation District	B13-002	\$ 89,225
City of Barlow (Increase)	F11-09	\$ 430,000
City of Harrodsburg (Increase)	F11-17	\$ 518,000
City of Harrodsburg	F13-002	\$ 1,688,950
Frankfort Electric & Water Plant Bd	F13-021	\$ 4,000,000
Henry County Water District #2	F13-039	\$ 2,855,000

Ms. Linda Bridwell moved to approve the resolution. Mr. Damon Talley seconded, and the motion carried unanimously.

II. EXECUTIVE DIRECTOR’S REPORT

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

- A. The resolutions for the filing of the 2013 Capitalization Grants were approved last month and KIA is in the process of completing the filing. The process was started earlier than in previous years due to the fiscal situation and uncertainty in Washington, D.C., and before the Continuing Resolution expired to ensure funding. Funding under the Continuing Resolution is for only half of the year and the numbers in the Intended Use Plan (IUP) reflect that. Funding for the second half of the year is still uncertain.

The IUP will be posted on the websites by the end of this week or next. The narrative part of the IUP is close to completion; however the priority list provided by the Division of Water will not be complete. EPA needs to see that there is sufficient demand for the funding so the list will be of projects that have requested SRF funding. The project list will be alphabetized but will not be ranked. The ranking of the projects will be updated and posted in the IUP at a later date.

- B. The April meeting was discussed and the Board determined that the next monthly meeting will be held at the regular scheduled time. Ms. Linda Bridwell noted that she will not be able to attend.

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

IV. ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Tentatively scheduled for
Thursday, April 4, 2013
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky

There being no further business Mr. Sam Ruth moved to adjourn. Ms. Linda Bridwell seconded and the motion carried unanimously. The March 7, 2013, regular meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:

Sandy Williams
Sandy Williams, Secretary
Kentucky Infrastructure Authority

4-1-13
Date



KENTUCKY INFRASTRUCTURE AUTHORITY

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

John E. Covington III
Executive Director

Steven L. Beshear
Governor

March 12, 2013

The Honorable Jim Gray, Mayor
Lexington-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

2013 MAR 14 PM 3 36
RECEIVED
KENTUCKY INFRASTRUCTURE
AUTHORITY

**KENTUCKY INFRASTRUCTURE AUTHORITY
FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND
CONDITIONAL COMMITMENT LETTER (A13-007)**

Dear Mayor Gray:

The Kentucky Infrastructure Authority ("the Authority") commends your efforts to improve public service facilities in your community. On March 7, 2013, the Authority approved your loan for the Anniston/Wickland Storm Water Improvements and Various Storm Water Management Phase II Projects subject to the conditions stated below. The total cost of the project shall not exceed \$5,232,640 of which the Authority loan shall provide \$4,657,640 of the funding. Other anticipated funding for the project is reflected in Attachment A. The final loan amount will be equal to the Authority's portion of estimated project cost applied to the actual project cost. Attachment A incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Lexington-Fayette Urban County Government upon satisfactory performance of the conditions set forth in this letter. A period of twelve months from the date of this letter (3/12/2014) will be allowed for you to meet the conditions set forth in this letter and enter into an Assistance Agreement. A one-time extension of up to six months may be granted for applicants that experience extenuating circumstances. Funds will be available for disbursement only after execution of the Assistance Agreement.

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

1. The Authority project loan shall not exceed \$4,657,640.

2. The loan shall bear interest at the rate of 1.75% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 20 years from the date the loan is closed.
4. Interest shall be payable on the amount of actual funds received. The first payment shall be due on June 1 or December 1 immediately succeeding the date of the initial draw of funds, provided that if such June 1 or December 1 shall be less than three months since the date of the initial draw of funds, then the first interest payment date shall be the June 1 or December 1 which is at least six months from the date of the initial draw of funds. Interest payments will be due each six months thereafter until the loan is repaid.
5. Full principal payments will commence on the appropriate June 1 or December 1 within twelve months from initiation of operation. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the annual outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority loan funds must be expended within six months of the official date of initiation of operation.
9. Fund "A" loan funds are considered to be federal funds. OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations, requires that all recipients and subrecipients **expending \$500,000 or more in a year in federal awards must have a single or program-specific audit conducted for that year** in accordance with the Circular. If the federal amount expended plus all other federal funds expended exceeds the threshold, you are required to arrange for an A-133 audit to be performed by an independent, licensed CPA, or in special cases, the Auditor of Public Accounts of the Commonwealth of Kentucky. The Authority requires an annual audit to be performed for the life of the loan.

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

1. The Authority to Award (bid) package must be submitted to the Division of Water for approval within 14 days of bid opening.
2. The Assistance Agreement must be executed within six (6) months from bid opening.
3. The Borrower must agree to expend all Authority loan funds within six months of the date of initiation of operation.
4. Documentation of final funding commitments from all parties other than the Authority as reflected in the credit analysis shall be provided prior to preparation of the Assistance Agreement and disbursement of the loan monies. Rejections of any anticipated project funding shall be immediately reported and may cause this loan to be subject to further consideration.
5. The loan must undergo review by the Capital Projects and Bond Oversight Committee of the Kentucky Legislature prior to the state's execution of the Assistance Agreement. The committee meets monthly on the third Tuesday. At this time we know of no further submission required for their review; however, they may request information as needed.
6. Any required adjustment in utility service rates shall be adopted by ordinance, municipal order or resolution by the appropriate governing body of the Borrower. Public hearings as required by law shall be held prior to the adoption of the service rate ordinance, order, or resolution. Any required approvals by the Kentucky Public Service Commission shall be obtained.
7. All easements or purchases of land shall be completed prior to commencement of construction. Certification of all land or easement acquisitions shall be provided to the Division of Water.
8. The Borrower must complete and return to the Authority the attached "Authorization For Electronic Deposit of Vendor Payment" Form.
9. The Authority to Award Package documentation shall be submitted to and approved by DOW.

Mayor Jim Gray
March 12, 2013
Page 4

10. An environmental review shall be conducted by the Division of Water for all construction projects receiving CWSRF funds, within the term of this binding commitment and prior to project bid.
11. Technical plans and specifications and a complete CWSRF specifications checklist shall be approved by the Division of Water prior to project bid.
12. A clear site certificate shall be obtained and DOW representatives shall be notified for attendance of the pre-construction conference.
13. Project changes or additions shall require a complete environmental and change order review before they can be included in the CWSRF loan project.

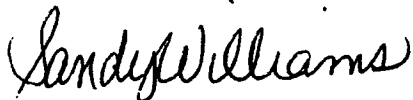
The following is a list of additional conditions to be satisfied prior to execution of the Assistance Agreement or incorporated in the Assistance Agreement. Any required documentation must be submitted to the party designated.

1. The Borrower shall require all contractors to pay wages pursuant to applicable prevailing wage rates (federal or state) for all work relating to the subject Project. The Borrower shall, if applicable, comply with all Davis Bacon related monitoring and reporting.
2. The project shall comply with the reporting requirements of the Transparency Act, and shall complete the attached Transparency Act Reporting Information Form and provide to the Authority no later than 30 days after the KIA Board approval date of your loan.
3. If the project has a "Green Reserve" component, the Borrower must submit a Business Case, if required.

Any special conditions listed below and/or stated in Attachment A must be resolved.

Please inform the Authority of any changes in your financing plan as soon as possible. We wish you every success for this project which will benefit both your community and the Commonwealth as a whole.

Sincerely,



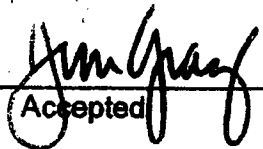
Sandy Williams
Financial Analyst

Mayor Jim Gray
March 12, 2013
Page 5

Attachments

cc: Charles H. Martin, P.E., LFUCG
~~Cassie S. Felty, Deputy Director of Admin Svcs, LFUCG~~
Vernon Azevedo, P.E., Project Engineering Coordinator, LFUCG
Herbert LeMaster, P.E., Tetra Tech
Eddie Mesta, P.E., Integrated Engineering
Joe Henry, P.E., GRW Engineers
Morey Lampson, P.E., CDP Engineering
Division of Water
Dirk Bedarff, Peck, Shaffer & Williams LLP
State and Local Debt Office, DLG
Borrower File - Lexington-Fayette Urban County Government - A13-003

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



Accepted

5/10/13

Date

ATTACHMENT A

**Lexington-Fayette Urban County Government
A13-007**

EXECUTIVE SUMMARY KENTUCKY INFRASTRUCTURE AUTHORITY FUND A, FEDERALLY ASSISTED WASTEWATER REVOLVING LOAN FUND		Reviewer	Sandy Williams	
		Date	March 7, 2013	
		KIA Loan Number	A13-007	
		WRIS Number	SX21067045, SX21067047	
		HUC Code:	05100205120, 05100205280	
BORROWER	LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT FAYETTE COUNTY			
BRIEF DESCRIPTION				
This project involves various storm water abatement projects to comply with the City's Consent Decree with the EPA. The Anniston-Wickland project will construct new storm sewers and appurtenances along Spring Station Drive to Bryan Station Road. Various Phase II will address larger scale flooding issues in five separate areas in the City.				
PROJECT FINANCING		PROJECT BUDGET		
Fund A Loan	\$4,657,640	RD Fee %	Actual %	
Local Funds	575,000	Land, Easements		713,815
		Eng - Design	7.6%	8.9%
		Construction		369,980
		Contingency		4,079,888
TOTAL	\$5,232,640	TOTAL		\$5,232,640
REPAYMENT	Rate	1.75%	Est. Annual Payment	\$286,331
	Term	20 Years	1st Payment	6 Mo. after first draw
PROFESSIONAL SERVICES	Engineer	See PROJECT DESCRIPTION - "Project Summaries" of Credit Analysis		
	Bond Counsel	Peck, Shaffer, & Williams		
PROJECT SCHEDULE	Bid Opening	Anniston -Wickland	Various - Phase II	
	Construction Start	Aug-13	Jun-13	
	Construction Stop	Oct-13	Feb-14	
		Jul-14	Jul-15	
DEBT PER CUSTOMER	Existing	\$12		
	Proposed	\$56		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	103,470	\$4.49	per Equivalent Residential Unit
	Additional	0	\$4.49	per Equivalent Residential Unit
REGIONAL COORDINATION	This project is consistent with regional planning recommendations.			
CASHFLOW	Cash Flow Before Debt Service	Debt Service	Cash Flow After Debt Service	Coverage Ratio
Audited 2010	1,052,988	0	1,052,988	n/a
Audited 2011	5,350,499	0	5,350,499	n/a
Audited 2012	3,034,309	83,505	2,950,804	36.3
Projected 2013	3,084,923	83,386	3,001,537	37.0
Projected 2014	3,245,611	83,388	3,162,223	38.9
Projected 2015	3,400,285	369,719	3,030,566	9.2
Projected 2016	3,573,141	369,717	3,203,424	9.7
Projected 2017	3,752,384	411,412	3,340,972	9.1

Reviewer: Sandy Williams
Date: March 7, 2013
Loan Number: A13-007

**KENTUCKY INFRASTRUCTURE AUTHORITY
WASTEWATER REVOLVING LOAN FUND (FUND "A")
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, FAYETTE COUNTY
PROJECT REVIEW
SX21067045, SX21067047**

I. PROJECT DESCRIPTION

The Lexington-Fayette Urban County Government (Government) is requesting \$4,657,640 in Clean Water SRF funds for two Stormwater Projects. These projects have been grouped together as one loan for administrative purposes due to the close proximity of their estimated completion dates. Engineering costs were evaluated separately for each project.

The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet (KYEPPC) filed suit in federal court against the Government in 2006 alleging various violations of the Clean Water Act. The Government completed negotiations with EPA and KYEPPC to resolve the alleged violations. The resulting Consent Decree agreement was entered in the United States District Court – Eastern District of Kentucky on January 3, 2011. The settlement agreement requires the Government to undertake extensive studies, sewer improvement projects, and management plans to correct the problems that were alleged. The settlement affords the Government up to 13 years to correct the problems. The Government has estimated that the cost of remedial measures would approach \$500 million over the life of the Consent Decree. The Government increased sanitary sewer rates to fund obligations under the Consent Decree and also adopted a storm water management fee.

The Consent Decree requires completion of \$30 million in storm water flood abatement projects over the next ten years. The projects included in this request will reduce peak storm water flows by construction of a detention basin and conveyance system, new storm sewers, and increasing the capacity of existing storm sewers.

Project Summaries

The Anniston / Wickland Storm Water Improvement project (SX21067045) proposes to construct new storm sewers and appurtenances between the Bryan Station High School / Wickland Drive basin area and the Anniston Drive basin area. The new storm sewer will be constructed along Spring Station Drive to Bryan Station road. An engineer has not yet been procured.

Various Storm Water Management Projects Phase II (SX21067047) includes projects in five locations.

- 1) The Walhampton project, near the intersection of Nicholasville Road and Man O War Boulevard, will construct storm water detention basins and approximately 1,500 linear feet (LF) of thirty to fifty-four inch pipe with various inlet structures. The detention basins will be constructed on properties that the Government intends to purchase. (Engineer: Tetra Tech, Lexington, Herbert Lemaster, P.E.)
- 2) The Cardinal-Laramie project near Clays Mill Road and Lane Allen Road and includes both the addition and replacement of storm sewers, replacement of a box culvert, and stream bank stabilization. (Engineer: Integrated Engineering, Lexington, Eddie Mesta, P.E.)
- 3) The Rogers Road project involves the installation of 900 LF of box culvert, 1,300 LF of thirty-six inch storm pipe and related conveyance infrastructure to mitigate chronic flooding at twelve residential structures near the intersection of Allen Drive and Rogers Road. An engineer has not yet been procured.
- 4) The Idle Hour project proposes realignment and upsizing of the existing storm sewer system with the installation of 2,200 LF of eighteen to forty-two inch piping. (Engineer: GRW, Lexington, Joe Henry, P.E.)
- 5) The Perimeter Park project involves construction of fifteen and eighteen inch storm sewers to connect an upstream detention basin discharge to downstream storm piping near the intersection of Alumni Drive and New Circle Road. (Engineer: Tetra Tech, Lexington, Herbert Lemaster, P.E.)

II. PROJECT BUDGET

	Anniston / Wickland SX21067045	Various – Phase II SX21067047	Total
Land, Easements	\$0	\$713,815	\$713,815
Engineering Fees - Design	0	369,980	369,980
Construction	857,043	3,222,845	4,079,888
Contingency	68,957	0	68,957
Total	\$926,000	\$4,306,640	\$5,232,640

III. PROJECT FUNDING

	Amount	%
Fund A Loan	\$ 4,657,640	89%
Local Funds	575,000	11%
Total	\$ 5,232,640	100%

IV. KIA DEBT SERVICE

Amortized Loan Amount	\$ 4,657,640
Interest Rate	1.75%
Loan Term (Years)	20
Estimated Annual Debt Service	\$ 277,016
Administrative Fee (0.20%)	9,315
Total Estimated Annual Debt Service	\$ 286,331

V. PROJECT SCHEDULE

	Anniston / Wickland	Various - Phase II
Bid Opening	August 2013	October 2013
Construction Start	October 2013	February 2014
Construction Stop	July 2014	July 2015

VI. CUSTOMER COMPOSITION AND RATE STRUCTURE

A) Customers

Customers	Current
Residential	95,745
Commercial	7,710
Industrial	15
Total	103,470

B) Rates

Water Quality Management Fee	Current	Prior
Date of Last Rate Increase	07/01/12	01/01/10
Cost Per Equivalent Residential Unit (ERU)	\$4.49	\$4.39
Increase %	2.3%	

One equivalent residential unit (ERU) is defined as 2,500 square feet of impervious surface. Single family homes and duplexes pay one ERU per month. Apartment complexes and non-residential properties pay the fee based on the total amount of

impervious surface on their properties. Impervious surfaces are areas such as roofs, parking lots and driveways that do not absorb water when it rains.

Rates are adjustable each July 1 based on the Consumer Price Index for All Urban Consumers for the prior twelve months ending in April before the adjustment.

VII. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2006-2010, the County's population was 288,045 with a Median Household Income (MHI) of \$47,469. The median household income for the Commonwealth is \$41,576. The project will qualify for a 1.75% interest rate because they are complying with a consent decree.

VIII. 2012 CAPITALIZATION GRANT EQUIVALENCIES

- 1) Green Project Reserve - This project qualifies for Green Project Reserve (GPR) funding for \$50,000. The breakdown of the GPR to the respective "green" categories is listed below:
 - a. Green Infrastructure - \$50,000
 - b. Water Efficiency - \$0
 - c. Energy Efficiency - \$0
 - d. Environmentally Innovative - \$0
- 2) Additional Subsidization – This project does not qualify for additional subsidization.

IX. FINANCIAL ANALYSIS (See Exhibit 1)

Financial information was obtained from the City's audited financial statements for the years ended June 30, 2010 through 2012 for the Storm Water Fund. The Sewer Fund is reported separately.

HISTORY

Water Quality Management Fee billings began in January 2010. Revenues increased from \$5.6 million in 2010 (half year of billings) to \$12.1 million in 2012. Operating expenses increased from \$4.5 million to \$9.2 million during the same period. The debt coverage ratio was 36.3 in 2012 and there were no debt service requirements during 2010 or 2011. Total debt outstanding at the end of 2012 was \$1.3 million dollars for two KIA loans that mature in 2030. The balance sheet reflects a current ratio of 6.1 and a debt to equity ratio of 0.3.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues will increase 2% annually for inflation and .8% for growth.
- 2) Expenses will increase 2% annually for inflation.
- 3) Free cash flow will be directed to capital expenditures.
- 4) Debt service on the proposed loan is estimated at \$286,331 annually
- 5) Debt service coverage is 9.2 in 2015 when principal and interest repayments begin.

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

REPLACEMENT RESERVE

The annual replacement cost is \$12,000. This amount should be added to the replacement account each December 1 until the balance reaches \$120,000 and maintained for the life of the loan.

X. DEBT OBLIGATIONS

	<u>Outstanding</u>	<u>Maturity</u>
KIA (A2 09-08)	\$ 1,177,193	Dec-30
KIA (A2 09-09)	104,548	Jun-30
Total	\$ 1,281,741	

XI. OTHER STATE OR FEDERAL FUNDING IN PAST FIVE YEARS

<u>Project Title</u>	<u>Funding Source</u>	<u>Amount</u>	<u>Type</u>
Expansion Area 2A Class A Pump Station and Trunk Sewer	HB608	3,100,000	Grant
Leesway Neighborhood Underserved Areas	HB608	600,000	Grant
South Elkhorn Pump Station and Force Main	EPA	1,146,000	Grant

XII. CONTACTS

Legal Applicant	
Name	Lexington-Fayette Urban County Government
Address	200 East Main Street Lexington, KY 40507
County	Fayette
Authorized Official	Jim Gray (Mayor)
Phone	(859) 258-3100
Email	Mayor@lexingtonky.gov

Project Contact - Applicant

Name	Charles H. Martin, P.E.
Representing	Lexington-Fayette Urban County Government
Address	125 Lisle Industrial Avenue, Suite 180 Lexington, KY 40511
Phone	(859) 425-2455
Email	chmartin@lexingtonky.gov

Project Administrator

Name	Lexington-Fayette Urban County Government
Address	125 Lisle Industrial Avenue, Suite 180 Lexington, KY 40511
Contact	Charles H. Martin, P.E.
Phone	(859) 425-2455
Email	chmartin@lexingtonky.gov

XIII. RECOMMENDATIONS

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (STORMWATER FUND)
BALANCE SHEETS (JUNE YEAR END)**

	<u>Audited 2010</u>	<u>Audited 2011</u>	<u>Audited 2012</u>	<u>Upon Completion 2015</u>
ASSETS				
Current Assets				
Cash	1,515,273	5,927,219	6,771,707	9,773,244
Investments	0	985,410	1,002,980	1,000,000
Accounts Receivable	536,631	712,726	790,045	854,100
Inventory	0	23,880	17,298	25,000
Total Current Assets	2,051,904	7,649,235	8,582,030	11,652,344
Utility Plant				
Land, System, Building and Equipment	270	1,817,289	4,066,804	14,917,233
Less Accumulated Depreciation ()	0	(23,221)	(72,628)	(432,628)
Net Fixed Assets	270	1,794,068	3,994,176	14,484,605
Total Assets	2,052,174	9,443,303	12,576,206	26,136,949
LIABILITIES				
Current Liabilities				
Accounts Payable	176,620	574,072	735,057	750,000
Accrued Payroll	37,891	83,595	134,181	135,000
Internal Balances	0	281,813	389,326	400,000
Compensated Absences	93,116	99,557	85,440	90,000
Interest Payable	0	2,194	2,311	2,000
C.P. LTD	0	56,898	58,041	61,611
Total Current Liabilities	307,627	1,098,129	1,404,356	1,438,611
Long Term Liabilities				
Compensated Absences	93,116	99,556	85,440	90,000
Long Term Debt	0	1,281,741	1,223,700	1,042,482
Proposed KIA Loan	0	0	0	4,657,640
Total Long Term Liabilities	93,116	1,381,297	1,309,140	5,790,122
Total Liabilities	400,743	2,479,426	2,713,496	7,228,733
Retained Earnings:				
Invested in Capital Assets Net of Related Debt	270	455,429	2,712,435	8,722,872
Unrestricted	1,651,161	6,508,448	7,150,275	10,185,344
Total Retained Earnings	1,651,431	6,963,877	9,862,710	18,908,216
Total Liabilities and Equities	2,052,174	9,443,303	12,576,206	26,136,949
Balance Sheet Analysis				
Current Ratio	6.7	7.0	6.1	8.1
Debt to Equity	0.2	0.4	0.3	0.4
Days Sales in Accounts Receivable	35.1	22.4	23.8	23.8

**EXHIBIT 1
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT (STORMWATER FUND)
CASH FLOW ANALYSIS (JUNE YEAR END)**

	Audited 2010	% Change	Audited 2011	% Change	Audited 2012	Projected 2013	Projected 2014	Projected 2015	Projected 2016	Projected 2017
Operating Revenues										
User Charges	5,567,674	108%	11,586,442	4%	12,078,848	12,356,662	12,702,849	13,058,323	13,423,956	13,799,827
Other	13,430	-39%	8,127	105%	16,666	17,049	17,526	18,017	18,521	19,040
Total Revenues	5,581,104	108%	11,604,569	4%	12,095,514	12,373,711	12,720,175	13,076,340	13,442,477	13,818,867
Operating Expenses										
Operating Expenses	4,528,403	38%	6,242,768	46%	9,106,655	9,288,788	9,474,564	9,664,055	9,857,336	10,054,483
Depreciation	0	0%	23,220	113%	49,407	50,000	55,000	255,000	255,000	255,000
Replacement Reserve	0	0	0	0	0	0	0	12,000	12,000	12,000
Total Expenses	4,528,403	38%	6,265,988	46%	9,156,062	9,338,788	9,529,564	9,931,055	10,124,336	10,321,483
Net Operating Income	1,052,701	407%	5,338,581	-45%	2,939,452	3,034,923	3,190,611	3,145,285	3,318,141	3,497,384
Non-Operating Income and Expenses										
Other Income / (Expense)	287		(11,302)		45,450	0	0	0	0	0
Total Non-Operating Income & Expenses	287		(11,302)		45,450	0	0	0	0	0
Add Non-Cash Expenses										
Depreciation	0	0%	23,220	113%	49,407	50,000	55,000	255,000	255,000	255,000
Cash Available for Debt Service	1,052,988	408%	5,350,499	-43%	3,034,309	3,084,923	3,245,611	3,400,285	3,573,141	3,752,384
Debt Service										
Existing Principal	0	0	0	0	56,898	58,041	59,209	60,398	61,611	95,067
Existing Interest	0	0	0	0	26,607	25,345	24,179	22,980	21,775	30,014
Proposed KIA Loan	0	0	0	0	0	0	0	286,331	286,331	286,331
Total Debt Service	0	0	0	0	83,505	83,386	83,388	369,719	369,717	411,412
Income After Debt Service	1,052,988		5,350,499		2,950,804	3,001,537	3,162,223	3,030,566	3,203,424	3,340,972
Debt Coverage Ratio	n/a		n/a		36.3	37.0	38.9	9.2	9.7	9.1