

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HYDEN-)
LESLIE COUNTY WATER DISTRICT FOR)
AUTHORIZATION TO ENTER A SHORT-)
TERM ASSISTANCE AGREEMENT WITH)
KENTUCKY RURAL WATER FINANCE) CASE NO. 2019-00412
CORPORATION TO REFUND AN EXISTING)
LOAN AND TO SUBSEQUENTLY ENTER A)
LONG-TERM ASSISTANCE AGREEMENT)
WITH THE KENTUCKY INFRASTRUCTURE)
AUTHORITY)

AMENDED APPLICATION

Pursuant to KRS 278.300 and 807 KAR 5:001, Hyden-Leslie County Water District (“Hyden-Leslie District”) applies to the Public Service Commission (“Commission”) for an Order authorizing Hyden-Leslie District to (1) execute an short-term Assistance Agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) to refund an existing loan and (2) subsequently execute a 30-year Assistance Agreement with the Kentucky Infrastructure Authority (“KIA”) to refund the proposed short-term KRWFC Assistance Agreement and provide permanent financing for a completed water system improvement project.

In support of its Application,¹ Hyden-Leslie District provides the following:

General Information

1. The full name and post office address of Hyden-Leslie District is: Hyden-Leslie County Water District, 356 Wendover Road, Hyden, Kentucky 40336. Its e-mail address is: hlwater@tds.net.

¹ To facilitate the Public Service Commission’s initial review of this Application, Hyden-Leslie District has attached to this Application a “Filings Requirements List” that consists of two pages, lists each statutory and regulatory requirement for an application for authorization to issue evidence of indebtedness, and identifies the exhibit or paragraph that satisfies the requirement.

2. Copies of all orders, pleadings and other communications related to this proceeding² should be directed to:

L.J. Turner
General Manager
356 Wendover Road
Hyden, Kentucky 40336
(606) 672-2791
hlwater@tds.net

Gerald E. Wuetcher
300 W. Vine Street, Suite 2100
Lexington, Kentucky 40507
(859) 231-3017
gerald.wuetcher@skofirm.com

3. Hyden-Leslie District is not a corporation, limited liability company or limited partnership. It has no articles of incorporation or partnership agreements.

4. Hyden-Leslie District is a water district created under the provisions of KRS Chapter 74.

5. As of December 31, 2018, Hyden-Leslie District provides retail water service in Clay, Leslie, and Perry Counties to approximately 3,594 customers.³ It produces its total water requirements.

6. On November 27, 2019, Hyden-Leslie District's Board of Commissioners approved a resolution directing Hyden-Leslie District to apply to the Commission for authorization to enter Assistance Agreements with KRWFC and KIA. A copy of this resolution is attached as **Exhibit 1**.

² On November 12, 2019 pursuant to 807 KAR 5:001, Section 8, Hyden-Leslie District notified the Public Service Commission of its election of the use of electronic filing procedures for this proceeding.

³ *Annual Report of Hyden-Leslie County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2018* ("2018 Annual Report") at Ref Page 27.

Background

7. In December 2013, Hyden-Leslie County applied to the Commission for a certificate of public convenience and necessity for a two-part water infrastructure improvement project. The first part of this project involved the construction of 270,200 linear feet of two-, three-, and four-inch polyvinyl chloride water distribution mains and appurtenances and three booster pump stations. The second part involved the construction of two 50,000 gallon ground water storage tanks and appurtenances.⁴ The project was intended to extend water service to approximately 300 customers in Leslie County, a significant portion of whom were obtaining their water through wells or cisterns that had high concentrations of iron or sulfur or were contaminated with e-coli bacteria.

8. Hyden-Leslie District proposed to finance the project's then-estimated cost of \$3,825,000 with \$1,505,497 of appropriated funds⁵ and \$2,435,000 from the proceeds of an Assistance Agreement with KRWFC. The proposed Assistance Agreement with KRWFC was to mature in three years, at which time Hyden-Leslie District expected to obtain permanent financing for the project costs through a loan with Rural Development.

9. On February 6, 2014, the Commission issued an Order in Case No. 2013-00388⁶ in which it granted Hyden-Leslie District a certificate of public convenience and necessity for the project and authorized Hyden-Leslie District's entry into the proposed Assistance Agreement with KRWFC. A copy of this Order is attached to this Application as **Exhibit 2**.

⁴ The project for which Hyden-Leslie District sought a certificate of public convenience and necessity combined three distinct projects: WX21131007 (Hell for Certain Water Project); WX21131008 (Hyden/Leslie Water System Improvements Phase II); and WX21131111 (Grassy Water Line Extensions). The project numbers are the numbers that the Water Resource Information System assigned to the projects.

⁵ During its 2008 Regular Session, the Kentucky General Assembly appropriated \$2.0 million to Hyden-Leslie District for three water projects: WX21131007 (\$750,000); WX21131008 (\$500,000); and WX21131111 (\$750,000). 2008 Ky. Acts Ch. 191.

⁶ *Application of the Hyden-Leslie County Water District for Authority to Issue Securities and Issuance of a Certificate of Public Convenience and Necessity to Construct an Improvements Project Pursuant to KRS 278.020 and 278.300*, Case No. 2013-00388 (Ky. PSC Feb. 6, 2014).

10. Following the issuance of the Commission's Order of February 6, 2014, Hyden-Leslie District entered an Assistance Agreement with KRWFC ("2014 Assistance Agreement") to borrow \$2,435,000 at an interest rate of 2.0 percent per annum. This Assistance Agreement matured on February 1, 2016. A copy of the 2014 Assistance Agreement is attached to this Application as **Exhibit 3**.

11. On February 15, 2015, Hyden-Leslie District notified the Commission of the project's completion.⁷ The total cost of the project was \$4,137,161.⁸

12. When it was unable to secure a loan from Rural Development for permanent financing of the project's costs prior to the maturity of the 2014 Assistance Agreement, Hyden-Leslie District entered into a new Assistance Agreement with KRWFC ("2016 Assistance Agreement") to refund the 2014 Assistance Agreement. On February 1, 2016, it executed the 2016 Assistance Agreement under which it borrowed \$2,540,000 at an interest rate of 1.25 percent for a two-year term. A copy of the 2016 Assistance Agreement is attached to this Application as **Exhibit 4**.

13. Hyden-Leslie District was unable to secure permanent financing prior to the 2016 Assistance Agreement maturing and entered into another Assistance Agreement with KRWFC ("2018 Assistance Agreement") to refund the 2016 Assistance Agreement. On February 1, 2018, it executed the 2018 Assistance Agreement under which it borrowed \$2,625,000 at an interest rate of 4.00 percent for a one-year term. A copy of the 2018 Assistance Agreement is attached to this Application as **Exhibit 5**.

⁷ Letter from Michael K. Maggard, Sissler-Maggard Engineering PLLC, to Terry Humphries, Manager, Kentucky Division of Water (Feb. 11, 2015) (copy filed in record of Case No. 2013-00388 on Feb. 15, 2015).

⁸ Memorandum from Linda Faulkner, Director, Filings Division, Public Service Commission to Case Record (June 16, 2016) (filed in record of Case No. 2013-00388).

14. In late 2018, Hyden-Leslie District made a preliminary application to KIA for permanent financing. On January 4, 2019, KIA advised Hyden-Leslie District that funds were available and issued an invitation to Hyden-Leslie District to apply for a long-term loan of \$2,700,000. See **Exhibit 6**. Because Hyden-Leslie District could not complete the application requirements before the maturity date of the 2018 Assistance Agreement, it entered into another Assistance Agreement with KRWFC (“2019 Assistance Agreement”) to refund the 2018 Assistance Agreement. On January 29, 2019, it executed the 2019 Assistance Agreement under which it borrowed \$2,735,000 at an interest rate of 4.00 percent per annum and maturing on February 1, 2020. A copy of the 2019 Assistance Agreement is attached to this Application as **Exhibit 7**.

15. On November 7, 2019, the KIA Board considered and approved Hyden-Leslie District’s application for a loan of \$2,735,000 payable over a 30-year period at an interest rate of 0.5 percent per annum. The resolution approving the loan (**Exhibit 8**), the minutes of the November 7, 2019 meeting of the KIA Board of Directors (**Exhibit 9**), and the executed condition commitment letter (**Exhibit 10**) are attached to this Application.

16. The KIA Board voted to approve Hyden-Leslie District’s application subject to the following conditions:

a. Hyden-Leslie District must apply to the Commission no later than November 30, 2019 for authorization to refinance its 2019 Assistance Agreement.

b. No later than November 30, 2019, Hyden-Leslie District’s Board of Commissioners must adopt a resolution demonstrating the water district’s intent to apply for and obtain rates for water service that produce revenues sufficient to meet the debt service coverage requirements contained in its existing and any future debt obligations with Rural Development

and in the proposed KIA Assistance Agreement and adjust those rates when necessary to maintain the required level of revenue;

c. No KIA Assistance Agreement will be executed nor proceeds from such Agreement distributed to Hyden-Leslie District until the Commission has authorized Hyden-Leslie District to assess rates for water service that produce revenues sufficient to meet the debt service coverage requirements contained in its existing debt obligations with Rural Development and in the proposed KIA Assistance Agreement; and,

d. No later than January 30, 2020, Hyden-Leslie District satisfy the conditions set forth in Rural Development's Letter of Conditions of December 4, 2018 for the Hyden/Leslie Water System Improvements Phase III Project.⁹

17. Hyden-Leslie County Water District subsequently requested and was granted an extension of time until June 1, 2020 to satisfy the conditions set forth in Rural Development's Letter of Conditions of December 4, 2018 for the Hyden/Leslie Water System Improvements Phase III Project. A copy of the letter in which the extension was granted is attached to this Application as **Exhibit 11**.

18. Hyden-Leslie County Water District expects to enter an agreement with Rural Development no later than mid-2020 to finance a construction project known as "Hyden/Leslie Water System Improvements Phase III Project" through a loan of \$1,727,000 and a grant of \$1,152,800.¹⁰ On December 4, 2018, Rural Development issued a letter of conditions regarding

⁹ Hyden-Leslie District has met the conditions discussed in paragraphs 16a and 16b. A copy of the resolution of Hyden-Leslie District's Board of Commissioners regarding its intent to maintain the water district's rates at appropriate levels is attached to the Application as **Exhibit 11**.

¹⁰ Hyden-Leslie District anticipates receiving additional financial support for the project from the following sources: a Department of Housing and Urban Development Community Development Block Grant of \$900,000; an Abandoned Mine Land grant of \$323,000; an Appalachian Regional Commission grant of \$500,000; a Coal Severance Grant of \$2,500; and a Coal Severance Grant 37-C-2017 of \$15,700.

its funding for the proposed construction project. A copy of this letter is attached to this Application as **Exhibit 12**.

19. Under the conditions set forth in this letter, Hyden-Leslie County Water District must increase its rates for water service to levels that will produce revenues sufficient to meet the debt service coverage requirements contained in its existing and proposed debt instruments with Rural Development and the proposed Assistance Agreement with KIA. Hyden-Leslie District intends to apply to the Commission for an adjustment of its rates as part of an application for approval of the proposed construction project made pursuant to KRS 278.023.

20. Hyden-Leslie District is unable to meet all of the conditions in the Letter of Conditions and to apply for and obtain Commission approval of the Rural Development financed construction project prior to February 1, 2020. It lacks sufficient funds to make the required principal payment under the 2019 Assistance Agreement. Therefore, Hyden-Leslie District proposes to execute an Assistance Agreement with KRWFC (“2020 Assistance Agreement”) under which it will borrowed \$2,935,000 at an interest rate of 2.25 percent per annum for a two-year period. The proposed 2020 Assistance Agreement will permit Hyden-Leslie District to retire the loan without penalty during the last eighteen months of the Agreement’s term.

21. KRS 278.300(1) and (8) require Hyden-Leslie to obtain prior Commission authorization of the proposed 2020 Assistance Agreement. KRS 278.300(8) permits a utility to issue without prior Commission authorization notes for proper purposes and not in violation of law that are payable at periods of not more than two (2) years or to like notes, payable at a period of not more than two (2) years from date thereof, that are issued to pay or refund in whole or in part any such notes, or to renewals of such notes from time to time, not exceeding in the aggregate six (6) years from the date of the issue of the original notes so renewed or refunded.”

With the execution of the proposed 2020 Assistance Agreement, the original note and the refunding notes will exceed an aggregate term of six-years.

**Authorization to Execute A Promissory Note with
Kentucky Rural Water Finance Corporation**

22. A description of Hyden-Leslie District's water system and its property, stated at original cost by accounts, is contained in *Annual Report of Hyden-Leslie County Water District to the Public Service Commission for the Year Ending December 31, 2018* ("2018 Annual Report"), a copy of which Hyden-Leslie District has previously filed with the Public Service Commission and which is incorporated by reference into this Application.

23. Hyden-Leslie District does not propose to issue any stock or bonds.

24. Hyden-Leslie District proposes to borrow funds from the KRWFC in the estimated principal amount of \$2,935,000 (subject to adjustment of up to ten percent) at 2.25 percent per annum pursuant to the 2020 Assistance Agreement to refinance an outstanding short-term loan from KRWFC (the 2019 Assistance Agreement) in the principal amount of \$2,735,000, dated January 29, 2019, bearing interest at the rate of four percent per annum, and maturing on February 1, 2020. Hyden-Leslie District issued the 2019 Assistance Agreement to refinance an earlier short-term loan from KRWFC, whose proceeds were used to construct the facilities for which the Commission issued a certificate of public convenience and necessity in Case No. 2013-00388.

25. The estimated debt service for the 2020 Assistance Agreement is shown in **Exhibit 13** to this Application. The debt service schedule and estimated interest rates are subject to change because of market conditions. The final terms and details of the 2020 Assistance Agreement may vary from the present assumptions based upon market conditions and other business judgment factors. This debt service schedule assumes that Hyden-Leslie District will

not prepay the principal. The 2020 Assistance Agreement, however, permits Hyden-Leslie District to prepay the principal amount without penalty beginning six months after the Agreement's execution date.

26. The 2020 Assistance Agreement will provide the District with the funds necessary to refinance the 2019 Assistance Agreement and pay the fees and expenses incident to the issuance of the 2020 Assistance Agreement.

27. The Sources and Uses of Funds to be obtained from the issuance of the 2020 Assistance Agreement are detailed as **Exhibit 14** to this Application.

28. The final principal amount of the 2020 Assistance Agreement will be adjusted based upon final interest rates which will be known on or about the date of sale of KRWFC bonds whose proceeds will finance the 2020 Assistance Agreement. Final financial figures will be submitted to the Commission in a timely manner.

29. The Debt Service Schedule of the outstanding 2019 Assistance Agreement being refinanced is set forth in **Exhibit 15**.

30. No property will be acquired with proceeds from the 2020 Assistance Agreement.

31. The 2020 Assistance Agreement will be secured by a pledge of Hyden-Leslie District's water system revenues.

32. A copy of Hyden-Leslie District's written notification to the State Local Debt Officer is attached as **Exhibit 16**.

33. Pursuant to 807 KAR 5:001, Section 18(2)(a), the following information is provided:

a. Hyden-Leslie District's *2018 Annual Report* is incorporated by reference into this Application.

b. For the 12-month period ending December 31, 2018, Hyden-Leslie District had less than \$5,000,000 in gross annual revenues.

c. No material changes have occurred in Hyden-Leslie District's financial condition since December 31, 2018.

d. Hyden-Leslie District is not authorized to issue nor has it issued any stock.

e. Hyden-Leslie District has no trust deeds or mortgages applicable.

f. The information required by 807 KAR 5:001, Section 12(e), (f), (g) and (i) is set forth in Hyden-Leslie District's *2018 Annual Report*.

34. Hyden-Leslie District originally applied to the Commission for authorization to execute a proposed 2020 Assistance Agreement whose term was one year. Upon further consideration, it has determined that the more prudent course of action is to increase the Assistance Agreement's term to two years. The additional time allows Hyden-Leslie District to address at little additional cost any unforeseen events that might otherwise prevent its execution of the KIA Assistance Agreement before the 2020 Assistance Agreement matures. The expected rate of interest for the revised 2020 Agreement is unchanged. By extending the 2020 Assistance Agreement's term to two years, Hyden-Leslie District will avoid any issuance costs associated with another assistance agreement should it be unable to execute the KIA Assistance Agreement by February 1, 2021. If Hyden-Leslie District prepays the 2020 Assistance Agreement prior to the maturity date, any funds remaining in the capitalized interest fund established under that Agreement will be returned to the water district.

35. Hyden-Leslie District's execution of the proposed 2020 Assistance Agreement is in the public interest, will strengthen Hyden-Leslie District's financial condition by providing short-term financing of the previously completed project, is for a lawful objective within Hyden-

Leslie District's corporate purposes, and is necessary, appropriate for, and consistent with Hyden-Leslie District's proper performance of its service to the public. It will not impair Hyden-Leslie District's ability to perform that service and is reasonably necessary and appropriate for such purpose.

36. Because the obligation created under the 2019 Assistance Agreement matures on **February 1, 2020**, Hyden-Leslie District requests that the Commission expedite its review of this portion of the Application and issue an Order regarding the request to execute the 2020 Assistance Agreement no later than **January 17, 2020**.

**Authorization to Execute An Assistance Agreement with
the Kentucky Infrastructure Authority**

37. Hyden-Leslie District restates and incorporates the information contained in paragraphs 22, 23, and 33 of this Application.

38. Hyden-Leslie District proposes to borrow funds from the KIA in the estimated principal amount of \$2,735,000 to retire the proposed 2020 Assistance Agreement at the earliest date possible, but no earlier than August 1, 2020 and no later than February 1, 2022.¹¹ The proposed 2020 Assistance Agreement is intended to refinance an earlier short-term loan from KRWFC, whose proceeds were used to construct the facilities for which the Commission issued a certificate of public convenience and necessity in Case No. 2013-00388.

39. The principal amount from the KIA Assistance Agreement will be paid over a 30-year period at an interest rate of 0.5 percent per annum. Payments are expected to be made semi-

¹¹ Hyden-Leslie District will require \$2,935,000 to retire the proposed 2020 Assistance Agreement. KIA officials have indicated that KIA may increase the amount of the proposed loan to cover the full amount needed to retire the 2020 Assistance Agreement. The precise amount necessary to retire the 2020 Assistance Agreement, however, will not be known until Hyden-Leslie District has met all conditions for the KIA loan, including obtaining rates that will generate revenues sufficient to meet the debt service requirements of Hyden-Leslie District's loans with Rural Development and KIA. If KIA does not agree to lend the full amount, Hyden-Leslie District will use internal funds to pay the portion not covered by the KIA loan.

annually. The debt service schedule and estimated debt service for the proposed KIA Assistance Agreement are shown in **Exhibit 17** to this Application.¹²

40. The Debt Service Schedule of the proposed 2020 Assistance Agreement being refinanced is set forth in **Exhibit 13**.

41. The KIA Assistance Agreement will be secured by a pledge of Hyden-Leslie District's water system revenues.

42. No property will be acquired with proceeds from the KIA Assistance Agreement.

43. A copy of Hyden-Leslie District's written notification to the State Local Debt Officer is attached as **Exhibit 18**.

44. Hyden-Leslie District's execution of the proposed KIA Assistance Agreement is in the public interest, will strengthen Hyden-Leslie District's financial condition by securing permanent, long-term financing of a previously completed project at very favorable interest rates, is for a lawful objective within Hyden-Leslie District's corporate purposes, and is necessary, appropriate for, and consistent with Hyden-Leslie District's proper performance of its service to the public. It will not impair Hyden-Leslie District's ability to perform that service and is reasonably necessary and appropriate for such purpose.

Requested Relief

WHEREFORE, Hyden-Leslie County Water District requests that the Commission:

1. Place this Application at the head of the Commission's docket as KRS 278.300(2) requires;
2. Review this Application without holding an evidentiary hearing in this matter;

¹² This schedule assumes that Hyden-Leslie District will meet all conditions necessary to obtain the KIA loan by August 1, 2020 and will execute the proposed assistance agreement with KIA on the first day the 2020 Assistance Agreement may be prepaid without penalty.

3. Enter an Order no later than **January 17, 2020** authorizing Hyden-Leslie District to execute the proposed 2020 Assistance Agreement and to borrow funds from the KRWFC in the estimated principal amount of \$2,935,000 (subject to adjustment of up to ten percent) at an interest rate of 2.25 percent per annum for a term of one year;

4. Enter an Order authorizing Hyden-Leslie District to execute the proposed KIA Assistance Agreement and to borrow funds from KIA in the principal amount of \$2,735,000 at an interest rate of 0.5 percent per annum payable over a 30-year term; and

5. Grant any and all such other relief to which Hyden-Leslie District may be entitled.

Dated: December 26, 2019

Respectfully submitted,



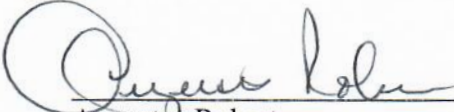
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Counsel for Hyden-Leslie County Water District

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF LESLIE)

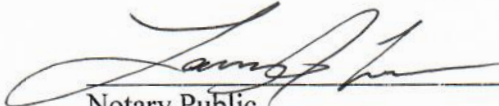
The undersigned, Augustus Roberts, being duly sworn, deposes and states that he is the Chairman of Hyden-Leslie County Water District, the Applicant in the above proceedings; that he has read this Application and has noted its contents; that the same is true of his own knowledge, except as to matters which are therein stated on information or belief, and as to those matters, he believes same to be true.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this December ____, 2019.


Augustus Roberts
Chairman, Board of Commissioners
Hyden-Leslie County Water District

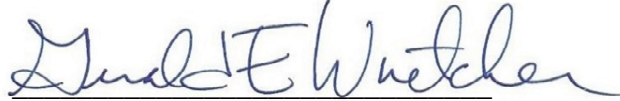
Subscribed and sworn to before me by Augustus Roberts in his capacity as Chairman of Hyden-Leslie County Water District on this December 23, 2019.

My Commission expires: 05/02/2020.


Notary Public
Notary ID: 556075

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that Hyden-Leslie County Water District's electronic filing of this Application is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Public Service Commission on December 26, 2019; that there are currently no parties that the Public Service Commission has excused from participation by electronic means in this proceeding; and that on or before December 30, 2019 this Application in paper medium will be delivered to the Public Service Commission.

A handwritten signature in blue ink that reads "Gerald E. Wuetcher". The signature is written in a cursive style with a horizontal line underneath the name.

Gerald E. Wuetcher

**FILING REQUIREMENTS FOR AN APPLICATION FOR A
AUTHORITY TO ISSUE SECURITIES OR EVIDENCES OF INDEBTEDNESS**

Source Authority	Requirement	Location
807 KAR 5:001, § 14(1)	Applicant's name, mailing address and e-mail address	Page 1, Para 1
807 KAR 5:001, § 14(1)	Statutory Reference – KRS 278.300	Page 1
807 KAR 5:001, § 4(3)	Signature of Applicant's Attorney	Page 13
807 KAR 5:001, § 4(3)	Name, Address, Telephone Number, Fax Number, and e-mail address of Applicant's Attorney	Page 13
807 KAR 5:001, § 14(2)	If Applicant is corporation: State and date of incorporation, attestation of good standing in state of incorporation, statement regarding authorization to transact business in Kentucky	Page 2, Para 3 Not Applicable
807 KAR 5:001, § 14(3)	If Applicant is a limited liability company: State and date of organization, attestation of good standing in state of incorporation, statement regarding authorization to transact business in Kentucky	Page 2, Para 3 Not Applicable
807 KAR 5:001, § 14(4)	If the Applicant is a limited partnership: a certified copy of limited partnership agreement and all amendments or statement identifying prior Commission proceedings in which limited partnership agreement and all amendments filed	Page 2, Para 3 Not Applicable
KRS 278.300(2)	Application is made under oath and signed on utility's behalf by its president, or by a vice president, auditor, comptroller or other executive officer having knowledge of the matters set forth and duly designated by the utility	Page S-1
807 KAR 5:001, § 18(1)(a)	Information required by 807 KAR 5:001, § 14	See Above
807 KAR 5:001, § 18(1)(b)	Description of Applicant's property and the field of its operation	Page 2, Para 5 Page 8, Para 22 Page 11, Para 37
807 KAR 5:001, § 18(1)(b)	Statement of original cost of Applicant's property and the cost to the Applicant, if different	Page 2, Para 22 Page 11, Para 37
807 KAR 5:001, § 18(1)(c)	Description of amount and kinds of stock to be issued	Page 8, Para 23 Page 11, Para 37 Not Applicable
807 KAR 5:001, § 18(1)(c)	Description of amount, terms and interest rate of bond or note	Page 7, Para 20 Page 8, Para 24 Page 11, Para 39
807 KAR 5:001, § 18(1)(c)	Description of how bond or note will be secured	Page 9, Para 31 Page 12, Para 41

Source Authority	Requirement	Location
807 KAR 5:001, § 18(1)(d)	Statement of how proceeds are to be used	Page 9, Paras 26-27 Page 11, Para 38; Exhibit 14
807 KAR 5:001, § 18(1)(e)	If proceeds will be used to acquire, construct, improve, or extend property: a detailed description of property and all contracts	Page 9, Para 30 Page 12, Para 42 Not Applicable
807 KAR 5:001, § 18(1)(f)	The date, amount, time, rate of interest, and payee of each note to be refunded and the purpose for which the refunded note's proceeds were used	Page 3, Para 7 Page 4, Paras 10, 12-13 Page 5, Para 14 Page 7, Para 20 Page 8, Para 24 Page 11, Para 38-39 Exhibits 3-5, 7, 8, 10 and 15
807 KAR 5:001, § 18(1)(g)	Applicant's written notification to state local debt officer regarding proposed issuance	Exhibits 16 and 18
807 KAR 5:001, § 18(2)(a) 807 KAR 5:001, § 12(1)	Financial Exhibit	Page 9, Para 33 Page 11, Para 37
807 KAR 5:001, § 18(2)(b)	Copies of trust deeds or mortgages	Page 10, Para 33(e) Page 11, Para 37 Not Applicable
807 KAR 5:001, § 18(2)(c)	If property acquired: maps and plans of property	Page 9, Para 30 Page 12, Para 42 Not Applicable
807 KAR 5:001, § 18(2)(c)	If property acquired: detailed estimates by USOA account number	Page 9, Para 30 Page 12, Para 42 Not Applicable

EXHIBITS

TABLE OF EXHIBITS

<u>Tab No.</u>	<u>Description</u>
1	A Resolution of the Board of Commissioners of Hyden-Leslie County Water District Authorizing an Application to the Kentucky Public Service Commission for Authorization to Issue Evidences of Indebtedness (Nov. 27, 2019)
2	<i>Application of the Hyden-Leslie County Water District for Authority to Issue Securities and Issuance of a Certificate of Public Convenience and Necessity to Construct an Improvements Project Pursuant to KRS 278.020 and 278.300, Case No. 2013-00388 (Ky. PSC Feb. 6, 2014).</i>
3	Assistance Agreement between Kentucky Rural Water Finance Corporation and Hyden-Leslie County Water District Dated December 18, 2013
4	Assistance Agreement between Kentucky Rural Water Finance Corporation and Hyden-Leslie County Water District Dated February 1, 2016
5	Assistance Agreement between Kentucky Rural Water Finance Corporation and Hyden-Leslie County Water District Dated January 30, 2018
6	E-mail message from Jeff Abshire, KIA Fiscal Officer and Treasurer, to L.J. Turner, General Manager, Hyden-Leslie County Water District, subj: Invitation to Apply to For Funding (Jan. 4, 2019); Letter from Donna McNeil, Executive Director, Kentucky Infrastructure Authority, to Augustus Roberts, Chairman, Hyden-Leslie County Water District, subj: Fund B Loan Request (Jan. 4, 2019)
7	Assistance Agreement between Kentucky Rural Water Finance Corporation and Hyden-Leslie County Water District Dated January 29, 2019
8	Kentucky Infrastructure Authority Board Resolution
9	Minutes of the Meeting of November 7, 2019 of the Kentucky Infrastructure Authority Board of Directors
10	Kentucky Infrastructure Authority Conditional Commitment Letter (Dec. 13, 2019)
11	Letter from Linda Bridwell, Deputy Executive Director, Kentucky Infrastructure Authority, to Gerald Wuetcher, Counsel for Hyden-Leslie County Water District, subj: Request for Extension (Dec. 20, 2019)
12	A Resolution of the Board of Commissioners of Hyden-Leslie County Water District Regarding the Adoption of Rates Sufficient to Meet Debt Service Coverage Requirements of Existing and Proposed Debt Instruments (Nov. 27, 2019)

<u>Tab No.</u>	<u>Description</u>
13	Letter from Hilda Gay Legg, Kentucky State Director, Rural Development, to Augustus Roberts, Chairman, Hyden-Leslie County Water District, subj: Water Systems Improvement (Dec. 4, 2018)
14	Estimated Debt Service for 2020 Assistance Agreement
15	Sources and Uses of Funds for 2020 Assistance Agreement
16	Debt Service Schedule for 2019 Assistance Agreement
17	Amended Notice to State Local Debt Officer – 2020 Assistance Agreement
18	Estimated Debt Service for KIA Assistance Agreement
19	Notice to State Local Debt Officer – KIA Assistance Agreement

EXHIBIT 1

RESOLUTION NO. 112719-02

**A RESOLUTION OF THE BOARD OF COMMISSIONERS OF
HYDEN-LESLIE COUNTY WATER DISTRICT AUTHORIZING AN
APPLICATION TO THE KENTUCKY PUBLIC SERVICE
COMMISSION FOR AUTHORIZATION TO ISSUE
EVIDENCES OF INDEBTEDNESS**

WHEREAS, Hyden-Leslie County Water District is a water district created pursuant to the provisions of KRS Chapter 74;

WHEREAS, pursuant to KRS 278.015, the Kentucky General Assembly has declared water districts to be public utilities and subject to the jurisdiction of the Kentucky Public Service Commission in the same manner and to the same extent as any other utility as defined in KRS 278.010;

WHEREAS, KRS 278.300 requires all public utilities to obtain authorization from the Kentucky Public Service Commission prior to issuing evidences of indebtedness;

WHEREAS, on February 1, 2014, Hyden-Leslie County Water District entered an Assistance Agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow \$2,435,000 to finance the construction of certain waterworks facilities;

WHEREAS, on February 1, 2016, Hyden-Leslie County Water District entered an Assistance Agreement with KRWFC to borrow \$2,540,000 to retire the Assistance Agreement entered on February 1, 2014;

WHEREAS, on February 1, 2018, Hyden-Leslie County Water District entered an Assistance Agreement with KRWFC to borrow \$2,625,000 to retire the Assistance Agreement entered on February 1, 2016;

WHEREAS, on February 1, 2019, Hyden-Leslie County Water District entered an Assistance Agreement with KRWFC to borrow \$2,735,000 to retire the Assistance Agreement entered on February 1, 2018;

WHEREAS, Hyden-Leslie County Water District currently lacks sufficient funds to retire the Assistance Agreement entered on February 1, 2019, and intends to execute on or about February 1, 2020 a new Assistance Agreement with KRWFC and use the proceeds of the new Assistance Agreement to retire the existing Assistance Agreement;

WHEREAS, Hyden-Leslie County Water District has applied to the Kentucky Infrastructure Authority (“KIA”) for a long-term loan of \$2,735,000 at very favorable terms to retire the new Assistance Agreement with KRWFC;

WHEREAS, KIA has approved Hyden-Leslie County Water District’s application for a loan of \$2,735,000 payable over a 30-year period at an interest rate of 0.5 percent per annum,

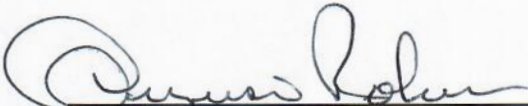
NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF COMMISSIONERS OF HYDEN-LESLIE COUNTY WATER DISTRICT AS FOLLOWS:

Section 1. The facts, recitals, and statements contained in the foregoing preamble of this Resolution are true and correct and are hereby affirmed and incorporated as a part of this Resolution.

Section 2. Legal Counsel for Hyden-Leslie County Water District is hereby authorized and directed to take all actions to apply to the Kentucky Public Service Commission for authorization for Hyden-Leslie County Water District to enter assistance agreements with KRWFC and KIA.


Section 3. The Chairman is hereby authorized and directed to execute any Application to the Kentucky Public Service Commission necessary to obtain authorization for Hyden-Leslie County Water District to enter assistance agreements with KRWFC and KIA.

ADOPTED BY THE BOARD OF COMMISSIONERS OF HYDEN-LESLIE COUNTY WATER DISTRICT at a meeting held on November 27, 2019 signed by the Chairman and attested by the Secretary.



Chairman

ATTEST:



Secretary

EXHIBIT 2

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE HYDEN-LESLIE COUNTY)
WATER DISTRICT FOR AUTHORITY TO ISSUE)
SECURITIES AND ISSUANCE OF A)
CERTIFICATE OF PUBLIC CONVENIENCE AND) CASE NO. 2013-00388
NECESSITY TO CONSTRUCT AN)
IMPROVEMENTS PROJECT PURSUANT TO KRS)
278.020 AND 278.300)

ORDER

Hyden-Leslie County Water District (“Hyden-Leslie District”) has applied for a Certificate of Public Convenience and Necessity (“Certificate”) for the construction of water infrastructure improvements in its water distribution system and for authority to enter into an Assistance Agreement with the Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow \$2,455,000.

Having reviewed the application and being otherwise sufficiently advised,¹ the Commission finds that:

1. Hyden-Leslie District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that produce and distribute potable water to approximately 3,483 customers in Clay, Leslie, and Perry counties, Kentucky.²

¹ Hyden-Leslie District tendered its application on November 4, 2013. In its application Hyden-Leslie District requested a deviation from 807 KAR 5:001, Section 12. On November 27, 2013, the Commission granted the requested deviation and accepted the application for filing. No person has requested leave to intervene in this matter. Hyden-Leslie District did not request a hearing on its application.

² *Annual Report of Hyden-Leslie County Water District to the Public Service Commission of Kentucky for the Year Ending December 31, 2012* at 5 and 27.

2. Hyden-Leslie District proposes a two-part water infrastructure improvement project. Contract No. 15 involves the construction of approximately 270,200 linear feet of two-, three-, and four-inch polyvinyl chloride water distribution mains and appurtenances and three booster pump stations. Contract No. 16 involves the construction of two 50,000-gallon ground water storage tanks and appurtenances.³

3. The proposed project⁴ is expected to extend water service to approximately 300 customers in Leslie County.⁵ A significant portion of these potential customers presently obtain their water through wells or cisterns that have high concentrations of iron or sulfur or are contaminated with e-coli bacteria.⁶

³ Hyden-Leslie District's Response to Commission Staff's First Request for Information, Item 5(a).

⁴ The Water Resource Information System ("WRIS") identifies the proposed project as three distinct projects with the following identifiers: WX21131007 (Hell for Certain Water Project); WX21131008 (Hyden/Leslie Water System Improvements Phase II); and WX21131111 (Grassy Water Line Extensions).

⁵ Application ¶ 12(a). According to WRIS records, surveys show that 210 households that presently do not receive water service would be served by the proposed project. Hyden-Leslie District indicates that only 207 households have currently committed to contracting for water service, but expects an additional 93 households to apply for service by completion of the proposed construction. Hyden-Leslie District's Response to Commission Staff's First Request for Information, Item 14.

⁶ E-mail message from Michael K. Maggard, Sisler-Maggard Engineering, PLLC, to Gerald Wuetcher, Commission Staff counsel (Jan. 14, 2014). *See also* WRIS Water Project Profile No. WX21131007, <http://wris.ky.gov/portal/DwPrjData/WX21131007> (last visited Jan. 15, 2014); WRIS Water Project Profile No. WX21131008, <http://wris.ky.gov/portal/DwPrjData/WX21131008> (last visited Jan. 15, 2014); WRIS Water Project Profile No. WX21131111, <http://wris.ky.gov/portal/DwPrjData/WX21131111> (last visited Jan. 15, 2014).

4. The total cost of Hyden-Leslie District's proposed project, including contingencies, engineering fees, inspection fees, legal and administrative fees, is approximately \$3,825,000.⁷

5. Total construction cost of the proposed project is \$3,265,268.⁸

6. Hyden-Leslie District proposes to finance the cost of the project with \$1,505,496.76 of appropriated funds⁹ and \$2,435,000 from the proceeds of a proposed loan from KRWFC.¹⁰

7. Sisler-Maggard Engineering, PLLC of Lexington, Kentucky, prepared the plans and specifications for the proposed project.

8. The Kentucky Division of Water has approved the plans and specifications for the proposed project.¹¹

⁷ Application Ex. A. Based upon the present number of customers who have contracted for water service in the area of the proposed extension, the proposed project's average cost per added customer is \$18,214. Based upon Hyden-Leslie District's expectations of 300 customers by completion of the project, the average cost per customer is \$12,750. Hyden-Leslie District states that, while its average cost per added customer for water main extensions has been approximately \$10,000, the average cost per customer for this project is reasonable because the extension is to less densely populated areas. E-mail message from Michael K. Maggard, Sisler-Maggard Engineering, PLLC, to Gerald Wuetcher, Commission Staff counsel (Jan. 14, 2014).

⁸ Application Ex. A.

⁹ During its 2008 Regular Session, the Kentucky General Assembly appropriated \$2.0 million to Hyden-Leslie District for three water projects: WX21131007 (\$750,000); WX21131008 (\$500,000); and WX21131111 (\$750,000). 2008 Ky. Acts Ch. 191. Hyden-Leslie District has previously used \$500,000 of these funds for a water main extension in north central Leslie County. E-mail message from Debbie Milton, Financial Analyst, Kentucky Infrastructure Authority, to Gerald Wuetcher, Commission Staff counsel (Jan. 15, 2014).

¹⁰ Although Hyden-Leslie District originally applied for authorization to borrow approximately \$2,455,000 from KRWFC, it has since advised the Commission that the loan amount will be \$2,435,000. E-mail message from W. Randall Jones, counsel for Hyden-Leslie District, to Gerald Wuetcher, Commission Staff counsel (Jan. 13, 2014). Approximately \$2,320,000 of these funds will be deposited to the project construction fund. The remaining amount will be deposited to the Capitalized Interest Fund and cover Hyden-Leslie District's allocated portion of bond issuance and related costs.

¹¹ Letter from Mark Rasche, Professional Engineer, Supervisor, Kentucky Division of Water, to Leihman Howard, Manager, Hyden-Leslie County Water District (Sept. 25, 2013).

9. The proposed construction will not result in wasteful duplication of existing facilities.

10. The proposed construction does not conflict with any existing Certificate or the service of any other utility operating in the area.

11. The public convenience and necessity require the proposed construction.

12. On or before July 31, 2013, Hyden-Leslie District commenced construction of the proposed Contract No. 15 facilities.¹²

13. Hyden-Leslie District reported to the Kentucky Infrastructure Authority that, as of September 20, 2013, contracted work of approximately \$1,010,860 for Contract No. 15 facilities had been performed.¹³

14. Hyden-Leslie District ceased construction activity on the Contract No. 15 facilities as of December 2013, pending Commission action on Hyden-Leslie District's application.¹⁴

15. Hyden-Leslie District proposes to execute an Assistance Agreement with KRWFC to borrow \$2,455,000 at an interest rate of 2.40 percent per annum and to be repaid over a three-year period.¹⁵

¹² Memorandum from Gerald Wuetcher, Commission Staff Counsel, to Case Record (Jan. 29, 2013) at 1.

¹³ Request for Payment and Project Status, Project No. WX2113108, Periodic Estimate No. 3 (Sept. 26, 2013) at 1.

¹⁴ Memorandum from Gerald Wuetcher, Commission Staff Counsel, to Case Record (Jan. 29, 2013) at 1.

¹⁵ Under the terms of the proposed Assistance Agreement, Hyden-Leslie District will make an interest payment of \$36,989 on August 1, 2014, and interest payments of \$29,460 on February 1, 2015, August 1, 2015, and February 1, 2016. It is required to make a principal payment of \$2,455,000 on February 1, 2016. Application Ex. D.

16. Based upon its projections, Hyden-Leslie District will have sufficient cash flow in 2014 to meet the debt service requirements of its existing debt instruments and the proposed KRWFC loan for calendar year 2014.¹⁶

17. Hyden-Leslie District does not propose any change to its rates for water service within the next 12 to 14 months.¹⁷

18. Hyden-Leslie District intends to obtain permanent financing for the proposed project through a loan from Rural Development and anticipates that as a condition for such loan, RD will require an adjustment of Hyden-Leslie District's rates for water service to pay the principal and interest payments on the proposed loan.¹⁸

19. As of January 24, 2014, Hyden-Leslie District had not yet submitted a completed application to Rural Development for a loan to permanently finance the proposed facilities.

20. As of January 24, 2014, Rural Development had not completed the required environmental review for a loan to permanently finance the proposed facilities and had made no commitment to make such loan.¹⁹

21. The proposed Assistance Agreement with KRWFC is for a lawful object within Hyden-Leslie District's corporate purposes, is necessary and appropriate for and consistent with Hyden-Leslie District's proper performance of its service to the public,

¹⁶ E-mail message from W. Randall Jones, counsel for Hyden-Leslie District, to Gerald Wuetcher, Commission Staff counsel (Jan. 10, 2014).

¹⁷ *Id.*

¹⁸ *Id.* Hyden-Leslie District indicates that any application for rate adjustment will be made pursuant to KRS 278.023.

¹⁹ E-mail message from Vernon Brown, Rural Development Kentucky State Office, to Gerald Wuetcher, Commission Staff counsel (Jan. 24, 2014).

will not impair Hyden-Leslie District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

22. Hyden-Leslie District's commencement of construction of the Contract 15 facilities prior to the Commission's issuance of a Certificate for those facilities should be addressed in a future Commission proceeding.

IT IS THEREFORE ORDERED that:

1. Hyden-Leslie District is granted a Certificate to proceed with the proposed construction as set forth in its application.

2. Hyden-Leslie District shall notify the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with prior approval of the Commission.

4. Hyden-Leslie District shall file with the Commission documentation of the total costs of this project, including the cost of construction and all other capitalized costs (engineering, legal, administrative, etc.), within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

5. Hyden-Leslie District shall file a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

6. Hyden-Leslie District shall require construction to be inspected under the general supervision of a Licensed Professional Engineer with a Kentucky registration in civil, electrical, or mechanical engineering to ensure that the construction work is done in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. Hyden-Leslie District is authorized to enter into an Assistance Agreement with KRWFC to borrow no more than \$2,435,000 to be repaid over a three-year period at an interest rate not to exceed 2.4 percent per annum.


8. Within 30 days of executing the proposed Assistance Agreement with KRWFC, Hyden-Leslie District shall file with the Commission a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that Hyden-Leslie District has not previously filed with the Commission.

9. Hyden-Leslie District shall use the proceeds from the proposed Assistance Agreement only for the lawful purposes specified in its application.

10. Any documents filed in the future pursuant to ordering paragraphs 2, 4, 5, and 8 shall reference this case number and shall be retained in the utility's general correspondence file.

11. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Hyden-Leslie District's showing of good cause for such extension.

By the Commission

ENTERED 
FEB 06 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2013-00388

Leihman Howard
General Manager
Hyden-Leslie County Water District
325 Wendover Road
Hyden, KY 41749

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202

EXHIBIT 3

RECEIVED

FEB 13 2014

PUBLIC SERVICE
COMMISSION

ASSISTANCE AGREEMENT

BETWEEN

KENTUCKY RURAL WATER FINANCE CORPORATION

AND

HYDEN-LESLIE COUNTY WATER DISTRICT

DATED

DECEMBER 18, 2013

IN THE AMOUNT OF \$2,435,000

This document was prepared by:

RUBIN & HAYS
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 669-7525

By

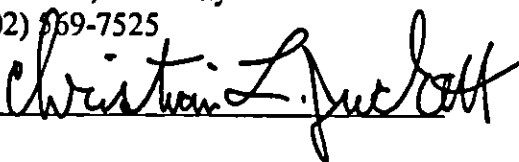


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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of December 18, 2013 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") and the Hyden-Leslie County Water District, P.O. Box 906, Hyden, Kentucky 41749 (the "Governmental Agency"):

WITNESSETH

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the "Program") designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer issued, in various series, its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program) (the "Bonds") pursuant to a Trust Indenture dated as of April 4, 2001, as supplemented from time to time (collectively, the "Indenture") between the Issuer and Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to assistance agreements; and

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F (the "Series 2013F Bonds") in the aggregate principal amount of \$ _____, pursuant to a Supplemental Trust Indenture No. 55, dated as of December 18, 2013 by and between the Issuer and the Trustee, which Series 2013F Bonds will rank on a parity with the Bonds and the proceeds of which will be used by certain Governmental Agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the governmental entities and the Issuer; and

WHEREAS, the Governmental Agency, presently owns and operates the waterworks system (the "System") of said Governmental Agency; and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to finance improvements and extensions to the System (hereinafter more specifically defined as the "Project"), and the Issuer has determined that the Project is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

WHEREAS, the Issuer has found and determined that the Project will be in furtherance of the purposes of the Issuer and the Governmental Agency under the Act; and

WHEREAS, the Governmental Agency has designated the Issuer as its instrumentality and agency; and

WHEREAS, pursuant to this Assistance Agreement the Governmental Agency will proceed with the Project; and

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$2,435,000 [the "Obligations"], for the purpose of providing funds for the Project; and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency is authorized to enter into this Assistance Agreement and to borrow the Obligations to provide such funds for the purpose aforesaid; and

WHEREAS, the Issuer 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; and

WHEREAS, the Issuer 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 financing of the Project subject to the repayment of the Loan and the Obligations 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:

Section 1. Definitions. As used in this Assistance Agreement, unless the context requires otherwise:

"Act" refers to Chapters 58 and 74 of the Kentucky Revised Statutes.

"Assistance Agreement" refers to this Assistance Agreement authorizing the Loan and the Obligations.

"Bond Counsel" refers to Rubin & Hays, Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202, or any other nationally recognized individual or firm in the field of municipal bond law.

"Bond Legislation of 2000" or *"2000 Bond Legislation"* refer to the Resolution authorizing the Series 2000 Bonds, duly adopted by the Governing Body of the Governmental Agency on March 21, 2000.

"Bond Legislation of 2011" or *"2011 Bond Legislation"* refer to the Resolution authorizing the Series 2011 Bonds, duly adopted by the Governing Body of the Governmental Agency on October 28, 2010.

"Bondowner", "Owner", "Bondholder" means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Bonds at the time issued and outstanding hereunder.

"Bonds" refers to the Obligations, the Prior Bonds and any additional Parity Bonds.

"Certified Public Accountants" refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky and knowledgeable about the affairs of the System and/or of other Governmental Agency financial matters.

"Code" refers to the United States Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

"Compliance Group" refers to the Compliance Group identified and defined in the Indenture.

"Engineer" or *"Independent Consulting Engineer"* refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks and sewer engineering.

"Fiscal Year" refers to the annual accounting period of the Governmental Agency, beginning on January 1, and ending on December 31, of each year.

"Governing Body" means the Board of Commissioners of the Governmental Agency or such other body as shall be the governing body of said Governmental Agency under the laws of Kentucky at any given time.

"Governmental Agency" refers to the Hyden-Leslie County Water District, P.O. Box 906, Hyden, Kentucky 41749.

"Governmental Agency Chief Executive" refers to the Chairman of the Governing Body.

"Governmental Agency Clerk" refers to the Secretary of the Governing Body.

"Indenture" means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 55, dated December 18, 2013, by and between the Issuer and the Trustee.

"Interest Payment Date" shall mean February 1, 2016.

"Issuer" refers to the Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky.

"KIA Loan" refers to the outstanding Kentucky Infrastructure Authority Loan to the Governmental Agency at the rate of 3%, with final payment due June 1, 2015.

"Obligations" refers to the Loan authorized by this Assistance Agreement in the principal amount of \$2,435,000, maturing January 1, 2016.

"Outstanding Bonds" refers collectively to all outstanding Prior Bonds, the outstanding Obligations and any outstanding Parity Bonds, and does not refer to any bonds that have been defeased.

"Permanent Financing" shall mean proceeds of temporary or permanent financing or other borrowing secured by revenues of the Governmental Agency of whatever nature or from any other legally available funds of the Governmental Agency, including, but not limited to, long term financing issued under the Program or bonds issued by the Governmental Agency and delivered to a purchaser for the purpose of financing the costs of the Project.

"Permitted Investments" refers to the following:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in the Commonwealth of Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- i. United States Treasury;
- ii. Export-Import Bank of the United States;
- iii. Farmers Home Administration;
- iv. Government National Mortgage Corporation; and
- v. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

- i. Federal Home Loan Mortgage Corporation;
- ii. Federal Farm Credit Banks;
- iii. Bank for Cooperatives;
- iv. Federal Intermediate Credit Banks;
- v. Federal Land Banks;
- vi. Federal Home Loan Banks;
- vii. Federal National Mortgage Association; and
- viii. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated on one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics:

- i. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
- ii. The management company of the investment company shall have been in operation for at least five (5) years; and
- iii. All of the securities in the mutual fund shall be eligible investments under this section.

Investments in the above instruments are subject to the following conditions and limitations:

(a) The amount of money invested at any time by a local government or political subdivision in one (1) or more of the categories of investments authorized by subsection (e), (f), (g), and (i) of this definition shall not exceed twenty percent (20%) of the total amount of money invested by the local government; and

(b) No local government or political subdivision shall purchase any investment authorized herein on a margin basis or through the use of any similar leveraging technique.

"Prior Bond Legislation" refers to the 2000 Bond Legislation, 2011 Bond Legislation, and Series 2012E Assistance Agreement.

"Prior Bonds" refers collectively to the Series 2000 Bonds, Series 2011 Bonds, and Series 2012E Loan.

"Program" refers to the Issuer's Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvement of public projects for governmental entities.

"Program Administrator" refers to the Kentucky Rural Water Association, Inc., Bowling Green, Kentucky.

"Program Reserve Fund" refers to the Program Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

"Project" refers to financing the cost to construct improvements to the water distribution system, including water tanks, pump stations and water lines, for the Governmental Agency, with appurtenances, with the proceeds of the Obligations.

"Requisition Certificate" means the form attached hereto as Exhibit B to be utilized by the Governmental Agency in obtaining disbursements of the Loan from the Governmental Agency Account for the Project.

"Series 2000 Bonds" refers to the outstanding Hyden-Leslie County Water District Waterworks Revenue Bonds, Series 2000, dated August 24, 2000, in the original authorized principal amount of \$310,000.

"*Series 2011 Bonds*" refers to the outstanding Hyden-Leslie County Water District Waterworks Revenue bonds, Series 2011, dated February 3, 2012, in the original principal amount of \$3,050,000, consisting of \$1,094,000 of Series A Bonds and \$1,956,000 of Series B Bonds

"*Series 2012E Assistance Agreement*" refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated August 29, 2012, authorizing the loan in the principal amount of \$595,000 from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E.

"*Series 2012E Loan*" refers to the loan to the Governmental Agency in the principal amount of \$595,000, dated August 29, 2012, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E.

"*System*" refers to the Governmental Agency's waterworks system, together with all future extensions, additions and improvements to said System.

"*Treasurer*" refers to the Treasurer of the Governmental Agency.

"*Trustee*" refers to Regions Bank, Nashville, Tennessee.

"*U.S. Obligations*" refers to bonds, notes, or Treasury Bills, which are direct obligations of the United States of America or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government Series, and Trust Receipts representing an ownership interest in direct obligations of the United States.

Section 2. Reaffirmation of Declaration of Waterworks System. That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Governmental Agency as a waterworks system are hereby in all respects ratified and confirmed; and so long as any of the Obligations hereinafter authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and maintained for the security and source of payment of the Obligations. Said System is hereby declared to constitute a public project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

Section 3. Authorization of Obligations; Place of Payment; Manner of Execution. That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$2,435,000 from the Program, for the purpose of providing funds for the Project.

The Obligations shall mature on February 1, 2016, in such principal amount, and shall bear interest payable on the Interest Payment Date, in the maturities and at the interest rate as set forth in Exhibit A attached hereto.

The principal of, redemption price, if any, and interest on the Obligations shall be payable in lawful money of the United States of America on the Interest Payment Date to the Trustee for the Program.

In the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Obligations and any other payments due under this Assistance Agreement on behalf of the Governmental Agency (the "Reserve Withdrawal"), the Governmental Agency shall pay to the Trustee, in each month, pursuant to the ACH Debit Direct Payment Method, an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

Section 4. Optional Redemption. The Obligations shall not be subject to optional redemption prior to maturity.

Section 5. Recognition of Prior Bonds. The Governmental Agency hereby expressly recognizes and acknowledges that the Governmental Agency has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Legislation.

Section 6. Obligations Shall be Payable on Third Lien Basis Out of Gross Revenues. The Obligations shall be secured by and payable on a third lien basis by and payable solely from the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior Bonds and the KIA Loan.

Section 7. Permanent Financing. The Governmental Agency does hereby covenant that if for any reason the anticipated funding for the payment of the principal and interest on the Obligations fails to be provided on or before the Maturity Date, the Governmental Agency shall take all such action required to retire the Obligations with cash reserves of the Governmental Agency or obtain Permanent Financing and retire the Obligations on such date from the proceeds of Permanent Financing.

Section 8. Pledge and Assignment of the Governmental Agency; Further Assurance; Completion of Project. The Governmental Agency does hereby irrevocably assign and pledge to the Issuer and its successors or assigns, for the benefit of the owners of all bonds issued under the Indenture, all right, title and interest of the Governmental Agency in and to the proceeds of the Permanent Financing and all monies to be received from the purchaser of bonds issued pursuant to the Permanent Financing for the Project. The Governmental Agency acknowledges and agrees that the Issuer, pursuant to the Indenture, has assigned and pledged to the Trustee for the benefit and security of the owners of the bonds issued under the Indenture all

of its rights under the provisions of this Assistance Agreement and the Obligations. Accordingly, this Assistance Agreement shall not be terminated, modified or changed by the Issuer or the Governmental Agency except with the consent of the Trustee in the manner and subject to the conditions permitted by the terms and provisions of the Indenture.

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.

The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project so that the Permanent Financing can be delivered on or prior to the Maturity Date.

Section 9. Flow of Funds. All proceedings preliminary to and in connection with the issuance of the Prior Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the Prior Bonds; for the operation of said System on a revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; and for the enforcement and payment of the Prior Bonds; and all other covenants for the benefit of the bondholders set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Prior Bonds, the same as if such provisions and proceedings were repeated in full herein

Section 10. Disposition of Proceeds of the Obligations; Governmental Agency Account. Upon (i) the execution of this Assistance Agreement, (ii) the delivery of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted in the Program, and (iv) upon receipt by the Governmental Agency of the proceeds of the Obligations, the proceeds shall be applied as follows:

(a) *Disposition of the Proceeds.* There shall first be deducted and paid from the proceeds of the Obligations the fees and costs incurred by the Governmental Agency and any other pertinent expenses incident to the issuance, sale and delivery of the Obligations and such other appropriate expenses as may be approved by the Governmental Agency Chief Executive, including but not limited to the Governmental Agency's pro rata share of the Program's fees and expenses.

The balance shall be deposited to the Governmental Agency Account to be used for the Project.

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "Hyden-Leslie County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and the amount on deposit in said Governmental Agency Account shall be applied to the extent necessary, to pay the cost of the Project.

Pending disbursement for the cost of the Project, the proceeds of the Obligations shall be subject to a first and paramount lien and charge in favor of the Issuer, for the benefit of the owners of all bonds issued under the Indenture, and for their further security.

Investment income derived from investment of the Governmental Agency Account, which shall be invested in Permitted Investments in accordance with this Assistance Agreement, shall, as received, be deposited in the Governmental Agency Account.

The Trustee shall be obligated to send written notice to the Governmental Agency of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days. In the absence of written direction from the Governmental Agency with respect to investment of moneys held in the Governmental Agency Account, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Permitted Investments under this Assistance Agreement.

Payment from the Governmental Agency Account for costs in connection with the Project shall be made only upon a Requisition Certificate (a copy of which is attached hereto as Exhibit B) delivered to the Trustee which has been approved by the Engineers having charge of supervising the Project, and countersigned by the Governmental Agency Chief Executive, said Engineers to certify in each instance that the Requisition Certificate represents a sum actually earned by and due to the proposed payee under a contract with said Governmental Agency for work performed and/or materials furnished in connection with the Project, or represents a sum necessary to be expended for land and/or rights of way necessary to be acquired by the Governmental Agency in connection with said Project.

No expenditure shall be made from the Governmental Agency Account except for proper and authorized expenses relating to the Project in accordance with the contracts, plans and specifications approved by the Governmental Agency.

After completion of the Project, as certified by the Engineers, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Obligations from Federal income taxation, upon orders of the Governing Body, be transferred to the Trustee and deposited into an escrow fund to defease the Obligations pursuant to "Section 14. Defeasance and/or Refunding of Obligations" hereof, if such (in the opinion of recognized Bond Counsel) will not cause the Bonds to be "arbitrage bonds".

Section 11. Arbitrage Limitations.

(a) The Governmental Agency covenants that neither the proceeds of the Obligations, nor "Non-Exempt Revenues" of the System, as defined below, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Obligations, if such investment would cause such Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested

to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Obligations to be treated as "arbitrage bonds."

(b) "Non-Exempt Revenues" within the meaning of the foregoing shall be deemed to refer to revenues of the System deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Obligations, in excess of "Exempt Revenues," which Exempt Revenues are:

(1) amounts deposited in a sinking fund for the purpose of paying debt service on any Obligations against the System within thirteen (13) months from the date of deposit; and

(2) amounts deposited in a depreciation fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose).

(c) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set out in Subsection (a) above.

(d) On the basis of information furnished to the Governmental Agency, on known facts, circumstances and reasonable expectations on the date of enactment of this Assistance Agreement, the Governmental Agency certifies as follows:

(1) That it is not expected or contemplated that the proceeds of the Obligations will be used or invested in any manner which will cause any of the Obligations to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder.

(2) That it is not expected or contemplated that the Governmental Agency will make any use of the proceeds of the Obligations, which, if such use had been reasonably anticipated on the date of issuance of the Obligations, would have caused the Obligations to be arbitrage bonds.

(3) That it is expected and contemplated that the Governmental Agency will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Obligations will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts on deposit in a sinking fund will be used within 13 months from the date of deposit for the payment of debt service on the outstanding Obligations and all Prior Bonds payable from said sinking fund.

(5) That amounts accumulated in a sinking fund shall not exceed the limitations set forth in this Assistance Agreement.

(6) That it is not reasonably anticipated that amounts accumulated in a depreciation fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such depreciation fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Obligations, the Governmental Agency Chief Executive and/or the Governmental Agency Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Obligations, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Obligations will be exempt from all federal income taxes and that the Obligations will not constitute or be treated as arbitrage bonds.

Section 12. Rates and Charges for Services of the System. While the Obligations remain outstanding and unpaid, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the Outstanding Bonds and the accruing interest on all Outstanding Bonds as may be outstanding under the provisions of this Assistance Agreement and the Prior Bond Legislation, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Assistance Agreement. Prior to the issuance of the Obligations a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Assistance Agreement has been established and adopted.

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (as defined in Section 11 hereof) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 11 hereof.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by

the net revenues of the System in that fiscal year, calculated in the manner specified in Section 11 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 13. All Obligations of this Issue Are Equal. The Obligations authorized and permitted to be issued hereunder, and from time to time outstanding, shall not be entitled to priority one over the other in the application of the income and revenues of the System regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, the Prior Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

Section 14. Defeasance and/or Refunding of Obligations. The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the outstanding Obligations to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or U.S. Obligations, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such outstanding Obligations, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the outstanding Obligations to and on said date, or (b) to pay all principal and interest requirements on the outstanding Obligations as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body. Such U.S. Obligations shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the outstanding Obligations and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 15. Contractual Nature of Assistance Agreement. The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of any of such Obligations, no change, variation or alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 16. Appointment and Duties of Trustee. The Trustee is hereby designated as the bond registrar and paying agent with respect to the Obligations.

Its duties as Trustee shall be as follows:

- (a) To register all of the Obligations in the names of the Issuer;
- (b) To cancel and destroy (or remit to the Governmental Agency for destruction, if so requested by the Governmental Agency) all exchanged, matured, retired and redeemed Obligations, and to maintain adequate records relevant thereto;
- (c) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;
- (d) To notify the Issuer of any Obligations to be redeemed and to redeem Obligations prior to their stated maturity upon receiving sufficient funds; and
- (e) To supply the Governmental Agency with a written accounting evidencing the payment of interest on and principal of the Obligations within thirty (30) days following each respective due date.

The Trustee shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Trustee shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Assistance Agreement, or the responsibility for the consequences of any oversight or error in judgment.

The Trustee may at any time resign from its duties set forth in this Assistance Agreement by filing its resignation with the Governmental Agency Clerk and notifying the Issuer. Thereupon, the Issuer shall notify the Governmental Agency of a successor Trustee which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Trustee, provision shall be made for the orderly transition of the books, records and accounts relating to the Obligations to the successor Trustee in order that there will be no delinquencies in the payment of interest or principal due on the Obligations.

Section 17. Provisions in Conflict Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 18. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986. In order to assure purchasers of

the Obligations that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no actions which will violate any of the provisions of the Code, or would cause the Obligations to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Obligations will be used for any purpose which would cause the interest on the Obligations to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations.

The Governmental Agency reserves the right to amend this Assistance Agreement but only with the consent of the Issuer (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Obligations shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of these Obligations, or the application of such proceeds or of the revenues of the System. The purchasers of these Obligations are deemed to have relied fully upon these covenants and undertakings on the part of the Governmental Agency as part of the consideration for the purchase of the Obligations. To the extent that the Governmental Agency obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Assistance Agreement or referred to in this Assistance Agreement would not subject interest on the Obligations to federal income taxes or Kentucky income taxes, the Governmental Agency shall not be required to comply with such covenants or requirements.

This Assistance Agreement is executed in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Obligations from Kentucky ad valorem taxation and as to exemption of interest on the Obligations from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the Governmental Agency complies with covenants made by the Governmental Agency with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Governmental Agency with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations. The Governmental Agency has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Obligations are not "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 19. Insurance.

(a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the Governmental Agency shall, upon receipt of the proceeds of the sale of the Obligations, if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System, of a kind and in such amounts as would ordinarily be carried by private companies or public bodies engaged in operating a similar utility.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Obligations are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System the Governmental Agency shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(b) *Liability Insurance on Facilities.* So long as any of the Obligations are outstanding, the Governmental Agency shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death; and not less than \$200,000 from claims for damage to property of others which may arise from the Governmental Agency's operations of the System and any other facilities constituting a portion of the System.

(c) *Vehicle Liability Insurance.* If and to the extent that the Governmental Agency owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Obligations, the Governmental Agency shall, if such insurance is not already in force, procure and maintain, so long as any of the Obligations are outstanding, vehicular public liability insurance with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Governmental Agency.

Section 20. Event of Default; Remedies. The following items shall constitute an "Event of Default" on the part of the Governmental Agency:

(a) The failure to pay principal on the Obligations when due and payable, either at maturity or by proceedings for redemption;

(b) The failure to pay any installment of interest on the Obligations when the same shall become due and payable;

(c) The failure of the Governmental Agency to fulfill any of its obligations pursuant to this Assistance Agreement and to cure any such failure within 30 days after receipt of written notice of such failure; and/or

(d) The failure to promptly repair, replace or reconstruct essential facilities of the System after any major damage and/or destruction thereof.

Upon the occurrence of an Event of Default, the Issuer or the Trustee on its behalf, as owner of the Obligations, may enforce and compel the performance of all duties and obligations of the Governmental Agency as set forth herein. Upon the occurrence of an Event of Default,

then, upon the filing of suit by the Trustee or the Issuer, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Governmental Agency, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Obligations, and for the payment of operation and maintenance expenses of the System, and to provide and apply the income and revenues in conformity with this Assistance Agreement and with the laws of the Commonwealth of Kentucky.

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of any of the Obligations may require the Governmental Agency by demand, court order, injunction, or otherwise, to raise all applicable rates charged for services of the System a reasonable amount, consistent with the requirements of this Assistance Agreement.

Section 21. Annual Reports. The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 2013) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

The annual financial information and operating data, including audited financial statements, will be made available on or before 120 days after the end of each fiscal year.

Section 22. Supplemental Assistance Agreement. The Governmental Agency may, but only with the consent of the Issuer, execute one or more supplemental Assistance Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Assistance Agreement;
- (b) to subject to the lien and pledge of this Assistance Agreement additional revenues, properties, or collateral which may legally be subjected;
- (c) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;
- (d) to add to the covenants and agreements of the Governmental Agency in this Assistance Agreement, other covenants and agreements thereafter to be incurred by the Governmental Agency or to surrender any right or power herein reserved to or conferred upon the Governmental Agency;
- (e) to effect the issuance of additional Parity Bonds; and/or
- (f) to modify the terms and conditions of this Assistance Agreement at the request of the Issuer in order to assist the Issuer in operating the Program or to maintain any rating the Issuer may have on its Program obligations.

Section 23. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Issuer 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 24. 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 25. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto shall become in 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 therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

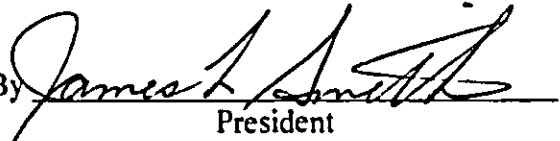
Section 26. Signatures of Officers. If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Obligations cease to be such officers before delivery of the Obligations, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

Section 27. Severability Clause. If any section, paragraph, clause or provision of this Assistance Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Assistance Agreement.

[Signature page follows]

1
IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Hyden-Leslie County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By  _____
President

Attest:

By _____
Secretary/Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By _____
Chairman

Attest:

By _____
Secretary

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Hyden-Leslie County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

By  _____
Secretary/Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By _____
Chairman

Attest:

By _____
Secretary

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Hyden-Leslie County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

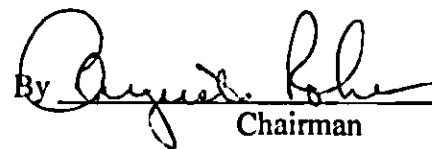
KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

By _____
Secretary/Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By  _____
Chairman

Attest:

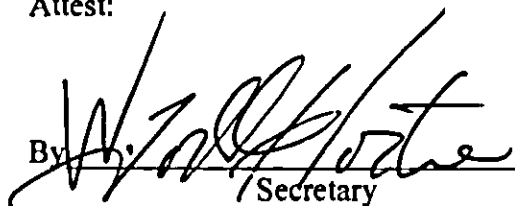
By  _____
Secretary

EXHIBIT A

Debt Service Schedule

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2013 F

Borrower: Hyden Leslie-County Water District
 Closing Date: 12/18/13

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Capitalized Interest	Trustee Fees	Total	Fiscal Total
12/18/13							
02/01/14			30,166 94	(30,166 94)	450 00	450 00	
08/01/14			24,350 00	(24,350 00)			450 00
02/01/15			24,350 00	(24,350 00)	450 00	450 00	
08/01/15			24,350 00	(24,350 00)			450 00
02/01/16	2,435,000 00	2 000%	24,350 00	(24,350 00)		2,435,000 00	
Totals	<u>2,435,000 00</u>		<u>127,566 94</u>	<u>(127,566 94)</u>	<u>900 00</u>	<u>2,435,900 00</u>	2,435,000.00

**EXHIBIT B
REQUISITION CERTIFICATE**

Request No. _____

Dated _____

To: Regions Bank
150 Fourth Avenue North, Suite 900
Nashville, TN 37219
Fax Number: (615) 687-4503

From: Hyden-Leslie County Water District ("Governmental Agency")
Contact Person: Chairman, P.O. Box 906, Hyden, Kentucky 41749

Re: Loan in the amount of \$2,435,000, dated December 18, 2013, to the Hyden-Leslie County Water District from the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F.

Ladies and Gentlemen:

1. That _____ (the "Payee") is due the sum of \$ _____, which represents an amount duly earned by and payable to said Payee, its successors or assigns, for labor, materials, work and/or services detailed in the attached Exhibits and furnished under an existing contract with the above identified Governmental Agency, relating to the "Project" (as described in the Assistance Agreement between the Governmental Agency and the Kentucky Rural Water Finance Corporation) financed by the issuance of the above-identified Loan, and that if such sum is for materials and/or supplies furnished, such materials and/or supplies have been received, and if for services, such services have been performed;

2. That the Payee has expended or is expending concurrently with the delivery of this Certificate, the amount set out above on account of the cost of the Project, and that no Requisition Certificate with respect to such expenditure has previously been delivered to Regions Bank, Nashville, Tennessee, as Trustee; and

3. That the undersigned are presently the persons who have been duly designated to execute this Requisition Certificate in connection with such Project, and that the authority of the undersigned to do so has not been canceled, revoked, rescinded, changed or altered in any manner.

Respectfully submitted,

HYDEN-LESLIE WATER DISTRICT

By _____
Chairman

**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 and that all expenses represented in this request were duly incurred for the construction of the "Project," and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Consultant

Firm Name _____

By _____

Title _____

EXHIBIT 4

ASSISTANCE AGREEMENT

BETWEEN

KENTUCKY RURAL WATER FINANCE CORPORATION

AND

HYDEN-LESLIE COUNTY WATER DISTRICT

DATED

FEBRUARY 1, 2016

IN THE AMOUNT OF \$2,540,000

This document was prepared by:

RUBIN & HAYS
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

By

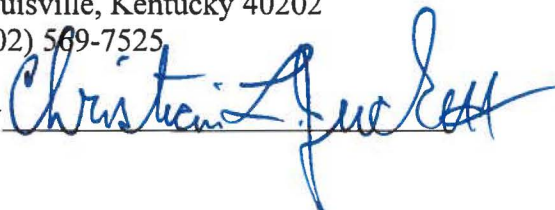


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EXHIBIT A..... Debt Service Schedule

ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of February 1, 2016 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") and the Hyden-Leslie County Water District, P.O. Box 906, Hyden, Kentucky 41749 (the "Governmental Agency"):

WITNESSETH

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the "Program") designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer issued, in various series, its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program) (the "Bonds") pursuant to a Trust Indenture dated as of April 4, 2001, as supplemented from time to time (collectively, the "Indenture") between the Issuer and Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to assistance agreements; and

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2016A (the "Series 2016A Bonds") in the aggregate principal amount of \$8,135,000, pursuant to a Supplemental Trust Indenture No. 64, dated as of February 1, 2016 by and between the Issuer and the Trustee, which Series 2016A Bonds will rank on a parity with the Series 2001 Bonds and the proceeds of which will be used by certain Governmental Agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the Governmental Agencies and the Issuer; and

WHEREAS, the Governmental Agency, presently owns and operates the waterworks system (the "System") of said Governmental Agency; and

WHEREAS, the Governmental Agency has an outstanding loan in the amount of \$2,435,000, dated December 18, 2013, from the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F, that matures February 1, 2016 (the "Series 2013F Loan"), which loan was issued to finance the cost to construct improvements to the water distribution system, including water tanks, pump stations and water lines, with appurtenances the ("Project"); and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to currently refund the Series 2013F Loan (the "Refunding Program"), and the Issuer has determined that the Refunding Program is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

WHEREAS, the Governmental Agency has designated the Issuer as its instrumentality and agency; and

WHEREAS, pursuant to this Assistance Agreement the Governmental Agency will proceed with the Refunding Program; and

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$2,540,000 [the "Obligations"], for the purpose of providing funds for the Refunding Program; and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency is authorized to enter into this Assistance Agreement and to borrow the Obligations to provide such funds for the purpose aforesaid; and

WHEREAS, the Issuer 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 Refunding Program upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained; and

WHEREAS, the Issuer 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 financing of the Refunding Program subject to the repayment of the Loan and the Obligations 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:

Section 1. Definitions.

As used in this Assistance Agreement, unless the context requires otherwise:

"Act" refers to Chapters 58 and 74 of the Kentucky Revised Statutes, as amended.

"Assistance Agreement" refers to this Assistance Agreement authorizing the Loan and the Obligations.

"Bond Counsel" refers to Rubin & Hays, Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202, or any other nationally recognized individual or firm in the field of municipal bond law.

“*Bond Legislation of 2000*” or “*2000 Bond Legislation*” refer to the Resolution authorizing the Series 2000 Bonds, duly adopted by the Governing Body of the Governmental Agency on March 21, 2000.

“*Bond Legislation of 2011*” or “*2011 Bond Legislation*” refer to the Resolution authorizing the Series 2011 Bonds, duly adopted by the Governing Body of the Governmental Agency on October 28, 2010.

“*Bondowner*”, “*Owner*”, “*Bondholder*” means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Bonds at the time issued and outstanding hereunder.

“*Bonds*” refers to the Obligations, the Prior Bonds and any additional Parity Bonds.

“*Certified Public Accountants*” refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky and knowledgeable about the affairs of the System and/or of other Governmental Agency financial matters.

“*Code*” refers to the United States Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

“*Compliance Group*” refers to the Compliance Group identified and defined in the Indenture.

“*Debt Reserve Fund*” refers to the Hyden-Leslie County Water District Water System Debt Reserve Fund, described in Section 402 of the 2011 Bond Legislation.

“*Engineer*” or “*Independent Consulting Engineer*” refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks and sewer engineering.

“*Fiscal Year*” refers to the annual accounting period of the Governmental Agency, beginning on January 1, and ending on December 31, of each year.

“*Funds*” refers to the Revenue Fund, the Sinking Fund, the Second Lien Sinking Fund, the Operation and Maintenance Fund, the Debt Reserve Fund and the Governmental Agency Account.

“*Governing Body*” means the Board of Commissioners of the Governmental Agency or such other body as shall be the governing body of said Governmental Agency under the laws of Kentucky at any given time.

“*Governmental Agency*” refers to the Hyden-Leslie County Water District, P.O. Box 906, Hyden, Kentucky 41749.

“*Governmental Agency Chief Executive*” refers to the Chairman of the Governing Body.

“*Governmental Agency Clerk*” refers to the Secretary of the Governing Body.

“*Indenture*” means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 64, dated February 1, 2016, by and between the Issuer and the Trustee.

“*Interest Payment Date*” shall mean the 1st day of each August and February of each year, commencing August 1, 2016, and continuing through and including February 1, 2018 or until the Loan has been paid in full.

“*Issuer*” refers to the Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky.

“*Obligations*” refers to the Loan authorized by this Assistance Agreement in the principal amount of \$2,540,000, maturing January 1, 2016.

“*Operation and Maintenance Fund*” refers to the Hyden-Leslie County Water District Operation and Maintenance Fund created and confirmed in the Prior Bond Legislation, which Fund will continue to be maintained for the benefit of the System.

“*Outstanding Bonds*” refers collectively to all outstanding Prior Bonds, the outstanding Obligations and any outstanding Parity Bonds, and does not refer to any bonds that have been defeased.

“*Permanent Financing*” shall mean proceeds of temporary or permanent financing or other borrowing secured by revenues of the Governmental Agency of whatever nature or from any other legally available funds of the Governmental Agency, including, but not limited to, long term financing issued under the Program or bonds issued by the Governmental Agency and delivered to a purchaser for the purpose of financing the cost to refund the Obligations.

“*Permitted Investments*” refers to the following:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in the Commonwealth of Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- i. United States Treasury;
- ii. Export-Import Bank of the United States;
- iii. Farmers Home Administration;

- iv. Government National Mortgage Corporation; and
- v. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

- i. Federal Home Loan Mortgage Corporation;
- ii. Federal Farm Credit Banks;
- iii. Bank for Cooperatives;
- iv. Federal Intermediate Credit Banks;
- v. Federal Land Banks;
- vi. Federal Home Loan Banks;
- vii. Federal National Mortgage Association; and
- viii. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated on one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics:

- i. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
- ii. The management company of the investment company shall have been in operation for at least five (5) years; and
- iii. All of the securities in the mutual fund shall be eligible investments under this section.

Investments in the above instruments are subject to the following conditions and limitations:

(a) The amount of money invested at any time by a local government or political subdivision in one (1) or more of the categories of investments authorized by subsection (e), (f), (g), and (i) of this definition shall not exceed twenty percent (20%) of the total amount of money invested by the local government; and

(b) No local government or political subdivision shall purchase any investment authorized herein on a margin basis or through the use of any similar leveraging technique.

“*Prior Bond Legislation*” refers to the 2000 Bond Legislation, 2011 Bond Legislation, and Series 2012E Assistance Agreement.

“*Prior Bonds*” refers collectively to the Series 2000 Bonds, Series 2011 Bonds, and Series 2012E Loan.

“*Program*” refers to the Issuer’s Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvement of public projects for governmental entities.

“*Program Administrator*” refers to the Kentucky Rural Water Association, Inc., Bowling Green, Kentucky.

“*Program Reserve Fund*” refers to the Program Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

“*Project*” refers to financing the cost to construct improvements to the water distribution system, including water tanks, pump stations and water lines, for the Governmental Agency, with appurtenances, with the proceeds of the Series 2013F Loan.

“*Refunding Program*” refers to financing the cost to currently refund the Series 2013F Loan, which matures February 1, 2016.

“*Revenue Fund*” refers to the Hyden-Leslie County Water District Water Revenue Fund created in the Prior Bond Legislation and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

“*Second Lien Sinking Fund*” refers to the Hyden-Leslie County Water District Second Lien Sinking Fund, which Second Lien Sinking Fund will be maintained for the benefit of all of the Bonds.

“*Series 2000 Bonds*” refers to the outstanding Hyden-Leslie County Water District Waterworks Revenue Bonds, Series 2000, dated August 24, 2000, in the original authorized principal amount of \$310,000.

“*Series 2011 Bonds*” refers to the outstanding Hyden-Leslie County Water District Waterworks Revenue bonds, Series 2011, dated February 3, 2012, in the original principal amount of \$3,050,000, consisting of \$1,094,000 of Series A Bonds and \$1,956,000 of Series B Bonds

“*Series 2012E Assistance Agreement*” refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated August 29, 2012, authorizing the loan in the principal amount of \$595,000 from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E.

“*Series 2012E Loan*” refers to the loan to the Governmental Agency in the principal amount of \$595,000, dated August 29, 2012, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E.

“*Series 2013F Assistance Agreement*” refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated December 18, 2013, authorizing the loan in the principal amount of \$2,435,000 from the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F.

“*Series 2013F Loan*” refers to the loan to the Governmental Agency in the principal amount of \$2,435,000, dated December 18, 2013, from the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F.

“*Sinking Fund*” refers to the Hyden-Leslie County Water District Sinking Fund, which Sinking Fund will be maintained for the benefit of all of the Bonds.

“*System*” refers to the Governmental Agency’s waterworks system, together with all future extensions, additions and improvements to said System.

“*Treasurer*” refers to the Treasurer of the Governmental Agency.

“*Trustee*” refers to Regions Bank, Nashville, Tennessee.

“*U.S. Obligations*” refers to bonds, notes, or Treasury Bills, which are direct obligations of the United States of America or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government Series, and Trust Receipts representing an ownership interest in direct obligations of the United States.

Section 2. Reaffirmation of Declaration of Waterworks System.

That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Governmental Agency as a waterworks system are hereby in all respects ratified and confirmed; and so long as any of the Obligations hereinafter authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and

maintained for the security and source of payment of the Obligations. Said System is hereby declared to constitute a public project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

Section 3. Authorization of Obligations; Place of Payment; Manner of Execution.

That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$2,540,000 from the Program, for the purpose of providing funds for the Refunding Program.

The Obligations shall mature on February 1, 2018, in such principal amount, and shall bear interest payable on the Interest Payment Date, in the maturities and at the interest rates set forth in Exhibit A attached hereto.

The principal of, redemption price, if any, and interest on the Obligations shall be payable in lawful money of the United States of America on the Interest Payment Date to the Trustee for the Program. Such payment shall be made by the Governmental Agency from funds on deposit in the Second Lien Sinking Fund pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") in a form as provided by the Trustee to the Governmental Agency. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

Pursuant to the ACH Debit Direct Payment Method, there shall be transferred to the Trustee on or before each Interest Payment Date, from the Second Lien Sinking Fund, the amounts set forth as sinking fund payments on Exhibit A attached hereto.

In addition, in the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Obligations and any other payments due under this Assistance Agreement on behalf of the Governmental Agency (the "Reserve Withdrawal"), the Governmental Agency shall pay to the Trustee, each amount set forth as sinking fund payments on Exhibit A attached hereto, pursuant to the ACH Debit Direct Payment Method an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

Section 4. Optional Redemption.

The Obligations are not subject to optional redemption prior to their stated maturity.

Section 5. Recognition of Prior Bonds.

The Governmental Agency hereby expressly recognizes and acknowledges that the Governmental Agency has previously created for the benefit and protection of the owners of the

Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Legislation.

Section 6. Obligations Shall be Payable on Second Lien Basis Out of Gross Revenues.

The Obligations shall be secured by and payable on a second lien basis by and payable from the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior Bonds.

Section 7. Permanent Financing.

The Governmental Agency does hereby covenant that if for any reason the anticipated funding for the payment of the principal and interest on the Obligations fails to be provided on or before the Maturity Date, the Governmental Agency shall take all such action required to retire the Obligations with cash reserves of the Governmental Agency or obtain Permanent Financing and shall retire the Obligations on or before the Maturity Date from the proceeds of Permanent Financing.

Section 8. Pledge and Assignment of the Governmental Agency; Further Assurance; Completion of Project.

The Governmental Agency does hereby irrevocably assign and pledge to the Issuer and its successors or assigns, for the benefit of the owners of all bonds issued under the Indenture, all right, title and interest of the Governmental Agency in and to the proceeds of the Permanent Financing and all monies to be received from the purchaser of bonds issued pursuant to the Permanent Financing for the Refunding Program. The Governmental Agency acknowledges and agrees that the Issuer, pursuant to the Indenture, has assigned and pledged to the Trustee for the benefit and security of the owners of the bonds issued under the Indenture all of its rights under the provisions of this Assistance Agreement and the Obligations. Accordingly, this Assistance Agreement shall not be terminated, modified or changed by the Issuer or the Governmental Agency except with the consent of the Trustee in the manner and subject to the conditions permitted by the terms and provisions of the Indenture.

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.

The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project so that the Permanent Financing can be delivered on or prior to the Maturity Date.

Section 9. Flow of Funds.

All proceedings preliminary to and in connection with the issuance of the Prior Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Prior

Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Prior Bonds, and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Prior Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Obligations, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The Governmental Agency covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the Governmental Agency only for the purpose and in the manner and order of priorities specified in the Prior Bond Legislation, as hereinafter modified by this Assistance Agreement, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Prior Bonds, a sum equal to the total of the following:

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on the Prior Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior Bonds maturing on the next succeeding payment date.

Said Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Prior Bonds, as same fall due, such excess may be used for redemption or prepayment of any Prior Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Second Lien Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Second Lien Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Obligations, a sum equal to the total of the following:

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on the Obligations then outstanding, plus

- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Obligations maturing on the next succeeding payment date.

Said Second Lien Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Obligations.

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Second Lien Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Second Lien Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Obligations, as same fall due, such excess may be used for redemption or prepayment of any Obligations, subject to the terms and conditions set forth therein, prior to maturity.

D. Debt Reserve Fund. Pursuant to the provisions of the Prior Bond Legislation, there shall next be transferred from the Revenue Fund a sum sufficient, each month, to maintain a balance in said Debt Reserve Fund of at least the sum required by the Prior Bond Legislation, which shall be deposited into the Debt Reserve Fund.

Moneys in the Debt Reserve Fund may be withdrawn and used by the Governmental Agency, upon appropriate certification of the Governing Body, in accordance with the provisions of the Prior Bond Legislation, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

E. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the Governmental Agency's annual budget.

F. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Debt Reserve Fund for application in accordance with the terms of this Assistance Agreement or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

Provided, however, notwithstanding anything to the contrary in any Prior Bond Legislation, the Governmental Agency shall be allowed a credit to the extent of moneys on deposit in the Program Reserve Fund for the purpose of meeting any parity requirements in any Prior Bond Legislation; subject however, to the limitation that moneys in the Program Reserve Fund may only be used to make payments of the Government Agency due under this Assistance Agreement, if necessary, and; provided further, that the Trustee may not seek payment for any reserve funds held by the Governmental Agency under any Prior Bond Legislation for payment of any amounts due from the Governmental Agency under this Assistance Agreement.

Section 10. Disposition of Proceeds of the Obligations; Governmental Agency Account.

Upon (i) the execution of this Assistance Agreement, (ii) the delivery of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted into the Program, and (iv) upon receipt by the Governmental Agency of the proceeds of the Obligations, the proceeds shall be applied as follows:

(a) *Disposition of the Proceeds.* There shall first be deducted and paid from the proceeds of the Obligations the fees and costs incurred by the Governmental Agency and any other pertinent expenses incident to the issuance, sale and delivery of the Obligations and such other appropriate expenses as may be approved by the Governmental Agency Chief Executive, including but not limited to the Governmental Agency's pro rata share of the Program's fees and expenses.

The balance shall be deposited to the Governmental Agency Account to be used for the Refunding Program.

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "Hyden-Leslie County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and the amount on deposit in said Governmental Agency Account, shall be applied to pay any interest on the Series 2013F Loan through February 1, 2016, as the same becomes due and payable, and to redeem on February 1, 2016 at a price of 100% the unpaid outstanding principal amount of the Series 2013F Loan.

Investment income derived from investment of the Governmental Agency Account, which shall be invested in Permitted Investments in accordance with this Assistance Agreement, shall, as received, be deposited in the Governmental Agency Account.

The Trustee shall be obligated to send written notice to the Governmental Agency of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days. In the absence of written direction from the Governmental Agency with respect to investment of moneys held in the Governmental Agency Account, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Permitted Investments under this Assistance Agreement.

No expenditure shall be made from the Governmental Agency Account except for proper and authorized expenses relating to the Refunding Program and the Project in accordance with the contracts, plans and specifications approved by the Governmental Agency.

After completion of the Project, as certified by the Engineers, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Obligations from Federal income taxation, upon orders of the Governing Body, be transferred to the Second Lien Sinking Fund, to be used for the purposes thereof.

Section 11. Arbitrage Limitations.

(a) The Governmental Agency covenants that neither the proceeds of the Obligations, nor “Non-Exempt Revenues” of the System, as defined below, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Obligations, if such investment would cause such Obligations to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Obligations to be treated as “arbitrage bonds.”

(b) “Non-Exempt Revenues” within the meaning of the foregoing shall be deemed to refer to revenues of the System deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Obligations, in excess of “Exempt Revenues,” which Exempt Revenues are:

(1) amounts deposited in the Second Lien Sinking Fund for the purpose of paying debt service on any Obligations against the System within thirteen (13) months from the date of deposit; and

(2) amounts deposited in the Debt Reserve Fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose).

(c) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set out in Subsection (a) above.

(d) On the basis of information furnished to the Governmental Agency, on known facts, circumstances and reasonable expectations on the date of enactment of this Assistance Agreement, the Governmental Agency certifies as follows:

(1) That it is not expected or contemplated that the proceeds of the Obligations will be used or invested in any manner which will cause any of the

Obligations to be treated as “arbitrage bonds” within the meaning of Section 148 of the Code and the applicable regulations thereunder.

(2) That it is not expected or contemplated that the Governmental Agency will make any use of the proceeds of the Obligations, which, if such use had been reasonably anticipated on the date of issuance of the Obligations, would have caused the Obligations to be arbitrage bonds.

(3) That it is expected and contemplated that the Governmental Agency will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Obligations will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts on deposit in the Second Lien Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the outstanding Obligations and all Prior Bonds payable from said Second Lien Sinking Fund.

(5) That amounts accumulated in the Second Lien Sinking Fund shall not exceed the limitations set forth in this Assistance Agreement.

(6) That it is not reasonably anticipated that amounts accumulated in the Debt Reserve Fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such Debt Reserve Fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Obligations, the Governmental Agency Chief Executive and/or the Governmental Agency Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Obligations, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Obligations will be exempt from all federal income taxes and that the Obligations will not constitute or be treated as arbitrage bonds.

Section 12. Rates and Charges for Services of the System.

While the Obligations remain outstanding and unpaid, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the Outstanding Bonds and the accruing interest on all Outstanding Bonds as may be outstanding under the provisions of this Assistance Agreement and the Prior Bond Legislation, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Assistance Agreement. Prior to the issuance of the Obligations a schedule of

rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Assistance Agreement has been established and adopted.

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (as defined in Section 11 hereof) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 11 hereof.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year, calculated in the manner specified in Section 11 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 13. All Obligations of this Issue Are Equal.

The Obligations authorized and permitted to be issued hereunder, and from time to time outstanding, shall not be entitled to priority one over the other in the application of the income and revenues of the System regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Obligations, the Prior Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

Section 14. Defeasance and/or Refunding of Obligations.

The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the outstanding Obligations to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or U.S. Obligations, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such outstanding Obligations, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the outstanding Obligations to and on said date, or (b) to pay all principal and interest requirements on the outstanding Obligations as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body. Such U.S. Obligations shall have such maturities as to assure that there

will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the outstanding Obligations and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 15. Contractual Nature of Assistance Agreement.

The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of any of such Obligations, no change, variation or alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 16. Appointment and Duties of Trustee.

The Trustee is hereby designated as the bond registrar and paying agent with respect to the Obligations.

Its duties as Trustee shall be as follows:

- (a) To register all of the Obligations in the names of the Issuer;
- (b) To cancel and destroy (or remit to the Governmental Agency for destruction, if so requested by the Governmental Agency) all exchanged, matured, retired and redeemed Obligations, and to maintain adequate records relevant thereto;
- (c) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;
- (d) To notify the Issuer of any Obligations to be redeemed and to redeem Obligations prior to their stated maturity upon receiving sufficient funds; and
- (e) To supply the Governmental Agency with a written accounting evidencing the payment of interest on and principal of the Obligations within thirty (30) days following each respective due date.

The Trustee shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Trustee shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Assistance Agreement, or the responsibility for the consequences of any oversight or error in judgment.

The Trustee may at any time resign from its duties set forth in this Assistance Agreement by filing its resignation with the Governmental Agency Clerk and notifying the Issuer. Thereupon, the Issuer shall notify the Governmental Agency of a successor Trustee which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Trustee, provision shall be made for the orderly transition of the books, records and accounts relating to the Obligations to the successor Trustee in order that there will be no delinquencies in the payment of interest or principal due on the Obligations.

Section 17. Provisions in Conflict Repealed.

All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 18. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986.

In order to assure purchasers of the Obligations that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no actions which will violate any of the provisions of the Code, or would cause the Obligations to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Obligations will be used for any purpose which would cause the interest on the Obligations to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations.

The Governmental Agency reserves the right to amend this Assistance Agreement but only with the consent of the Issuer (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Obligations shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of these Obligations, or the application of such proceeds or of the revenues of the System. The purchasers of these Obligations are deemed to have relied fully upon these covenants and undertakings on the part of the Governmental Agency as part of the consideration for the purchase of the Obligations. To the extent that the Governmental Agency obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Assistance Agreement or referred to in this Assistance Agreement would not subject interest on the Obligations to federal income taxes or Kentucky income taxes, the Governmental Agency shall not be required to comply with such covenants or requirements.

This Assistance Agreement is executed in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Obligations from Kentucky ad valorem taxation and as to exemption of interest on the Obligations from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the Governmental Agency complies with covenants made by the Governmental Agency with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Governmental Agency with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations. The Governmental Agency has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Obligations are not “arbitrage bonds” within the meaning of Section 148 of the Code.

Section 19. Insurance.

(a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the Governmental Agency shall, upon receipt of the proceeds of the sale of the Obligations, if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System, of a kind and in such amounts as would ordinarily be carried by private companies or public bodies engaged in operating a similar utility.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Obligations are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System the Governmental Agency shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(b) *Liability Insurance on Facilities.* So long as any of the Obligations are outstanding, the Governmental Agency shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death; and not less than \$200,000 from claims for damage to property of others which may arise from the Governmental Agency’s operations of the System and any other facilities constituting a portion of the System.

(c) *Vehicle Liability Insurance.* If and to the extent that the Governmental Agency owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Obligations, the Governmental Agency shall, if such insurance is not already in force, procure and maintain, so long as any of the Obligations are outstanding, vehicular public liability insurance with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Governmental Agency.

Section 20. Event of Default; Remedies.

The following items shall constitute an “Event of Default” on the part of the Governmental Agency:

- (a) The failure to pay principal on the Obligations when due and payable, either at maturity or by proceedings for redemption;
- (b) The failure to pay any installment of interest on the Obligations when the same shall become due and payable;
- (c) The failure of the Governmental Agency to fulfill any of its obligations pursuant to this Assistance Agreement and to cure any such failure within 30 days after receipt of written notice of such failure; and/or
- (d) The failure to promptly repair, replace or reconstruct essential facilities of the System after any major damage and/or destruction thereof.

Upon the occurrence of an Event of Default, the Issuer or the Trustee on its behalf, as owner of the Obligations, may enforce and compel the performance of all duties and obligations of the Governmental Agency as set forth herein. Upon the occurrence of an Event of Default, then, upon the filing of suit by the Trustee or the Issuer, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Governmental Agency, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Obligations, and for the payment of operation and maintenance expenses of the System, and to provide and apply the income and revenues in conformity with this Assistance Agreement and with the laws of the Commonwealth of Kentucky.

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of any of the Obligations may require the Governmental Agency by demand, court order, injunction, or otherwise, to raise all applicable rates charged for services of the System a reasonable amount, consistent with the requirements of this Assistance Agreement.

Section 21. Annual Reports.

The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 2013) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

The annual financial information and operating data, including audited financial statements, will be made available on or before 120 days after the end of each fiscal year.

Section 22. Supplemental Assistance Agreement.

The Governmental Agency may, but only with the consent of the Issuer, execute one or more supplemental Assistance Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Assistance Agreement;
- (b) to subject to the lien and pledge of this Assistance Agreement additional revenues, properties, or collateral which may legally be subjected;
- (c) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;
- (d) to add to the covenants and agreements of the Governmental Agency in this Assistance Agreement, other covenants and agreements thereafter to be incurred by the Governmental Agency or to surrender any right or power herein reserved to or conferred upon the Governmental Agency;
- (e) to effect the issuance of additional Parity Bonds; and/or
- (f) to modify the terms and conditions of this Assistance Agreement at the request of the Issuer in order to assist the Issuer in operating the Program or to maintain any rating the Issuer may have on its Program obligations.

Section 23. No Remedy Exclusive.

No remedy herein conferred upon or reserved to the Issuer 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 24. 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 25. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto shall become in 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 therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 26. Signatures of Officers.

If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Obligations cease to be such officers before delivery of the Obligations, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

Section 27. Severability Clause.

If any section, paragraph, clause or provision of this Assistance Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Assistance Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Hyden-Leslie County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By  _____
President

Attest:

By  _____
Secretary/Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By _____
Chairman

Attest:

By _____
Secretary

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Hyden-Leslie County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

By _____
Secretary/Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By  _____
Chairman

Attest:

By  _____
Secretary

EXHIBIT A

Debt Service Schedule

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2016 A

Borrower: Hyden-Leslie Water District
 Closing Date: 01/28/16

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Capitalized Interest	Trustee Fees	Total	Fiscal Total
01/28/16							
08/01/16			15,875.00	(15,875.00)			
02/01/17			15,875.00	(15,875.00)	450.00	450.00	450.00
08/01/17			15,875.00	(15,875.00)			
02/01/18	2,540,000.00	1.250%	15,875.00	(15,875.00)	450.00	2,540,450.00	2,540,450.00
Totals	<u>2,540,000.00</u>		<u>63,500.00</u>	<u>(63,500.00)</u>	<u>900.00</u>	<u>2,540,900.00</u>	

SUPPLEMENTAL TAX CERTIFICATE

Re: Loan in the amount of \$2,540,000, dated February 1, 2016, to the Hyden-Leslie County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2016A.

THIS SUPPLEMENTAL TAX CERTIFICATE (the "Supplemental Tax Certificate") made and entered into as of February 1, 2016 by and between the Kentucky Rural Water Finance Corporation ("KRWFC") and the Hyden-Leslie County Water District (the "District"):

WITNESSETH:

WHEREAS, the District has agreed, in an Assistance Agreement dated the date hereof (the "Agreement") to borrow \$2,540,000 (the "Loan") pursuant to a Program administered by KRWFC and funded with a portion of the proceeds of the \$8,135,000 Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2016A that were issued on February 1, 2016 (the "Bonds") by KRWFC pursuant to and secured by a Trust Indenture, dated as of April 4, 2001 between the Issuer and Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as supplemented by a Supplemental Trust Indenture No. 64, dated January 28, 2016 (collectively the "Indenture"), between the Issuer and Regions Bank;

WHEREAS, the District has agreed in the Agreement to use the proceeds of the Loan to finance the cost to currently refund a loan to the District in the amount of \$2,435,000, dated December 18, 2013, from the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F, that matures February 1, 2016. The Series 2013F Loan was issued to finance the cost to construct improvements to the water distribution system, including water tanks, pump stations and water lines (the "Project") for the benefit of the District's waterworks system (the "System").

WHEREAS, it is necessary for the parties hereto to enter into this Supplemental Tax Certificate to ensure that interest paid on the Bonds and on the Loan shall all be and shall all remain excludable from gross income for Federal income purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and is not and will not become a specific item of tax preference under Section 57(a)(5)(C) of the Code for the federal alternative minimum tax and to comply with the requirements of KRWFC's Tax Certificate (the "Tax Certificate") dated as of April 4, 2001 issued with respect to the Bonds.

NOW, THEREFORE, the parties hereto agree and bind themselves as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. In addition to words and terms defined elsewhere in this Supplemental Tax Certificate, the Code and Regulations (each as herein defined), the Arbitrage

Certificate (as hereinafter defined), the Indenture and the Agreement, the following capitalized words and terms used in this Supplemental Tax Certificate shall have the following meanings, unless some other meaning is plainly intended:

“Arbitrage Bond” means any obligation of a Governmental Entity that is treated as an arbitrage bond under Sections 103(b)(2) and 148 of the Code.

“Arbitrage Certificate” means the Tax Certificate under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended, for the Bonds given by KRWFC, including certifications given with respect thereto by the Financial Advisor, the Underwriter and KRWFC, and for the Loan given by the District.

“Closing Date” means the date of this Supplemental Tax Certificate.

“Cost of Issuance” means any expenditure incurred in connection with the issuance of the Loan or the District’s share of such expenditures relating to the Bonds, including such costs as underwriters’ spread, rating agency fees, appraisal costs, attorneys’ and accountants’ fees and printing costs, but excluding Qualified Guarantee Fees or expenditures incurred in connection with the Refunding Program.

“Disposition Proceeds” means the amounts, including property, received from the sale, exchange or other disposition of the Project.

“Federally-Guaranteed” means having the payment of either the principal of or interest on any portion of the Loan or any loan made with the Proceeds of any portion of the Loan guaranteed, in whole or in part, directly or indirectly, by the United States, or acquiring any Investment Property that is, directly or indirectly federally-insured, except as otherwise permitted by Section 149(b) of the Code.

“Governmental Entity” means any State and any political subdivision and agency of any State.

“Gross Proceeds” means Sale Proceeds and Replacement Proceeds, determined pursuant to Treas. Regs. §1.148-1(b) and -1(c), all until spent.

“Investment Proceeds” means any amounts actually or constructively earned or received from investing the Proceeds in Investment Property.

“Investment Property” means any security (as defined in Section 165(g)(2)(A) or (B) of the Code), obligation (including any Tax-Exempt Bond), annuity contract or other investment-type property.

“Non-Governmental Entity” means any person or entity, other than a Governmental Entity.

“Pledged Fund” means any amount pledged, directly or indirectly, to pay principal of or interest on the Loan and that provides reasonable assurance of such amounts being paid even if the District experiences financial difficulties, including amounts subject to a negative pledge.

“Private Loan” means any loan, directly or indirectly, of any of the Proceeds of an obligation of a Governmental Entity to any Non-Governmental Entity.

“Private Use” means the use of any Proceeds of the Loan or any facilities financed with such Proceeds by Private Users.

“Private User” means any Non-Governmental Entity, other than a natural person not engaged in a trade or business.

“Rebate Amount” means the amount determined by KRWFC pursuant to the Tax Certificate.

“Rebate Payments” means any payment of the Rebate Amount made to the United States Treasury.

“Redemption Date” means the date on which the last of the principal of and interest on the Loan has been paid, whether upon maturity, redemption or acceleration thereof.

“Replacement Proceeds” means amounts replaced by Proceeds of the Loan, including any sinking fund, Pledged Fund, restricted gifts (not including qualified endowment funds, pursuant to Treas. Reg. §1.148-6(d)(3)(iii)(C)) or reserve or replacement fund, or other funds that would be available, directly or indirectly, to pay debt service on the Loan, within the meaning of Treas. Reg. §1.148-1(c).

“Research Agreement” means an agreement between the District and a Private User under which the District or the Private User uses any portion of the System to carry on research.

“Sale Proceeds” means the Loan amount.

“Service Contract” means a contract between the District and a Service Provider under which the Service Provider provides services involving any portion or function of a Governmental Facility financed with Governmental Bonds.

“Service Provider” means any Private User that provides management or other services.

“State” means any state and possession of the United States and the District of Columbia.

“Treasury Regulation” and *“Treas. Reg.”* means any Regulation, Proposed Regulation or Temporary Regulation, as may be applicable, issued by the United States Treasury Department pursuant to the Code or the 1954 Code, as appropriate.

“Yield” means, pursuant to Treas. Regs. §1.148-4 and -5, that discount rate that, when computing the present value of all payments of principal and interest to be paid on an obligation, produces an amount equal to, in the case of the Loan, the Issue Price and in the case of any Investment Property, the fair market value, as provided in Treas. Reg. §1.148-5(d).

“Yield Reduction Amount” means the amount determined by KRWFC pursuant to the Tax Certificate.

“Yield Reduction Payment” means any payment of the Yield Reduction Amount made to the United States Treasury.

Section 1.02. Interpretative Rules. For all purposes of this Supplemental Tax Certificate, except as otherwise expressly provided or unless the context otherwise requires (a) “Supplemental Tax Certificate” means this instrument, as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof; (b) all references in this instrument to designated “Articles”, “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed; (c) the words “herein”, “hereof”, “hereunder”, “herewith” and other words of similar import refer to this Supplemental Tax Certificate as a whole and not to any particular Article, Section or other subdivision; (d) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular; (e) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; (f) the terms defined elsewhere in this Supplemental Tax Certificate shall have the meanings therein prescribed for them; (g) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders; (h) the headings used in this Supplemental Tax Certificate are for convenience of reference only and shall not define or limit the provisions hereof.

ARTICLE II COVENANTS, REPRESENTATIONS, ACKNOWLEDGMENTS AND DIRECTIONS

Section 2.01. Authority and Organization.

(a) The District represents for the benefit of KRWFC that it is a political subdivision of the Commonwealth of Kentucky with the power, among others, to enter into the Agreement in furtherance of its corporate purposes, including financing the cost of the Refunding Program.

(b) KRWFC represents for the benefit of the District that (i) KRWFC is duly organized and validly existing under the laws of the Commonwealth of Kentucky; and (ii) KRWFC has full power and authority to establish a program to enter into loans and assistance agreements with political subdivisions and public agencies of the Commonwealth of Kentucky.

Section 2.02. Use of Proceeds. The District represents that:

(a) *Deposit and Use of Proceeds.* \$2,435,000.00 of the face amount of the Loan will be transferred to the District's Governmental Agency Account and used on the date hereof to finance the Refunding Program; \$36,830.00 of the face amount of the Loan will be used on the date hereof to pay costs associated with the making of the Loan; and \$0.00 of the face amount of the Loan will be used to pay for credit enhancement. Capitalized interest in the amount of \$63,500.00 plus a rounding amount of \$2,638.00 will be deposited to the District's Second Lien Sinking Fund and used to satisfy interest with respect to the District's Loan. The remaining difference between the face amount of the Loan and the above deposits results from the fact that the Loan is being acquired from the District at a discount from its face amount in the amount of \$2,032.00 (original issue premium of \$7,493.00, less an underwriter's discount of \$9,525.00).

(b) *No Private Use of Proceeds.* No more than 5% of the Proceeds of the Loan will be used for private business use, in accordance with the rules contained in Treas. Reg. 1.141-3. The District expects to use the System for the entire stated term of the Agreement.

(c) *Expectations.* Reserved.

(d) *Use of the System.* The District will own and operate the System during the entire term of the Agreement and will not change the use or ownership of any part of the System during the entire term of the Agreement without the prior written consent of KRWFC.

(e) *Reimbursement Allocations.* Reserved.

(f) *Investment Limitations.* (i) The District will invest the Gross Proceeds of the Loan and any Disposition Proceeds of the Loan under the Investment Agreement unless otherwise authorized in writing by KRWFC.

(ii) If at any time, either the District determines or is informed that the Yield on the investment of moneys held by itself or any other person must be restricted or limited in order to prevent the Bonds from becoming Arbitrage Bonds, the District shall, and shall so instruct any holder of the Sale Proceeds or Investment Proceeds of the Loan, to take such action or actions as may be necessary to restrict or limit the yield on such investments as set forth in, and in accordance with, such instruction.

(g) *Temporary period for amounts in District's Governmental Agency Account.* Reserved.

(h) *Federal Guarantees.* The Gross Proceeds will not be invested in any Investment Property that is Federally-Guaranteed.

(i) *No Transferred Proceeds.* All of the proceeds of the Refunded Bonds have been expended on the Project and there are therefore no Transferred Proceeds with respect to the Refunded Bonds.

Section 2.03. Service Contracts. The District represents that it will not enter into any Service Contracts or management contracts with respect to the System without the prior written consent of KRWFC and agrees that any Service Contracts or management contracts relating to bond-financed property will comply with the management contract safe harbors of Rev. Proc. 97-13.

Section 2.04. Research Agreements. The District represents that it will not enter into any Research Agreements with respect to the System without the prior written consent of KRWFC.

Section 2.05. Changes in Use or User of System. The District represents that (a) no part of the System will be sold, or otherwise disposed of without the prior written consent of KRWFC; (b) it will not permit any use of its System by any person or entity other than itself without the prior written consent of KRWFC; (c) any portion of the System consisting of personal property may be sold in the ordinary course of an established governmental program if (i) the weighted average maturity of the portion of the Loan financing the personal property was not greater than one hundred twenty percent (120%) of the reasonably expected actual use of such personal property by the District, (ii) the District expected at the date of the Agreement that the fair market value of the personal property at the time of disposition would not be greater than twenty-five percent (25%) of its cost and (iii) at the time of disposition, the personal property is no longer suitable for the governmental purpose for which it was acquired.

Section 2.06. Investments. The District will expend the proceeds of the Loan on the date hereof and does not contemplate investing the Gross Proceeds of the Loan.

Section 2.07. Loan is a Purpose Obligation of the Bonds. The Bonds were issued to establish a program to make loans to Governmental Agencies pursuant to assistance agreements and therefore constitute a governmental program for the acquisition of purpose investments. At least 95% of the payments made by the District pursuant to the Agreement will be used to pay principal, interest, or redemption prices on the Bonds, or to pay administrative costs of the Bonds. The District covenants not to acquire the Bonds or other bonds of KRWFC related to the Program. The yield on the Loan to the District does not exceed the yield on the Bonds by more than 1.5 percent.

Section 2.08. No Abusive Arbitrage Device. Both KRWFC and the District agree that they will not take any action that will enable KRWFC or the District to take any action that (a) has the effect of enabling KRWFC or the District to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (b) overburdens the market for tax-exempt obligations in any manner. The amount of proceeds of the Loan is not reasonably expected to exceed the amount necessary for the District to accomplish the governmental purposes described in the Agreement.

Section 2.09. Records. The District represents that proper records and accounts, containing complete and correct entries of all transactions relating to the Agreement, the use of the Gross Proceeds of the Agreement and the expenditures made in connection with the

Refunding Program, will be maintained. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

Section 2.10. Payment of Arbitrage Compliance Amounts. The District represents that all actions necessary to comply with the Yield limitations applicable to investments of the Sale Proceeds and Investment Proceeds of the Loan and the rebate requirements contained in Section 148(f) of the Code and the Treasury Regulations thereunder will be taken. Immediately upon the request of KRWFC, the District will assemble copies of records concerning investments of Gross Proceeds of the Loan, including any amounts held by any provider of a letter of credit or guarantor under a reimbursement or other similar agreement. In particular, the District will provide KRWFC with information that will enable KRWFC to determine if any Rebate Amount is payable. The District will pay any Rebate Payment and any Yield Reduction Payment owed with respect to the Gross Proceeds of the Loan, as determined by KRWFC. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

Section 2.11. Election to Apply Rebate Exception Separately to the Loan. The District hereby elects and KRWFC has previously elected to have the spending exceptions of Treas. Reg. 1.148-7 and the small issuer exceptions of Treas. Reg. 1.148-8 applied separately to the Loan.

The applicable beginning date in applying the spending exceptions of Treas. Reg. 1.148-7 is the Closing Date. The spending exceptions include the six month exception described in Treas. Reg. 1.148-7(c), the eighteen month exception described in Treas. Reg. 1.148-7(d), and the two year exception described in Treas. Reg. 1.148-7(e).

Section 2.12. Information Reporting Requirements. The District represents that it will timely execute and file any information reports required under Section 149(e) of the Code (Form 8038-G) or as required by KRWFC.

Section 2.13. Compliance with Supplemental Tax Certificate. (a) The District may, at any time, employ bond counsel, independent certified public accountants, or other qualified experts acceptable to KRWFC to perform any of the requirements imposed upon the District by this Supplemental Tax Certificate.

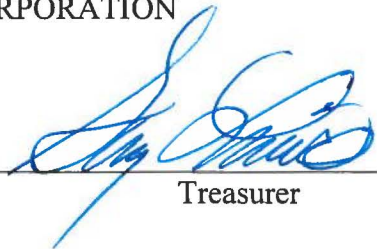
(b) KRWFC and the District agree, to the extent reasonably possible, to comply with any amendments to the Code or any applicable Regulations, effective retroactively, and KRWFC and the District shall take all actions necessary to amend this Supplemental Tax Certificate to comply therewith.

(c) Whenever any action or direction is required of the District hereunder, such action or direction may, or in the absence of any such action or direction shall, be made by KRWFC.

(d) Any restriction or covenant contained in this Supplemental Tax Certificate need not be observed or may be changed if KRWFC and the District receive an opinion of Tax Counsel to the effect that such nonobservance or change will not adversely effect the exclusion of interest on any of the Bonds from gross income for purposes of Federal income taxation.

IN WITNESS WHEREOF, KRWFC and the District have each caused this Supplemental Tax Certificate to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth above.

KENTUCKY RURAL WATER FINANCE CORPORATION

By  _____
Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By _____
Chairman

IN WITNESS WHEREOF, KRWFC and the District have each caused this Supplemental Tax Certificate to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth above.

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By  _____
Chairman

EXHIBIT 5

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY RURAL WATER FINANCE CORPORATION
AND
HYDEN-LESLIE COUNTY WATER DISTRICT
DATED
JANUARY 30, 2018
IN THE AMOUNT OF \$2,625,000

This document was prepared by:

RUBIN & HAYS
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

By

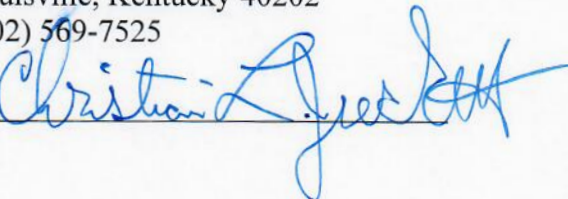


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ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of January 30, 2018 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, 1151 Old Porter Pike, Bowling Green, Kentucky 42103, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") and the Hyden-Leslie County Water District, P.O. Box 906, Hyden, Kentucky 41749 (the "Governmental Agency"):

WITNESSETH

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the "Program") designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer issued, in various series, its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program) pursuant to a Trust Indenture dated as of April 4, 2001, as supplemented from time to time (collectively, the "Indenture") between the Issuer and Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to assistance agreements; and

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2018A (the "Series 2018A Bonds") in the aggregate principal amount of \$9,450,000, pursuant to a Supplemental Trust Indenture No. 69, dated as of January 30, 2018 by and between the Issuer and the Trustee, which Series 2018A Bonds will rank on a parity with other outstanding bonds issued under the terms of the Indenture, and the proceeds of which will be used by certain governmental agencies to acquire, construct and equip public projects described in various assistance agreements by and between the governmental agencies and the Issuer; and

WHEREAS, the Governmental Agency, presently owns and operates the waterworks system (the "System"); and

WHEREAS, the Governmental Agency has an outstanding loan in the original amount of \$2,540,000, dated February 1, 2016, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2016A, that matures on February 1, 2016 (the "Series 2016A Loan"), which loan was issued to finance the refunding of its loan in the original principal amount of \$2,435,000, dated December 18, 2013, from the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F (the "Series 2013F Loan"). The Series 2013F Loan was issued to finance the cost to construct improvements to the water distribution system, including water tanks, pump stations and water lines, with appurtenances the ("Project"); and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to currently refund the Series 2016A Loan (the "Refunding Program"), and the Issuer has determined that the Refunding Program is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

WHEREAS, the Governmental Agency has designated the Issuer as its instrumentality and agency; and

WHEREAS, pursuant to this Assistance Agreement the Governmental Agency will proceed with the Refunding Program; and

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$2,625,000, for the purpose of providing funds for the Refunding Program; and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency is authorized to enter into this Assistance Agreement and to borrow the Loan to provide such funds for the purpose aforesaid; and

WHEREAS, the Issuer 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 Refunding Program upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained; and

WHEREAS, the Issuer 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 financing of the Refunding Program subject to 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:

Section 1. Definitions.

As used in this Assistance Agreement, unless the context requires otherwise:

"Act" refers to Chapters 58 and 74 of the Kentucky Revised Statutes, as amended.

"Assistance Agreement" refers to this Assistance Agreement authorizing the Loan and the obligations thereunder.

“*Bond Counsel*” refers to Rubin & Hays, Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202, or any other nationally recognized individual or firm in the field of municipal bond law.

“*Bond Legislation of 2000*” or “*2000 Bond Legislation*” refer to the Resolution authorizing the Series 2000 Bonds, duly adopted by the Governing Body of the Governmental Agency on March 21, 2000.

“*Bond Legislation of 2011*” or “*2011 Bond Legislation*” refer to the Resolution authorizing the Series 2011 Bonds, duly adopted by the Governing Body of the Governmental Agency on October 28, 2010.

“*Bondowner*”, “*Owner*”, “*Bondholder*” means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Bonds at the time issued and outstanding hereunder.

“*Bonds*” refers to the Loan, the Prior Bonds and any additional Parity Bonds.

“*Certified Public Accountants*” refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky and knowledgeable about the affairs of the System and/or of other Governmental Agency financial matters.

“*Code*” refers to the United States Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

“*Compliance Group*” refers to the Compliance Group identified and defined in the Indenture.

“*Debt Reserve Fund*” refers to the Hyden-Leslie County Water District Water System Debt Reserve Fund, described in Section 402 of the 2011 Bond Legislation.

“*Engineer*” or “*Independent Consulting Engineer*” refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks and sewer engineering.

“*Fiscal Year*” refers to the annual accounting period of the Governmental Agency, beginning on January 1, and ending on December 31, of each year.

“*Funds*” refers to the Revenue Fund, the Sinking Fund, the Second Lien Sinking Fund, the Operation and Maintenance Fund, the Debt Reserve Fund and the Governmental Agency Account.

“*Governing Body*” means the Board of Commissioners of the Governmental Agency or such other body as shall be the governing body of said Governmental Agency under the laws of Kentucky at any given time.

“*Governmental Agency*” refers to the Hyden-Leslie County Water District, P.O. Box 906, Hyden, Kentucky 41749.

“*Governmental Agency Chief Executive*” refers to the Chairman of the Governing Body.

“*Governmental Agency Clerk*” refers to the Secretary of the Governing Body.

“*Indenture*” means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 69, dated January 30, 2018, by and between the Issuer and the Trustee.

“*Interest Payment Date*” shall mean the 1st day of each February and August of each year, commencing August 1, 2018, and continuing through and including February 1, 2019 or until the Loan has been paid in full.

“*Issuer*” refers to the Kentucky Rural Water Finance Corporation, Bowling Green, Kentucky, 1151 Old Porter Pike, Bowling Green, Kentucky 42103.

“*Loan*” refers to the loan authorized by this Assistance Agreement from the Issuer to the Governmental Agency, in the principal amount of \$2,625,000, maturing February 1, 2019, for the purpose of defraying the cost of the Refunding Program.

“*Operation and Maintenance Fund*” refers to the Hyden-Leslie County Water District Operation and Maintenance Fund created and confirmed in the Prior Bond Legislation, which Fund will continue to be maintained for the benefit of the System.

“*Outstanding Bonds*” refers collectively to all outstanding Prior Bonds, the Loan and any outstanding Parity Bonds, and does not refer to any bonds that have been defeased.

“*Permanent Financing*” shall mean proceeds of temporary or permanent financing or other borrowing secured by revenues of the Governmental Agency of whatever nature or from any other legally available funds of the Governmental Agency, including, but not limited to, long term financing issued under the Program or bonds issued by the Governmental Agency and delivered to a purchaser for the purpose of financing the cost of the Refunding Program.

“*Permitted Investments*” refers to the following:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in the Commonwealth of Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- i. United States Treasury;
- ii. Export-Import Bank of the United States;
- iii. Farmers Home Administration;
- iv. Government National Mortgage Corporation; and
- v. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

- i. Federal Home Loan Mortgage Corporation;
- ii. Federal Farm Credit Banks;
- iii. Bank for Cooperatives;
- iv. Federal Intermediate Credit Banks;
- v. Federal Land Banks;
- vi. Federal Home Loan Banks;
- vii. Federal National Mortgage Association; and
- viii. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated on one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics:

- i. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
- ii. The management company of the investment company shall have been in operation for at least five (5) years; and
- iii. All of the securities in the mutual fund shall be eligible investments under this section.

Investments in the above instruments are subject to the following conditions and limitations:

(a) The amount of money invested at any time by a local government or political subdivision in one (1) or more of the categories of investments authorized by subsection (e), (f), (g), and (i) of this definition shall not exceed twenty percent (20%) of the total amount of money invested by the local government; and

(b) No local government or political subdivision shall purchase any investment authorized herein on a margin basis or through the use of any similar leveraging technique.

“*Prior Bond Legislation*” refers to the 2000 Bond Legislation, 2011 Bond Legislation, and Series 2012E Assistance Agreement.

“*Prior Bonds*” refers collectively to the Series 2000 Bonds, Series 2011 Bonds, and Series 2012E Loan.

“*Program*” refers to the Issuer’s Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvement of public projects for governmental entities.

“*Program Administrator*” refers to the Kentucky Rural Water Association, Inc., Bowling Green, Kentucky.

“*Program Reserve Fund*” refers to the Program Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

“*Project*” refers to financing the cost to construct improvements to the water distribution system, including water tanks, pump stations and water lines, for the Governmental Agency, with appurtenances, with the proceeds of the Series 2013F Loan.

“*Refunding Program*” refers to financing the cost to currently refund the Series 2016A Loan, which matures February 1, 2018.

“*Revenue Fund*” refers to the Hyden-Leslie County Water District Water Revenue Fund created in the Prior Bond Legislation and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

“Second Lien Sinking Fund” refers to the Hyden-Leslie County Water District Second Lien Sinking Fund, which Second Lien Sinking Fund will be maintained for the benefit of all of the Bonds.

“Series 2000 Bonds” refers to the outstanding Hyden-Leslie County Water District Waterworks Revenue Bonds, Series 2000, dated August 24, 2000, in the original authorized principal amount of \$310,000.

“Series 2011 Bonds” refers to the outstanding Hyden-Leslie County Water District Waterworks Revenue bonds, Series 2011, dated February 3, 2012, in the original principal amount of \$3,050,000, consisting of \$1,094,000 of Series A Bonds and \$1,956,000 of Series B Bonds

“Series 2012E Assistance Agreement” refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated August 29, 2012, authorizing the loan in the principal amount of \$595,000 from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E.

“Series 2012E Loan” refers to the loan to the Governmental Agency in the principal amount of \$595,000, dated August 29, 2012, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E.

“Series 2016A Assistance Agreement” refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated February 1, 2018, authorizing the loan in the principal amount of \$2,540,000 from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2016A.

“Series 2016A Loan” refers to the loan to the Governmental Agency in the principal amount of \$2,540,000, dated February 1, 2018, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2016A.

“Sinking Fund” refers to the Hyden-Leslie County Water District Sinking Fund, which Sinking Fund will be maintained for the benefit of all of the Bonds.

“System” refers to the Governmental Agency’s waterworks system, together with all future extensions, additions and improvements to said System.

“Treasurer” refers to the Treasurer of the Governmental Agency.

“Trustee” refers to Regions Bank, Nashville, Tennessee.

“U.S. Obligations” refers to bonds, notes, or Treasury Bills, which are direct obligations of the United States of America or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government

Series, and Trust Receipts representing an ownership interest in direct obligations of the United States.

Section 2. Reaffirmation of Declaration of Waterworks System.

That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Governmental Agency as a waterworks system are hereby in all respects ratified and confirmed; and so long as the Loan hereinafter authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and maintained for the security and source of payment of the Loan. Said System is hereby declared to constitute a public project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

Section 3. Authorization of Loan; Place of Payment; Manner of Execution.

That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$2,625,000 from the Program, for the purpose of providing funds for the Refunding Program.

The Loan shall mature on February 1, 2019, in such principal amount, and shall bear interest payable on the Interest Payment Date, in the maturities and at the interest rates set forth in Exhibit A attached hereto.

The principal of, redemption price, if any, and interest on the Loan shall be payable in lawful money of the United States of America on the Interest Payment Date to the Trustee for the Program. Such payment shall be made by the Governmental Agency from funds on deposit in the Second Lien Sinking Fund pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") in a form as provided by the Trustee to the Governmental Agency. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

Pursuant to the ACH Debit Direct Payment Method, there shall be transferred to the Trustee on or before each Interest Payment Date, from the Second Lien Sinking Fund, the amounts set forth as sinking fund payments on Exhibit A attached hereto.

In addition, in the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Loan and any other payments due under this Assistance Agreement on behalf of the Governmental Agency (the "Reserve Withdrawal"), the Governmental Agency shall pay to the Trustee, each amount set forth as sinking fund payments on Exhibit A attached hereto, pursuant to the ACH Debit Direct Payment Method an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

Section 4. Optional Redemption.

The Loan is not subject to optional redemption prior to its stated maturity.

Section 5. Recognition of Prior Bonds.

The Governmental Agency hereby expressly recognizes and acknowledges that the Governmental Agency has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Legislation.

Section 6. Loan Shall be Payable on Second Lien Basis Out of Gross Revenues.

The Loan shall be secured by and payable on a second lien basis by and payable from the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior Bonds.

Section 7. Permanent Financing.

The Governmental Agency does hereby covenant that if for any reason the anticipated funding for the payment of the principal and interest on the Loan fails to be provided on or before the Maturity Date, the Governmental Agency shall take all such action required to retire the Loan with cash reserves of the Governmental Agency or obtain Permanent Financing and shall retire the Loan on or before the Maturity Date from the proceeds of Permanent Financing.

Section 8. Pledge and Assignment of the Governmental Agency; Further Assurance; Completion of Project.

The Governmental Agency does hereby irrevocably assign and pledge to the Issuer and its successors or assigns, for the benefit of the owners of all bonds issued under the Indenture, all right, title and interest of the Governmental Agency in and to the proceeds of the Permanent Financing and all monies to be received from the purchaser of bonds issued pursuant to the Permanent Financing for the Refunding Program. The Governmental Agency acknowledges and agrees that the Issuer, pursuant to the Indenture, has assigned and pledged to the Trustee for the benefit and security of the owners of the bonds issued under the Indenture all of its rights under the provisions of this Assistance Agreement. Accordingly, this Assistance Agreement shall not be terminated, modified or changed by the Issuer or the Governmental Agency except with the consent of the Trustee in the manner and subject to the conditions permitted by the terms and provisions of the Indenture.

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.

The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project so that the Permanent Financing can be delivered on or prior to the Maturity Date.

Section 9. Flow of Funds.

All proceedings preliminary to and in connection with the issuance of the Prior Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Prior Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Prior Bonds, and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Prior Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Loan, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The Governmental Agency covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the Governmental Agency only for the purpose and in the manner and order of priorities specified in the Prior Bond Legislation, as hereinafter modified by this Assistance Agreement, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Prior Bonds, a sum equal to the total of the following:

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on the Prior Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior Bonds maturing on the next succeeding payment date.

Said Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Prior Bonds, as same fall due, such excess may be used for redemption or prepayment of any Prior Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Second Lien Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Second Lien Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Loan, a sum equal to the total of the following:

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on the Loan, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of the Loan maturing on the next succeeding payment date.

Said Second Lien Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Loan.

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Second Lien Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Second Lien Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Loan, as same fall due, such excess may be used for redemption or prepayment of the Loan, subject to the terms and conditions set forth therein, prior to maturity.

D. Debt Reserve Fund. Pursuant to the provisions of the Prior Bond Legislation, there shall next be transferred from the Revenue Fund a sum sufficient, each month, to maintain a balance in said Debt Reserve Fund of at least the sum required by the Prior Bond Legislation, which shall be deposited into the Debt Reserve Fund.

Moneys in the Debt Reserve Fund may be withdrawn and used by the Governmental Agency, upon appropriate certification of the Governing Body, in accordance with the provisions of the Prior Bond Legislation, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

E. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the Governmental Agency's annual budget.

F. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after

paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Debt Reserve Fund for application in accordance with the terms of this Assistance Agreement or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

Provided, however, notwithstanding anything to the contrary in any Prior Bond Legislation, the Governmental Agency shall be allowed a credit to the extent of moneys on deposit in the Program Reserve Fund for the purpose of meeting any parity requirements in any Prior Bond Legislation; subject however, to the limitation that moneys in the Program Reserve Fund may only be used to make payments of the Government Agency due under this Assistance Agreement, if necessary, and; provided further, that the Trustee may not seek payment for any reserve funds held by the Governmental Agency under any Prior Bond Legislation for payment of any amounts due from the Governmental Agency under this Assistance Agreement.

Section 10. Disposition of Proceeds of the Loan; Governmental Agency Account.

Upon (i) the execution of this Assistance Agreement, (ii) the delivery of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted into the Program, and (iv) upon receipt by the Governmental Agency of the proceeds of the Loan, the proceeds shall be applied as follows:

(a) *Disposition of the Proceeds.* There shall first be deducted and paid from the proceeds of the Loan the fees and costs incurred by the Governmental Agency and any other pertinent expenses incident to the issuance, sale and delivery of the Loan and such other appropriate expenses as may be approved by the Governmental Agency Chief Executive, including but not limited to the Governmental Agency's pro rata share of the Program's fees and expenses.

The balance shall be deposited to the Governmental Agency Account to be used for the Refunding Program.

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "Hyden-Leslie County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and the amount on deposit in said Governmental Agency Account, shall be applied to pay any interest on the Series 2016A Loan through February 1, 2018, as the same becomes due and payable, and to redeem on February 1, 2018 at a price of 100% the unpaid outstanding principal amount of the Series 2016A Loan.

Investment income derived from investment of the Governmental Agency Account, which shall be invested in Permitted Investments in accordance with this Assistance Agreement, shall, as received, be deposited in the Governmental Agency Account.

The Trustee shall be obligated to send written notice to the Governmental Agency of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days. In the absence of written direction from the

Governmental Agency with respect to investment of moneys held in the Governmental Agency Account, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Permitted Investments under this Assistance Agreement.

No expenditure shall be made from the Governmental Agency Account except for proper and authorized expenses relating to the Refunding Program and the Project in accordance with the contracts, plans and specifications approved by the Governmental Agency.

After completion of the Project, as certified by the Engineers, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Loan from Federal income taxation, upon orders of the Governing Body, be transferred to the Second Lien Sinking Fund, to be used for the purposes thereof.

Section 11. Arbitrage Limitations.

(a) The Governmental Agency covenants that neither the proceeds of the Loan, nor "Non-Exempt Revenues" of the System, as defined below, will be invested in investments that will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Loan, if such investment would cause such Loan to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Loan to be treated as "arbitrage bonds."

(b) "Non-Exempt Revenues" within the meaning of the foregoing shall be deemed to refer to revenues of the System deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Loan, in excess of "Exempt Revenues," which Exempt Revenues are:

(1) amounts deposited in the Second Lien Sinking Fund for the purpose of paying debt service on the Loan within thirteen (13) months from the date of deposit; and

(2) amounts deposited in the Debt Reserve Fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose).

(c) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set out in Subsection (a) above.

(d) On the basis of information furnished to the Governmental Agency, on known facts, circumstances and reasonable expectations on the date of enactment of this Assistance Agreement, the Governmental Agency certifies as follows:

(1) That it is not expected or contemplated that the proceeds of the Loan will be used or invested in any manner which will cause the Loan to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder.

(2) That it is not expected or contemplated that the Governmental Agency will make any use of the proceeds of the Loan, which, if such use had been reasonably anticipated on the date of issuance of the Loan, would have caused the Loan to be arbitrage bonds.

(3) That it is expected and contemplated that the Governmental Agency will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Loan will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts on deposit in the Second Lien Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the Loan and all Prior Bonds payable from said Second Lien Sinking Fund.

(5) That amounts accumulated in the Second Lien Sinking Fund shall not exceed the limitations set forth in this Assistance Agreement.

(6) That it is not reasonably anticipated that amounts accumulated in the Debt Reserve Fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such Debt Reserve Fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Loan, the Governmental Agency Chief Executive and/or the Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Loan, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Loan will be exempt from all federal income taxes and that the Loan will not constitute or be treated as arbitrage bonds.

Section 12. Rates and Charges for Services of the System.

While the Loan remains outstanding and unpaid, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the Outstanding Bonds and the accruing interest on all Outstanding Bonds as may be outstanding under the provisions of this Assistance Agreement and the Prior Bond Legislation, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Assistance Agreement. Prior to the issuance of the Loan a schedule of rates and charges for the services

rendered by the System to all users adequate to meet all requirements of this Assistance Agreement has been established and adopted.

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (as defined in Section 11 hereof) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 11 hereof.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year, calculated in the manner specified in Section 11 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 13. Defeasance and/or Refunding of Loan.

The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the Loan to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or U.S. Obligations, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire the Loan, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the Loan to and on said date, or (b) to pay all principal and interest requirements on the Loan as same matures, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body. Such U.S. Obligations shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the Loan and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 14. Contractual Nature of Assistance Agreement.

The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of the Loan, no change, variation or

alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 15. Appointment and Duties of Trustee.

The Trustee is hereby designated as the bond registrar and paying agent with respect to the Loan.

Its duties as Trustee shall be as follows:

- (a) To register the Loan in the name of the Issuer;
- (b) To maintain adequate records relevant to the Loan;
- (c) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;
- (d) To notify the Issuer if the Loan is to be redeemed and to redeem the Loan prior to its stated maturity upon receiving sufficient funds; and
- (e) To supply the Governmental Agency with a written accounting evidencing the payment of interest on and principal of the Loan within thirty (30) days following each respective due date.

The Trustee shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Trustee shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Assistance Agreement, or the responsibility for the consequences of any oversight or error in judgment.

The Trustee may at any time resign from its duties set forth in this Assistance Agreement by filing its resignation with the Governmental Agency Clerk and notifying the Issuer. Thereupon, the Issuer shall notify the Governmental Agency of a successor Trustee which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Trustee, provision shall be made for the orderly transition of the books, records and accounts relating to the Loan to the successor Trustee in order that there will be no delinquencies in the payment of interest or principal due on the Loan.

Section 16. Provisions in Conflict Repealed.

All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 17. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986.

In order to assure purchasers of the Loan that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental Agency will take no actions which will violate any of the provisions of the Code, or would cause the Loan to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Loan will be used for any purpose which would cause the interest on the Loan to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Loan.

The Governmental Agency reserves the right to amend this Assistance Agreement but only with the consent of the Issuer (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Loan shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of the Loan, or the application of such proceeds or of the revenues of the System. The purchasers of the Loan are deemed to have relied fully upon these covenants and undertakings on the part of the Governmental Agency as part of the consideration for the purchase of the Loan. To the extent that the Governmental Agency obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Assistance Agreement or referred to in this Assistance Agreement would not subject interest on the Loan to federal income taxes or Kentucky income taxes, the Governmental Agency shall not be required to comply with such covenants or requirements.

This Assistance Agreement is executed in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Loan from Kentucky ad valorem taxation and as to exemption of interest on the Loan from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the Governmental Agency complies with covenants made by the Governmental Agency with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Governmental Agency with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Loan. The Governmental Agency has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Loan does not constitute "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 18. Insurance.

(a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the Governmental Agency shall, upon receipt of the proceeds of the sale of the Loan, if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System, of a kind and in such amounts as would ordinarily be carried by private companies or public bodies engaged in operating a similar utility.

The foregoing fire and extended coverage insurance shall be maintained so long as the Loan is outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System the Governmental Agency shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(b) *Liability Insurance on Facilities.* So long as the Loan is outstanding, the Governmental Agency shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death; and not less than \$200,000 from claims for damage to property of others which may arise from the Governmental Agency's operations of the System and any other facilities constituting a portion of the System.

(c) *Vehicle Liability Insurance.* If and to the extent that the Governmental Agency owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Loan, the Governmental Agency shall, if such insurance is not already in force, procure and maintain, so long as the Loan is outstanding, vehicular public liability insurance with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Governmental Agency.

Section 19. Event of Default; Remedies.

The following items shall constitute an "Event of Default" on the part of the Governmental Agency:

(a) The failure to pay principal on the Loan when due and payable, either at maturity or by proceedings for redemption;

(b) The failure to pay any installment of interest on the Loan when the same shall become due and payable;

(c) The failure of the Governmental Agency to fulfill any of its obligations pursuant to this Assistance Agreement and to cure any such failure within 30 days after receipt of written notice of such failure; and/or

(d) The failure to promptly repair, replace or reconstruct essential facilities of the System after any major damage and/or destruction thereof.

Upon the occurrence of an Event of Default, the Issuer or the Trustee on its behalf, as owner of the Loan, may enforce and compel the performance of all duties and obligations of the Governmental Agency as set forth herein. Upon the occurrence of an Event of Default, then, upon the filing of suit by the Trustee or the Issuer, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Governmental Agency, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Loan, and for the payment of operation and maintenance expenses of the System, and to provide and apply the income and revenues in conformity with this Assistance Agreement and with the laws of the Commonwealth of Kentucky.

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of the Loan may require the Governmental Agency by demand, court order, injunction, or otherwise, to raise all applicable rates charged for services of the System a reasonable amount, consistent with the requirements of this Assistance Agreement.

Section 20. Annual Reports.

The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 2017) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

The annual financial information and operating data, including audited financial statements, will be made available on or before 120 days after the end of each fiscal year.

Section 21. Supplemental Assistance Agreement.

The Governmental Agency may, but only with the consent of the Issuer, execute one or more supplemental Assistance Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Assistance Agreement;
- (b) to subject to the lien and pledge of this Assistance Agreement additional revenues, properties, or collateral which may legally be subjected;
- (c) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;

(d) to add to the covenants and agreements of the Governmental Agency in this Assistance Agreement, other covenants and agreements thereafter to be incurred by the Governmental Agency or to surrender any right or power herein reserved to or conferred upon the Governmental Agency;

(e) to effect the issuance of additional Parity Bonds; and/or

(f) to modify the terms and conditions of this Assistance Agreement at the request of the Issuer in order to assist the Issuer in operating the Program or to maintain any rating the Issuer may have on its Program obligations.

Section 22. No Remedy Exclusive.

No remedy herein conferred upon or reserved to the Issuer 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 23. 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 24. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto shall become in 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 therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 25. Signatures of Officers.

If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Loan cease to be such officers before delivery of the Loan, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

Section 26. Severability Clause.

If any section, paragraph, clause or provision of this Assistance Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Assistance Agreement.

[Signature page follows]

KENTUCKY RURAL WATER FINANCE CORPORATION FLEXIBLE TERM FINANCE PROGRAM SERIES 2018 A

Borrower: Hyden-Leslie Water District
Closing Date: 01/30/18

Borrower Payment Schedule

Payment Date	Principal	Interest Rate	Interest	Capitalized Interest	Trustee Fees	Total	Fiscal Total
01/30/18							
08/01/18			52,791.67	(52,791.67)			
02/01/19	2,625,000.00	4.000%	52,500.00	(52,500.00)	450.00	2,625,450.00	2,625,450.00
08/01/19							
02/01/20							
Totals	<u>2,625,000.00</u>		<u>105,291.67</u>	<u>(105,291.67)</u>	<u>450.00</u>	<u>2,625,450.00</u>	

EXHIBIT 6

From: Abshire, Jeff (KIA) <jeff.abshire@ky.gov>
Sent: Friday, January 4, 2019 12:59 PM
To: L.J. Turner
Subject: Invitation to Apply for Funding
Attachments: Invitation to Apply, Hyden-Leslie County Water District 01-04-2019.pdf

LJ,

Attached is the invitation to apply for funding. A hard copy will also be mailed to the address you provided in the letter of intent. Below is a link to the forms page along with a list of items that you will need to send (all via email). Since you are going to first proceed with a short term note renewal with KY Rural Water we will not complete the credit analysis until after that transaction is finalized. My understanding is that that note will be for a one year term. Please advise if the prepayment of the renewal note will be permitted and if there will be any costs associated with a prepayment. Also, we would like to include audited results for 2018. The 2017 audit report was dated April 17, 2018 so hopefully the 2018 results will be available on a similar timeframe. You will not need to provide prior year's audited financial statements, PSC reports, or rate information as I have already got that from the PSC website.

The most critical items that we need as soon as possible are the application and authorizing resolution from the District's Board. An example of an authorizing resolution can be obtained at the link below. Please advise when the Board meets so we can have an idea of when to expect the resolution. I will start preparation of the credit analysis once we have received these documents.

<https://kia.ky.gov/FinancialAssistance/Pages/Forms.aspx>

1. Application – Fund B
2. Authorizing Resolution
3. Other Documents
 - a) Authorizing Resolution
 - b) Confirm that you neither purchase water from another provider or sell to other utilities
 - c) Copies of any service agreements, if applicable (water purchase or sale or any management agreements)
 - d) PSC Order for One Year Note with Rural Water
 - e) Revised letter of conditions from RD once new rates are corrected
 - f) Certification of the remaining life of the assets that are being financed via the refinance transaction. If the certification is for less than 30 years then the loan term will be for the shorter period.

Please feel free to call me if you have any questions.

Thanks,

Jeff Abshire
Fiscal Officer and Treasurer
Kentucky Infrastructure Authority
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601
Phone: 502-892-3428
Email: jeff.abshire@ky.gov
Internet: <http://kia.ky.gov/>



KENTUCKY INFRASTRUCTURE AUTHORITY

Matthew G. Bevin
Governor

Capital Center Complex
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601
(502) 573-0260
(502) 573-0157 (fax)
kia.ky.gov

Donna McNeil
Executive Director

January 4, 2019

Hyden-Leslie County Water District
Augustus Roberts, Chairman
356 Wendover Road
Hyden, KY 41749

RE: Fund B Loan Request

Dear Mr. Roberts:

Thank you for your interest in KIA's Fund B loan program. KIA currently has adequate capacity to fund your request for \$2,700,000 to refinance other existing debt.

The District is invited to submit a loan application to KIA for consideration. Upon receipt of the completed application, KIA staff will conduct a credit analysis based upon information provided in the loan application, audited financial statements, and filings with the Kentucky Public Service Commission. The request will be presented to the KIA Board for approval, after which a conditional commitment of funds will be made. Approval is also required by the Kentucky Legislature Capital Projects and Bond Oversight Committee. An Assistance Agreement will then be prepared for signatures upon the District's completion of all required conditions. Please be advised that this correspondence does not serve as a commitment of funds. If a loan application is not submitted on or prior to February 28, 2019 the invitation to apply will be rescinded.

The Fund B loan application, checklist and other forms may be obtained at the following website:
<https://kia.ky.gov/FinancialAssistance/Pages/Forms.aspx>.

If you have any questions regarding the application process, please do not hesitate to contact Jeff Abshire at 503-892-3428 or jeff.abshire@ky.gov.

Respectfully,

A handwritten signature in blue ink that reads "Donna McNeil".

Donna McNeil, Executive Director
Kentucky Infrastructure Authority

Cc: LJ Turner, Hyden-Leslie County Water District

EXHIBIT 7

TRANSCRIPT OF PROCEEDINGS

HYDEN-LESLIE COUNTY WATER DISTRICT
LOAN IN THE AMOUNT OF \$2,735,000

FROM THE

KENTUCKY RURAL WATER FINANCE CORPORATION
PUBLIC PROJECTS REFUNDING REVENUE BONDS
(FLEXIBLE TERM PROGRAM)
SERIES 2019A
DATED JANUARY 29, 2019
IN THE AMOUNT OF \$8,140,000

APPROVING LEGAL OPINION
By

RUBIN & HAYS
Municipal Bond Attorneys
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

TRANSCRIPT OF PROCEEDINGS INDEX

Re: Loan in the amount of \$2,735,000, dated January 29, 2019, to the Hyden-Leslie County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2019A.

ASSISTANCE AGREEMENT AND CLOSING DOCUMENTATION

- a. Resolution.
- b. Assistance Agreement.
- c. Supplemental Tax Certificate.
- d. Arbitrage Certificate.
- e. Certificate of Officers.
- f. Letter of the State Local Debt Officer.
- g. Legal Opinion of Rubin & Hays.
- h. Form 8038-G, Information Return for Tax-Exempt Governmental Obligations.

RESOLUTION

RESOLUTION OF THE HYDEN-LESLIE COUNTY WATER DISTRICT APPROVING AND AUTHORIZING AN ASSISTANCE AGREEMENT WITH THE KENTUCKY RURAL WATER FINANCE CORPORATION TO REFINANCE AND CURRENTLY REFUND CERTAIN OBLIGATIONS OF THE DISTRICT

WHEREAS, the Board of Commissioners (“Governing Body”) of the Hyden-Leslie County Water District (the “District”) has determined that it is in the public interest to refinance and currently refund its outstanding loan in the amount of \$2,625,000, dated January 30, 2018, to the District from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2018A (the “Prior Loan”), which matures February 1, 2019, and which Prior Loan was issued by the District to refund an earlier loan that was used to construct improvements to the water distribution system, including water tanks, pump stations and water lines, with appurtenances (the refunding of the Prior Loan is hereinafter referred to as the “Project”); and

WHEREAS, the District desires the Kentucky Rural Water Finance Corporation (the “Corporation”) to act as its agency and instrumentality to provide monies to refinance and currently refund the Prior Loan and has made an application to the Corporation therefore; and

WHEREAS, in order to obtain such monies, the District is required to enter into an Assistance Agreement with the Corporation;

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Hyden-Leslie County Water District, as follows:

1. Authorization of Assistance Agreement and the Loan Thereunder. To pay the costs, not otherwise provided, to finance the Project, the District hereby authorizes and approves the issuance of its obligations pursuant to the Assistance Agreement in an aggregate principal amount of \$2,715,000 (subject to adjustment plus or minus ten percent (10%)) [the “Loan”], which amount as adjusted shall be the maximum amount of such Loan to be outstanding at any one time under the Assistance Agreement, issued as fully registered Loan, in said maturities and terms as more fully provided for in the Assistance Agreement. The Loan shall bear interest at such rates and shall be payable in such amounts and at such times as specified in the Assistance Agreement, all as agreed upon by the District and the Corporation.

2. Approval and Authorization of Execution of Assistance Agreement. The Assistance Agreement by and between the District and the Corporation in such form as may be approved by the Chairman, is hereby approved, subject to such minor changes, changes of dates, insertions or omissions as may be approved by the Chairman, such approval to be conclusively evidenced by the execution of said Assistance Agreement, in order to effectuate the purposes of this Resolution; and the Chairman, or any other officer of the District, is hereby authorized to execute and acknowledge same for and on behalf of the District; and the Secretary is authorized to attest same and to affix thereto the corporate seal of the District. The Assistance Agreement is

hereby ordered to be filed in the office of the Secretary with this Resolution in the official records of the District.

3. Disbursement of Proceeds of Loan. The District's officers, employees and agents are authorized to carry out the procedures specified in the Assistance Agreement to finance the Project and to pay from time to time of the costs and related expenses associated therewith.

4. Revenues of the System. The revenues of the District's waterworks system (the "System") are determined to be sufficient to pay the principal of and interest on the Loan, as the same become due and payable; and said revenues, pursuant to the terms of the Assistance Agreement, are hereby pledged to secure all such payments, and in addition, for such other purposes as are more fully specified in the Assistance Agreement.

5. Chairman and Other District Officials to Take Any Other Necessary Action. Pursuant to the Constitution and Laws of the Commonwealth of Kentucky, the Chairman, Treasurer, Secretary and all other appropriate officials of the District are hereby authorized and directed to file any and all applications necessary to obtain approval of the issuance of the Loan from the Kentucky Public Service Commission and to take any and all further action and to execute and deliver all other documents as may be reasonably necessary to effect the issuance and delivery of the Loan and the Assistance Agreement.

6. Severability Clause. If any section, paragraph, clause or provision of this Resolution shall be ruled by any court of competent jurisdiction to be invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions hereof.

7. Captions of Clauses. The captions of this Resolution are for convenience only and are not to be construed as part of this Resolution nor as defining or limiting in any way the scope or intent of the provisions hereof.

8. Provisions in Conflict Repealed. All resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

9. Effective Date of Resolution. This Resolution shall take effect from and after its adoption and approval.

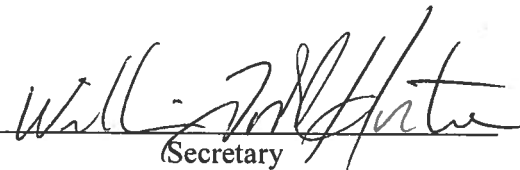
[Signature Page Follows]

Adopted on November 29, 2018.

HYDEN-LESLIE COUNTY WATER
DISTRICT

By  _____
Chairman

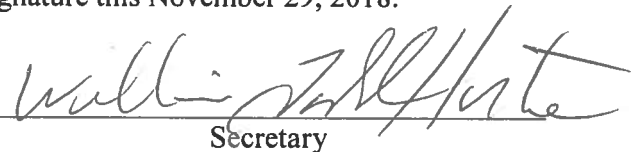
Attest:

By  _____
Secretary

CERTIFICATE

I, the undersigned, hereby certify that I am the duly qualified and acting Secretary of the District; that the foregoing is a full, true and correct copy of a Resolution adopted by the Governing Authority of the District at a meeting duly held on November 29, 2018; 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 61.823; 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 November 29, 2018.

 _____
Secretary

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY RURAL WATER FINANCE CORPORATION
AND
HYDEN-LESLIE COUNTY WATER DISTRICT
DATED
JANUARY 29, 2019
IN THE AMOUNT OF \$2,735,000

This document was prepared by:

RUBIN & HAYS
Kentucky Home Trust Building
450 South Third Street
Louisville, Kentucky 40202
(502) 569-7525

By

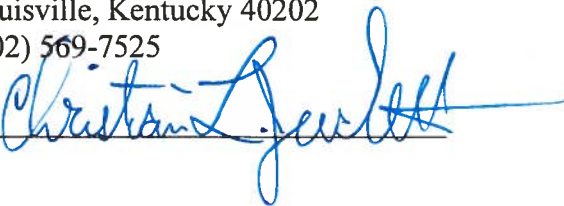


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EXHIBIT A Debt Service Schedule

ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of January 29, 2019 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, 1151 Old Porter Pike, Bowling Green, Kentucky 42103, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") and the Hyden-Leslie County Water District, P.O. Box 906, Hyden, Kentucky 41749 (the "Governmental Agency"):

WITNESSETH

WHEREAS, the Issuer has established its Public Projects Flexible Term Program (the "Program") designed to provide financing for the expansion, addition and improvements of public projects for governmental entities under which the Issuer issued, in various series, its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program) pursuant to a Trust Indenture dated as of April 4, 2001, as supplemented from time to time (collectively, the "Indenture") between the Issuer and Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as trustee (the "Trustee"), the net proceeds of which will be applied for the benefit of such governmental entities by making loans, pursuant to assistance agreements; and

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2019A (the "Series 2019A Bonds") in the aggregate principal amount of \$8,140,000, pursuant to a Supplemental Trust Indenture No. 71, dated as of January 29, 2019 by and between the Issuer and the Trustee, which Series 2019A Bonds will rank on a parity with other outstanding bonds issued under the terms of the Indenture, and the proceeds of which will be used by certain governmental agencies to acquire, construct and equip public projects described in various assistance agreements by and between the governmental agencies and the Issuer; and

WHEREAS, the Governmental Agency, presently owns and operates the waterworks system (the "System"); and

WHEREAS, the Governmental Agency has an outstanding loan in the original amount of \$2,625,000, dated February 1, 2018, from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2018A, that matures on February 1, 2019 (the "Series 2018A Loan"), which loan was issued to refund its loan in the original principal amount of \$2,540,000, dated February 1, 2016, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2016A, which loan was issued to refund its loan in the original principal amount of \$2,435,000, dated December 18, 2013, from the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F (the "Series 2013F Loan"). The Series 2013F Loan was issued to finance the cost to construct improvements

to the water distribution system, including water tanks, pump stations and water lines, with appurtenances the (“Project”); and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to currently refund the Series 2018A Loan (the “Refunding Program”), and the Issuer has determined that the Refunding Program is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Issuer; and

WHEREAS, the Governmental Agency has designated the Issuer as its instrumentality and agency; and

WHEREAS, pursuant to this Assistance Agreement the Governmental Agency will proceed with the Refunding Program; and

WHEREAS, it is deemed necessary and advisable for the best interests of the Governmental Agency that it enter into this Assistance Agreement with the Issuer to borrow funds (the “Loan”) in the amount of \$2,735,000, for the Refunding Program; and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency is authorized to enter into this Assistance Agreement and agree to the Loan to provide such funds for the purpose aforesaid; and

WHEREAS, the Issuer 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 Refunding Program upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained; and

WHEREAS, the Issuer 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 financing of the Refunding Program subject to 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:

Section 1. Definitions.

As used in this Assistance Agreement, unless the context requires otherwise:

“Act” refers to Chapters 58 and 74 of the Kentucky Revised Statutes, as amended.

“Assistance Agreement” refers to this Assistance Agreement authorizing the Loan and the obligations thereunder.

“*Bond Counsel*” refers to Rubin & Hays, Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202, or any other nationally recognized individual or firm in the field of municipal bond law.

“*Bond Legislation of 2000*” or “*2000 Bond Legislation*” refer to the Resolution authorizing the Series 2000 Bonds, duly adopted by the Governing Body of the Governmental Agency on March 21, 2000.

“*Bond Legislation of 2011*” or “*2011 Bond Legislation*” refer to the Resolution authorizing the Series 2011 Bonds, duly adopted by the Governing Body of the Governmental Agency on October 28, 2010.

“*Bondowner*”, “*Owner*”, “*Bondholder*” means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Bonds at the time issued and outstanding hereunder.

“*Bonds*” refers to the Loan, the Prior Bonds and any additional Parity Bonds.

“*Certified Public Accountants*” refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky and knowledgeable about the affairs of the System and/or of other Governmental Agency financial matters.

“*Code*” refers to the United States Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

“*Compliance Group*” refers to the Compliance Group identified and defined in the Indenture.

“*Debt Reserve Fund*” refers to the Hyden-Leslie County Water District Water System Debt Reserve Fund, described in Section 402 of the 2011 Bond Legislation.

“*Engineer*” or “*Independent Consulting Engineer*” refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks and sewer engineering.

“*Fiscal Year*” refers to the annual accounting period of the Governmental Agency, beginning on January 1, and ending on December 31, of each year.

“*Funds*” refers to the Revenue Fund, Sinking Fund, Second Lien Sinking Fund, Operation and Maintenance Fund, Debt Reserve Fund and Governmental Agency Account.

“*Governing Body*” means the Board of Commissioners of the Governmental Agency or such other body as shall be the governing body of said Governmental Agency under the laws of Kentucky at any given time.

“*Governmental Agency*” refers to the Hyden-Leslie County Water District, P.O. Box 906, Hyden, Kentucky 41749.

“Governmental Agency Chief Executive” refers to the Chairman of the Governing Body.

“Governmental Agency Clerk” refers to the Secretary of the Governing Body.

“Indenture” means the Trust Indenture, dated as of April 4, 2001, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental indenture, including the Supplemental Trust Indenture No. 71, dated January 29, 2019, by and between the Issuer and the Trustee.

“Interest Payment Date” shall mean the 1st day of each February and August of each year, commencing August 1, 2019, and continuing through and including February 1, 2020 or until the Loan has been paid in full.

“Issuer” refers to the Kentucky Rural Water Finance Corporation, 1151 Old Porter Pike, Bowling Green, Kentucky 42103.

“Loan” refers to the loan authorized by this Assistance Agreement from the Issuer to the Governmental Agency, in the principal amount of \$2,735,000, maturing February 1, 2020, for the purpose of defraying the cost of the Refunding Program.

“Operation and Maintenance Fund” refers to the Hyden-Leslie County Water District Operation and Maintenance Fund created and confirmed in the Prior Bond Legislation, which Fund will continue to be maintained for the benefit of the System.

“Outstanding Bonds” refers collectively to the Loan, all outstanding Prior Bonds, the Loan and any outstanding Parity Bonds, and does not refer to any bonds that have been defeased.

“Permanent Financing” shall mean proceeds of temporary or permanent financing or other borrowing secured by revenues of the Governmental Agency of whatever nature or from any other legally available funds of the Governmental Agency, including, but not limited to, long term financing issued under the Program or bonds issued by the Governmental Agency and delivered to a purchaser for the purpose of financing the cost of the Refunding Program.

“Permitted Investments” refers to the following:

(a) Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian. These investments may be accomplished through repurchase agreements reached with sources including but not limited to national or state banks chartered in the Commonwealth of Kentucky;

(b) Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- i. United States Treasury;
- ii. Export-Import Bank of the United States;
- iii. Farmers Home Administration;
- iv. Government National Mortgage Corporation; and
- v. Merchant Marine bonds;

(c) Obligations of any corporation of the United States government, including but not limited to:

- i. Federal Home Loan Mortgage Corporation;
- ii. Federal Farm Credit Banks;
- iii. Bank for Cooperatives;
- iv. Federal Intermediate Credit Banks;
- v. Federal Land Banks;
- vi. Federal Home Loan Banks;
- vii. Federal National Mortgage Association; and
- viii. Tennessee Valley Authority;

(d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated on one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics:

- i. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

- ii. The management company of the investment company shall have been in operation for at least five (5) years; and
- iii. All of the securities in the mutual fund shall be eligible investments under this section.

Investments in the above instruments are subject to the following conditions and limitations:

(a) The amount of money invested at any time by a local government or political subdivision in one (1) or more of the categories of investments authorized by subsection (e), (f), (g), and (i) of this definition shall not exceed twenty percent (20%) of the total amount of money invested by the local government; and

(b) No local government or political subdivision shall purchase any investment authorized herein on a margin basis or through the use of any similar leveraging technique.

“*Prior Bond Legislation*” refers to the 2000 Bond Legislation, 2011 Bond Legislation, and Series 2012E Assistance Agreement.

“*Prior Bonds*” refers collectively to the Series 2000 Bonds, Series 2011 Bonds, and Series 2012E Loan.

“*Program*” refers to the Issuer’s Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvement of public projects for governmental entities.

“*Program Administrator*” refers to the Kentucky Rural Water Association, Inc., 1151 Old Porter Pike, Bowling Green, Kentucky 42103.

“*Program Reserve Fund*” refers to the Program Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

“*Project*” refers to financing the cost to construct improvements to the water distribution system, including water tanks, pump stations and water lines, for the Governmental Agency, with appurtenances, to be part of the System.

“*Refunding Program*” refers to financing the cost to currently refund the Series 2018A Loan, which matures February 1, 2019.

“*Revenue Fund*” refers to the Hyden-Leslie County Water District Water Revenue Fund created in the Prior Bond Legislation and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

“*Second Lien Sinking Fund*” refers to the Hyden-Leslie County Water District Second Lien Sinking Fund, which Second Lien Sinking Fund will be maintained for the benefit of the Loan.

“*Series 2000 Bonds*” refers to the outstanding Hyden-Leslie County Water District Waterworks Revenue Bonds, Series 2000, dated August 24, 2000, in the original authorized principal amount of \$310,000.

“*Series 2011 Bonds*” refers to the outstanding Hyden-Leslie County Water District Waterworks Revenue bonds, Series 2011, dated February 3, 2012, in the original principal amount of \$3,050,000, consisting of \$1,094,000 of Series A Bonds and \$1,956,000 of Series B Bonds

“*Series 2012E Assistance Agreement*” refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated August 29, 2012, authorizing the loan in the principal amount of \$595,000 from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E.

“*Series 2012E Loan*” refers to the loan to the Governmental Agency in the principal amount of \$595,000, dated August 29, 2012, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E.

“*Series 2018A Assistance Agreement*” refers to the Assistance Agreement between the Kentucky Rural Water Finance Corporation and the Governmental Agency, dated February 1, 2018, authorizing the loan in the principal amount of \$2,625,000 from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2018A.

“*Series 2018A Loan*” refers to the loan to the Governmental Agency in the principal amount of \$2,625,000, dated February 1, 2018, from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2018A.

“*Sinking Fund*” refers to the Hyden-Leslie County Water District Sinking Fund, which Sinking Fund will be maintained for the benefit of the Prior Bonds.

“*System*” refers to the Governmental Agency’s waterworks system, together with all future extensions, additions and improvements to said System.

“*Treasurer*” refers to the Treasurer of the Governmental Agency.

“*Trustee*” refers to Regions Bank, Nashville, Tennessee.

“*U.S. Obligations*” refers to bonds, notes, or Treasury Bills, which are direct obligations of the United States of America or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government Series, and Trust Receipts representing an ownership interest in direct obligations of the United States.

Section 2. Reaffirmation of Declaration of Waterworks System.

That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Governmental Agency as a waterworks system are hereby in all respects ratified and confirmed; and so long as the Loan herein authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and maintained for the security and source of payment of the Loan. Said System is hereby declared to constitute a public project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

Section 3. Authorization of Loan; Place of Payment; Manner of Execution.

That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$2,735,000 from the Program, for the purpose of providing funds for the Refunding Program.

The Loan shall mature on February 1, 2020, in such principal amount, and shall bear interest payable on the Interest Payment Date, in the maturities and at the interest rates set forth in **Exhibit A** attached hereto.

The principal of, redemption price, if any, and interest on the Loan shall be payable in lawful money of the United States of America on the Interest Payment Date to the Trustee for the Program. Such payment shall be made by the Governmental Agency from funds on deposit in the Second Lien Sinking Fund pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") in a form as provided by the Trustee to the Governmental Agency. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

Pursuant to the ACH Debit Direct Payment Method, there shall be transferred to the Trustee on or before each Interest Payment Date, from the Second Lien Sinking Fund, the amounts set forth as sinking fund payments on Exhibit A attached hereto.

In addition, in the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Loan and any other payments due under this Assistance Agreement on behalf of the Governmental Agency (the "Reserve Withdrawal"), the Governmental Agency shall pay to the Trustee, each amount set forth as sinking fund payments on Exhibit A attached hereto, pursuant to the ACH Debit Direct Payment Method an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

Section 4. Optional Redemption.

The Loan is not subject to optional redemption prior to its stated maturity.

Section 5. Recognition of Prior Bonds.

The Governmental Agency hereby expressly recognizes and acknowledges that the Governmental Agency has previously created for the benefit and protection of the owners of the Prior Bonds, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Bonds and in the Prior Bond Legislation.

Section 6. Loan Shall be Payable on Second Lien Basis Out of Gross Revenues.

The Loan shall be secured by and payable on a second lien basis by and payable from the gross revenues of the System, after providing for all of the principal and interest requirements of the outstanding Prior Bonds.

Section 7. Permanent Financing.

The Governmental Agency does hereby covenant that if for any reason the anticipated funding for the payment of the principal and interest on the Loan fails to be provided on or before the Maturity Date, the Governmental Agency shall take all such action required to retire the Loan with cash reserves of the Governmental Agency or obtain Permanent Financing and shall retire the Loan on the Maturity Date from the proceeds of Permanent Financing.

Section 8. Pledge and Assignment of the Governmental Agency; Further Assurance; Completion of Project.

The Governmental Agency does hereby irrevocably assign and pledge to the Issuer and its successors or assigns, for the benefit of the owners of all bonds issued under the Indenture, all right, title and interest of the Governmental Agency in and to the proceeds of the Permanent Financing and all monies to be received from the purchaser of bonds issued pursuant to the Permanent Financing for the Refunding Program. The Governmental Agency acknowledges and agrees that the Issuer, pursuant to the Indenture, has assigned and pledged to the Trustee for the benefit and security of the owners of the bonds issued under the Indenture all of its rights under the provisions of this Assistance Agreement. Accordingly, this Assistance Agreement shall not be terminated, modified or changed by the Issuer or the Governmental Agency except with the consent of the Trustee in the manner and subject to the conditions permitted by the terms and provisions of the Indenture.

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.

The Governmental Agency hereby covenants and agrees to proceed expeditiously with and promptly complete the Project so that the Permanent Financing can be delivered on or prior to the Maturity Date.

Section 9. Flow of Funds.

All proceedings preliminary to and in connection with the issuance of the Prior Bonds, including provisions made for (i) the receipt, custody and application of the proceeds of the Prior Bonds; (ii) the operation of the System on a revenue-producing basis; (iii) the segregation, allocation and custody of the revenues derived from the operation of the System; (iv) the enforcement and payment of the Prior Bonds, and (v) the depreciation of the System; and all other covenants for the benefit of Bondowners set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Prior Bonds, the same as if such provisions and proceedings were set out in full herein; provided, further, that after the issuance of the Loan, the income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

A. Revenue Fund. The Governmental Agency covenants and agrees that it will continue to deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as same may be extended and improved from time to time. The moneys in the Revenue Fund shall continue to be used, disbursed and applied by the Governmental Agency only for the purpose and in the manner and order of priorities specified by the Prior Bond Legislation, as hereinafter modified by this Assistance Agreement, all as permitted by the Act, and in accordance with previous contractual commitments.

B. Sinking Fund. There shall be transferred from the Revenue Fund and deposited into the Sinking Fund on or before the 20th day of each month, for payment of interest on and principal of the Prior Bonds, a sum equal to the total of the following:

- (1) A sum equal to one-sixth (1/6) of the next succeeding interest payment to become due on the Prior Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of all of the Prior Bonds maturing on the next succeeding principal payment date.

Said Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Prior Bonds.

If the Governmental Agency for any reason shall fail to make any monthly deposit as required, then an amount equal to the deficiency shall be set apart and deposited into the Sinking Fund out of the first available revenues in the ensuing months, which amount shall be in addition to the monthly deposit otherwise required during such succeeding months. Whenever there shall accumulate in the Sinking Fund amounts in excess of the requirements during the next twelve months for paying the principal of and interest due on the Prior Bonds, as same fall due, such excess may be used for redemption or prepayment of any Prior Bonds, subject to the terms and conditions set forth therein, prior to maturity.

C. Second Lien Sinking Fund. After the monthly transfers required in the preceding paragraphs have been paid from the Revenue Fund, there shall next be transferred semiannually from said Revenue Fund and deposited into the Second Lien Sinking Fund on or

before each Interest Payment Date, for payment of interest on and principal of the Loan, a sum equal to the amounts set forth as sinking fund payments on Exhibit A attached hereto.

The Second Lien Sinking Fund is hereby pledged for the payment of the interest and the principal of the Loan, but subject to the vested rights and priorities of the Prior Bonds.

D. Debt Reserve Fund. Pursuant to the provisions of the Prior Bond Legislation, there shall next be transferred from the Revenue Fund a sum sufficient, each month, to maintain a balance in said Debt Reserve Fund of at least the sum required by the Prior Bond Legislation, which shall be deposited into the Debt Reserve Fund.

Moneys in the Debt Reserve Fund may be withdrawn and used by the Governmental Agency, upon appropriate certification of the Governing Body, in accordance with the provisions of the Prior Bond Legislation, for the purpose of paying the cost of unusual or extraordinary maintenance, repairs, renewals and replacements not included in the annual budget of current expenses and/or of paying the costs of constructing future extensions, additions and improvements to the System which will either enhance its revenue-producing capacity or will provide a higher degree of service, and when necessary, for the purpose of making payments of principal and interest on the Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments.

E. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount required to cover anticipated System expenditures for a two-month period pursuant to the Governmental Agency's annual budget.

F. Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System as set forth hereinabove, which provisions are cumulative, and after paying or providing for the payment of debt service on any subordinate obligations, there shall be transferred, within sixty days after the end of each fiscal year, the balance of excess funds in the Revenue Fund on such date, to the Debt Reserve Fund for application in accordance with the terms of this Assistance Agreement or to the Sinking Fund to be applied to the maximum extent feasible, to the prompt purchase or redemption of Outstanding Bonds.

Provided, however, notwithstanding anything to the contrary in any Prior Bond Legislation, the Governmental Agency shall be allowed a credit to the extent of moneys on deposit in the Program Reserve Fund for the purpose of meeting any parity requirements in any Prior Bond Legislation; subject however, to the limitation that moneys in the Program Reserve Fund may only be used to make payments of the Government Agency due under this Assistance Agreement, if necessary, and; provided further, that the Trustee may not seek payment for any reserve funds held by the Governmental Agency under any Prior Bond Legislation for payment of any amounts due from the Governmental Agency under this Assistance Agreement.

Section 10. Disposition of Proceeds of the Loan; Governmental Agency Account.

Upon (i) the execution of this Assistance Agreement, (ii) the delivery of this Assistance Agreement to the Trustee, (iii) certification of the Compliance Group that the Loan is to be accepted into the Program, and (iv) upon receipt by the Governmental Agency of the proceeds of the Loan, the proceeds shall be applied as follows:

(a) *Disposition of the Proceeds.* There shall first be deducted and paid from the proceeds of the Loan the fees and costs incurred by the Governmental Agency and any other pertinent expenses incident to the issuance, sale and delivery of the Loan and such other appropriate expenses as may be approved by the Governmental Agency Chief Executive, including but not limited to the Governmental Agency's pro rata share of the Program's fees and expenses.

The balance shall be deposited to the Governmental Agency Account to be used for the Refunding Program.

(b) *Governmental Agency Account.* It is hereby acknowledged that a fund entitled "Hyden-Leslie County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and the amount on deposit in said Governmental Agency Account, shall be applied to pay any interest on the Series 2018A Loan through February 1, 2019, as the same becomes due and payable, and to redeem on February 1, 2019 at a price of 100% the unpaid outstanding principal amount of the Series 2018A Loan.

Investment income derived from investment of the Governmental Agency Account, which shall be invested in Permitted Investments in accordance with this Assistance Agreement, shall, as received, be deposited in the Governmental Agency Account.

The Trustee shall be obligated to send written notice to the Governmental Agency of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days. In the absence of written direction from the Governmental Agency with respect to investment of moneys held in the Governmental Agency Account, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Permitted Investments under this Assistance Agreement.

No expenditure shall be made from the Governmental Agency Account except for proper and authorized expenses relating to the Refunding Program and the Project in accordance with the contracts, plans and specifications approved by the Governmental Agency.

After completion of the Refunding Program, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Loan from Federal income taxation, upon orders of the Governing Body, be transferred to the Second Lien Sinking Fund, to be used for the purposes thereof.

Section 11. Arbitrage Limitations.

(a) The Governmental Agency covenants that neither the proceeds of the Loan, nor “Non-Exempt Revenues” of the System, as defined below, will be invested in investments that will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Loan, if such investment would cause such Loan to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Loan to be treated as “arbitrage bonds.”

(b) “Non-Exempt Revenues” within the meaning of the foregoing shall be deemed to refer to revenues of the System deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Loan, in excess of “Exempt Revenues,” which Exempt Revenues are:

(1) amounts deposited in the Second Lien Sinking Fund for the purpose of paying debt service on the Loan within thirteen (13) months from the date of deposit; and

(2) amounts deposited in the Debt Reserve Fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose).

(c) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set out in Subsection (a) above.

(d) On the basis of information furnished to the Governmental Agency, on known facts, circumstances and reasonable expectations on the date of enactment of this Assistance Agreement, the Governmental Agency certifies as follows:

(1) That it is not expected or contemplated that the proceeds of the Loan will be used or invested in any manner which will cause the Loan to be treated as “arbitrage bonds” within the meaning of Section 148 of the Code and the applicable regulations thereunder.

(2) That it is not expected or contemplated that the Governmental Agency will make any use of the proceeds of the Loan, which, if such use had been reasonably anticipated on the date of issuance of the Loan, would have caused the Loan to be arbitrage bonds.

(3) That it is expected and contemplated that the Governmental Agency will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Loan will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts on deposit in the Second Lien Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the Loan payable from said Second Lien Sinking Fund.

(5) That amounts accumulated in the Second Lien Sinking Fund shall not exceed the limitations set forth in this Assistance Agreement.

(6) That it is not reasonably anticipated that amounts accumulated in the Debt Reserve Fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such Debt Reserve Fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Loan, the Governmental Agency Chief Executive and/or the Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Loan, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Loan will be exempt from all federal income taxes and that the Loan will not constitute or be treated as arbitrage bonds.

Section 12. Rates and Charges for Services of the System.

While the Loan remains outstanding and unpaid, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the Outstanding Bonds and the accruing interest on all Outstanding Bonds as may be outstanding under the provisions of this Assistance Agreement and the Prior Bond Legislation, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Assistance Agreement. Prior to the issuance of the Loan a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Assistance Agreement has been established and adopted.

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (defined as gross revenues less essential operation and maintenance expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 13. Defeasance and/or Refunding of Loan.

The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the Loan to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or U.S. Obligations, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire the Loan, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the Loan to and on said date, or (b) to pay all principal and interest requirements on the Loan as same matures, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body. Such U.S. Obligations shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the Loan and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 14. Contractual Nature of Assistance Agreement.

The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of the Loan, no change, variation or alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 15. Appointment and Duties of Trustee.

The Trustee is hereby designated as the bond registrar and paying agent with respect to the Loan.

Its duties as Trustee shall be as follows:

- (a) To register the Loan in the name of the Issuer;
- (b) To maintain adequate records relevant to the Loan;
- (c) To remit, but only to the extent that all required funds are made available to the Trustee by the Governmental Agency, semiannual interest payments directly to the Issuer's accounts for the Program;
- (d) To notify the Issuer if the Loan is to be redeemed and to redeem the Loan prior to its stated maturity upon receiving sufficient funds; and
- (e) To supply the Governmental Agency with a written accounting evidencing the payment of interest on and principal of the Loan within thirty (30) days following each respective due date.

The Trustee shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Trustee shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Assistance Agreement, or the responsibility for the consequences of any oversight or error in judgment.

The Trustee may at any time resign from its duties set forth in this Assistance Agreement by filing its resignation with the Governmental Agency Clerk and notifying the Issuer. Thereupon, the Issuer shall notify the Governmental Agency of a successor Trustee which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Trustee, provision shall be made for the orderly transition of the books, records and accounts relating to the Loan to the successor Trustee in order that there will be no delinquencies in the payment of interest or principal due on the Loan.

Section 16. Provisions in Conflict Repealed.

All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 17. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986.

In order to assure purchasers of the Loan that interest thereon will continue to be exempt from federal and Kentucky income taxation (subject to certain exceptions set out below), the Governmental Agency covenants to and with the Issuer that (1) the Governmental Agency will take all actions necessary to comply with the provisions of the Code, (2) the Governmental

Agency will take no actions which will violate any of the provisions of the Code, or would cause the Loan to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Loan will be used for any purpose which would cause the interest on the Loan to become subject to federal income taxation, and the Governmental Agency will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Loan.

The Governmental Agency reserves the right to amend this Assistance Agreement but only with the consent of the Issuer (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Loan shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of the Loan, or the application of such proceeds or of the revenues of the System. The purchasers of the Loan are deemed to have relied fully upon these covenants and undertakings on the part of the Governmental Agency as part of the consideration for the purchase of the Loan. To the extent that the Governmental Agency obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Assistance Agreement or referred to in this Assistance Agreement would not subject interest on the Loan to federal income taxes or Kentucky income taxes, the Governmental Agency shall not be required to comply with such covenants or requirements.

This Assistance Agreement is executed in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Loan from Kentucky ad valorem taxation and as to exemption of interest on the Loan from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the Governmental Agency complies with covenants made by the Governmental Agency with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Governmental Agency with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Loan. The Governmental Agency has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Loan does not constitute "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 18. Insurance.

(a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the Governmental Agency shall, upon receipt of the proceeds of the Loan, if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System, of a kind and in such amounts as would ordinarily be carried by private companies or public bodies engaged in operating a similar utility.

The foregoing fire and extended coverage insurance shall be maintained so long as the Loan is outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System the Governmental Agency shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(b) *Liability Insurance on Facilities.* So long as the Loan is outstanding, the Governmental Agency shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death; and not less than \$200,000 from claims for damage to property of others which may arise from the Governmental Agency's operations of the System and any other facilities constituting a portion of the System.

(c) *Vehicle Liability Insurance.* If and to the extent that the Governmental Agency owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Loan, the Governmental Agency shall, if such insurance is not already in force, procure and maintain, so long as the Loan is outstanding, vehicular public liability insurance with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the Governmental Agency from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the Governmental Agency.

Section 19. Event of Default; Remedies.

The following items shall constitute an "Event of Default" on the part of the Governmental Agency:

(a) The failure to pay principal on the Loan when due and payable, either at maturity or by proceedings for redemption;

(b) The failure to pay any installment of interest on the Loan when the same shall become due and payable;

(c) The failure of the Governmental Agency to fulfill any of its obligations pursuant to this Assistance Agreement and to cure any such failure within 30 days after receipt of written notice of such failure; and/or

(d) The failure to promptly repair, replace or reconstruct essential facilities of the System after any major damage and/or destruction thereof.

Upon the occurrence of an Event of Default, the Issuer or the Trustee on its behalf, as owner of the Loan, may enforce and compel the performance of all duties and obligations of the Governmental Agency as set forth herein. Upon the occurrence of an Event of Default, then, upon the filing of suit by the Trustee or the Issuer, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Governmental Agency, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Loan, and for the payment of operation and maintenance expenses of the System,

and to provide and apply the income and revenues in conformity with this Assistance Agreement and with the laws of the Commonwealth of Kentucky.

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of the Loan may require the Governmental Agency by demand, court order, injunction, or otherwise, to raise all applicable rates charged for services of the System a reasonable amount, consistent with the requirements of this Assistance Agreement.

Section 20. Annual Reports.

The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 2018) and such other financial information and/or operating data as requested by the Issuer or the Compliance Group.

The annual financial information and operating data, including audited financial statements, will be made available on or before 120 days after the end of each fiscal year.

Section 21. Supplemental Assistance Agreement.

The Governmental Agency may, but only with the consent of the Issuer, execute one or more supplemental Assistance Agreements as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Assistance Agreement;
- (b) to subject to the lien and pledge of this Assistance Agreement additional revenues, properties, or collateral which may legally be subjected;
- (c) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;
- (d) to add to the covenants and agreements of the Governmental Agency in this Assistance Agreement, other covenants and agreements thereafter to be incurred by the Governmental Agency or to surrender any right or power herein reserved to or conferred upon the Governmental Agency;
- (e) to effect the issuance of additional Parity Bonds; and/or
- (f) to modify the terms and conditions of this Assistance Agreement at the request of the Issuer in order to assist the Issuer in operating the Program or to maintain any rating the Issuer may have on its Program obligations.

Section 22. No Remedy Exclusive.

No remedy herein conferred upon or reserved to the Issuer 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 23. 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 24. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto shall become in 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 therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 25. Signatures of Officers.

If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Loan cease to be such officers before delivery of the Loan, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

Section 26. Severability Clause.

If any section, paragraph, clause or provision of this Assistance Agreement shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Assistance Agreement.

[Signature page follows]

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Hyden-Leslie County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, and attested by its Secretary all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By John M. Drip
President

Attest:

By [Signature]
Secretary/Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By _____
Chairman

Attest:

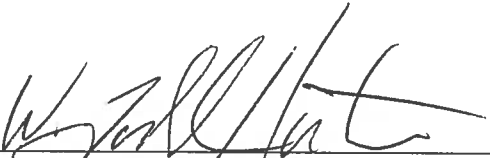
By _____
Secretary

IN WITNESS WHEREOF, the Kentucky Rural Water Finance Corporation has caused this Assistance Agreement to be signed in its name by its President and attested by its Secretary/Treasurer and the Hyden-Leslie County Water District has caused this Assistance Agreement to be signed in corporate name and by its officer thereunder duly authorized, and attested by its Secretary all as of the day and year first above written.

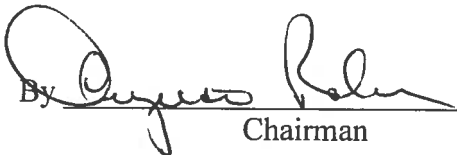
KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

By 
Secretary/Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By 
Chairman

Attest:

By 
Secretary

EXHIBIT A

Debt Service Schedule

Preliminary

\$2,735,000

Hyden-Leslie Water District

Loan through the

Kentucky Rural Water Finance Corporation

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Expenses	CIF	Net New D/S	Fiscal Total
01/29/2019	-	-	-	-	-	-	-	-
08/01/2019	-	-	55,307.78	55,307.78	-	(55,307.78)	-	-
02/01/2020	2,735,000.00	4.000%	54,700.00	2,789,700.00	450.00	(54,700.00)	2,735,450.00	-
12/31/2020	-	-	-	-	-	-	-	2,735,450.00
Total	\$2,735,000.00	-	\$110,007.78	\$2,845,007.78	\$450.00	(110,007.78)	\$2,735,450.00	-

SUPPLEMENTAL TAX CERTIFICATE

Re: Loan in the amount of \$2,735,000, dated January 29, 2019, to the Hyden-Leslie County Water District from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2019A.

THIS SUPPLEMENTAL TAX CERTIFICATE (the "Supplemental Tax Certificate") made and entered into as of January 29, 2019 by and between the Kentucky Rural Water Finance Corporation ("KRWFC") and the Hyden-Leslie County Water District (the "District"):

WITNESSETH:

WHEREAS, the District has agreed, in an Assistance Agreement dated the date hereof (the "Agreement") to borrow \$2,735,000 (the "Loan") pursuant to a Program administered by KRWFC and funded with a portion of the proceeds of the \$8,140,000 Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2019A, which were issued on January 29, 2019 (the "Bonds") by KRWFC pursuant to and secured by a Trust Indenture, dated as of April 4, 2001 between the Issuer and Regions Bank, Nashville, Tennessee (as successor in interest to Fifth Third Bank and The Bank of New York Trust Company, N.A.), as supplemented by a Supplemental Trust Indenture No. 71, dated January 29, 2019 (collectively the "Indenture"), between the Issuer and Regions Bank;

WHEREAS, the District has agreed in the Agreement to use the proceeds of the Loan to finance the cost to currently refund a loan to the District in the principal amount of \$2,625,000, dated January 30, 2018, from the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2018A, that matures February 1, 2019 (the "Series 2018A Loan"). The Series 2018A Loan was issued to refund a loan in the original principal amount of \$2,540,000, dated February 1, 2016, from the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2016A, which loan was issued to refund a loan in the principal amount of \$2,435,000, dated December 18, 2013, from the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013F. The Series 2013F Loan was issued to finance the cost to construct improvements to the water distribution system, including water tanks, pump stations and water lines (the "Project") for the benefit of the District's waterworks system (the "System").

WHEREAS, it is necessary for the parties hereto to enter into this Supplemental Tax Certificate to ensure that interest paid on the Bonds and on the Loan shall all be and shall all remain excludable from gross income for Federal income purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code") and is not and will not become a specific item of tax preference under Section 57(a)(5)(C) of the Code for the federal alternative minimum tax and to comply with the requirements of KRWFC's Tax Certificate (the "Tax Certificate") dated as of April 4, 2001 issued with respect to the Bonds.

NOW, THEREFORE, the parties hereto agree and bind themselves as follows:

ARTICLE I DEFINITIONS

Section 1.01. Definitions. In addition to words and terms defined elsewhere in this Supplemental Tax Certificate, the Code and Regulations (each as herein defined), the Arbitrage Certificate (as hereinafter defined), the Indenture and the Agreement, the following capitalized words and terms used in this Supplemental Tax Certificate shall have the following meanings, unless some other meaning is plainly intended:

“Arbitrage Bond” means any obligation of a Governmental Entity that is treated as an arbitrage bond under Sections 103(b)(2) and 148 of the Code.

“Arbitrage Certificate” means the Tax Certificate under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended, for the Bonds given by KRWFC, including certifications given with respect thereto by the Financial Advisor, the Underwriter and KRWFC, and for the Loan given by the District.

“Closing Date” means the date of this Supplemental Tax Certificate.

“Cost of Issuance” means any expenditure incurred in connection with the issuance of the Loan or the District’s share of such expenditures relating to the Bonds, including such costs as underwriters’ spread, rating agency fees, appraisal costs, attorneys’ and accountants’ fees and printing costs, but excluding Qualified Guarantee Fees or expenditures incurred in connection with the Refunding Program.

“Disposition Proceeds” means the amounts, including property, received from the sale, exchange or other disposition of the Project.

“Federally-Guaranteed” means having the payment of either the principal of or interest on any portion of the Loan or any loan made with the Proceeds of any portion of the Loan guaranteed, in whole or in part, directly or indirectly, by the United States, or acquiring any Investment Property that is, directly or indirectly federally-insured, except as otherwise permitted by Section 149(b) of the Code.

“Governmental Entity” means any State and any political subdivision and agency of any State.

“Gross Proceeds” means Sale Proceeds and Replacement Proceeds, determined pursuant to Treas. Regs. §1.148-1(b) and -1(c), all until spent.

“Investment Proceeds” means any amounts actually or constructively earned or received from investing the Proceeds in Investment Property.

“Investment Property” means any security (as defined in Section 165(g)(2)(A) or (B) of the Code), obligation (including any Tax-Exempt Bond), annuity contract or other investment-type property.

“Non-Governmental Entity” means any person or entity, other than a Governmental Entity.

“Pledged Fund” means any amount pledged, directly or indirectly, to pay principal of or interest on the Loan and that provides reasonable assurance of such amounts being paid even if the District experiences financial difficulties, including amounts subject to a negative pledge.

“Private Loan” means any loan, directly or indirectly, of any of the Proceeds of an obligation of a Governmental Entity to any Non-Governmental Entity.

“Private Use” means the use of any Proceeds of the Loan or any facilities financed with such Proceeds by Private Users.

“Private User” means any Non-Governmental Entity, other than a natural person not engaged in a trade or business.

“Rebate Amount” means the amount determined by KRWFC pursuant to the Tax Certificate.

“Rebate Payments” means any payment of the Rebate Amount made to the United States Treasury.

“Redemption Date” means the date on which the last of the principal of and interest on the Loan has been paid, whether upon maturity, redemption or acceleration thereof.

“Replacement Proceeds” means amounts replaced by Proceeds of the Loan, including any sinking fund, Pledged Fund, restricted gifts (not including qualified endowment funds, pursuant to Treas. Reg. §1.148-6(d)(3)(iii)(C)) or reserve or replacement fund, or other funds that would be available, directly or indirectly, to pay debt service on the Loan, within the meaning of Treas. Reg. §1.148-1(c).

“Research Agreement” means an agreement between the District and a Private User under which the District or the Private User uses any portion of the System to carry on research.

“Sale Proceeds” means the Loan amount.

“Service Contract” means a contract between the District and a Service Provider under which the Service Provider provides services involving any portion or function of a Governmental Facility financed with Governmental Bonds.

“Service Provider” means any Private User that provides management or other services.

“State” means any state and possession of the United States and the District of Columbia.

“Treasury Regulation” and “Treas. Reg.” means any Regulation, Proposed Regulation or Temporary Regulation, as may be applicable, issued by the United States Treasury Department pursuant to the Code or the 1954 Code, as appropriate.

“Yield” means, pursuant to Treas. Regs. §1.148-4 and -5, that discount rate that, when computing the present value of all payments of principal and interest to be paid on an obligation, produces an amount equal to, in the case of the Loan, the Issue Price and in the case of any Investment Property, the fair market value, as provided in Treas. Reg. §1.148-5(d).

“Yield Reduction Amount” means the amount determined by KRWFC pursuant to the Tax Certificate.

“Yield Reduction Payment” means any payment of the Yield Reduction Amount made to the United States Treasury.

Section 1.02. Interpretative Rules. For all purposes of this Supplemental Tax Certificate, except as otherwise expressly provided or unless the context otherwise requires (a) “Supplemental Tax Certificate” means this instrument, as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof; (b) all references in this instrument to designated “Articles”, “Sections” and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed; (c) the words “herein”, “hereof”, “hereunder”, “herewith” and other words of similar import refer to this Supplemental Tax Certificate as a whole and not to any particular Article, Section or other subdivision; (d) the terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular; (e) all accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; (f) the terms defined elsewhere in this Supplemental Tax Certificate shall have the meanings therein prescribed for them; (g) words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders; (h) the headings used in this Supplemental Tax Certificate are for convenience of reference only and shall not define or limit the provisions hereof.

ARTICLE II COVENANTS, REPRESENTATIONS, ACKNOWLEDGMENTS AND DIRECTIONS

Section 2.01. Authority and Organization.

(a) The District represents for the benefit of KRWFC that it is a political subdivision of the Commonwealth of Kentucky with the power, among others, to enter into the Agreement in furtherance of its corporate purposes, including financing the cost to currently refund the Series 2018A Loan (the “Refunding Program”).

(b) KRWFC represents for the benefit of the District that (i) KRWFC is duly organized and validly existing under the laws of the Commonwealth of Kentucky; and (ii) KRWFC has full power and authority to establish a program to enter into loans and assistance agreements with political subdivisions and public agencies of the Commonwealth of Kentucky.

Section 2.02. Use of Proceeds. The District represents that:

(a) *Deposit and Use of Proceeds.* \$2,625,000.00 of the face amount of the Loan will be transferred to the District's Governmental Agency Account and used on the date hereof to finance the Refunding Program; \$46,525.00 of the face amount of the Loan will be used on the date hereof to pay costs associated with the making of the Loan; and \$0.00 of the face amount of the Loan will be used to pay for credit enhancement. Capitalized interest in the amount of \$110,007.78 plus a rounding amount of \$978.74 will be deposited to the District's Second Lien Sinking Fund and used to satisfy interest with respect to the District's Loan. The remaining difference between the face amount of the Loan and the above deposits results from the fact that the Loan is being acquired from the District at a premium from its face amount in the amount of \$47,511.52 (original issue premium of \$54,180.35, less an underwriter's discount of \$6,668.83).

(b) *No Private Use of Proceeds.* No more than 5% of the Proceeds of the Loan will be used for private business use, in accordance with the rules contained in Treas. Reg. 1.141-3. The District expects to use the System for the entire stated term of the Agreement.

(c) *Expectations.* Reserved.

(d) *Use of the System.* The District will own and operate the System during the entire term of the Agreement and will not change the use or ownership of any part of the System during the entire term of the Agreement without the prior written consent of KRWFC.

(e) *Reimbursement Allocations.* Reserved.

(f) *Investment Limitations.* (i) The District will invest the Gross Proceeds of the Loan and any Disposition Proceeds of the Loan under the Investment Agreement unless otherwise authorized in writing by KRWFC.

(ii) If at any time, either the District determines or is informed that the Yield on the investment of moneys held by itself or any other person must be restricted or limited in order to prevent the Bonds from becoming Arbitrage Bonds, the District shall, and shall so instruct any holder of the Sale Proceeds or Investment Proceeds of the Loan, to take such action or actions as may be necessary to restrict or limit the yield on such investments as set forth in, and in accordance with, such instruction.

(g) *Temporary period for amounts in District's Governmental Agency Account.* Reserved.

(h) *Federal Guarantees.* The Gross Proceeds will not be invested in any Investment Property that is Federally-Guaranteed.

(i) *No Transferred Proceeds.* All of the proceeds of the Refunded Bonds have been expended on the Project and there are therefore no Transferred Proceeds with respect to the Refunded Bonds.

Section 2.03. Service Contracts. The District represents that it will not enter into any Service Contracts or management contracts with respect to the System without the prior written consent of KRWFC and agrees that any Service Contracts or management contracts relating to bond-financed property will comply with the management contract safe harbors of Rev. Proc. 97-13.

Section 2.04. Research Agreements. The District represents that it will not enter into any Research Agreements with respect to the System without the prior written consent of KRWFC.

Section 2.05. Changes in Use or User of System. The District represents that (a) no part of the System will be sold, or otherwise disposed of without the prior written consent of KRWFC; (b) it will not permit any use of its System by any person or entity other than itself without the prior written consent of KRWFC; (c) any portion of the System consisting of personal property may be sold in the ordinary course of an established governmental program if (i) the weighted average maturity of the portion of the Loan financing the personal property was not greater than one hundred twenty percent (120%) of the reasonably expected actual use of such personal property by the District, (ii) the District expected at the date of the Agreement that the fair market value of the personal property at the time of disposition would not be greater than twenty-five percent (25%) of its cost and (iii) at the time of disposition, the personal property is no longer suitable for the governmental purpose for which it was acquired.

Section 2.06. Investments. The District will expend the proceeds of the Loan on the date hereof and does not contemplate investing the Gross Proceeds of the Loan.

Section 2.07. Loan is a Purpose Obligation of the Bonds. The Bonds were issued to establish a program to make loans to Governmental Agencies pursuant to assistance agreements and therefore constitute a governmental program for the acquisition of purpose investments. At least 95% of the payments made by the District pursuant to the Agreement will be used to pay principal, interest, or redemption prices on the Bonds, or to pay administrative costs of the Bonds. The District covenants not to acquire the Bonds or other bonds of KRWFC related to the Program. The yield on the Loan to the District does not exceed the yield on the Bonds by more than 1.5 percent.

Section 2.08. No Abusive Arbitrage Device. Both KRWFC and the District agree that they will not take any action that will enable KRWFC or the District to take any action that (a) has the effect of enabling KRWFC or the District to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage or (b) overburdens the market for tax-exempt obligations in any manner. The amount of proceeds of the Loan is not reasonably

expected to exceed the amount necessary for the District to accomplish the governmental purposes described in the Agreement.

Section 2.09. Records. The District represents that proper records and accounts, containing complete and correct entries of all transactions relating to the Agreement, the use of the Gross Proceeds of the Agreement and the expenditures made in connection with the Refunding Program, will be maintained. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

Section 2.10. Payment of Arbitrage Compliance Amounts. The District represents that all actions necessary to comply with the Yield limitations applicable to investments of the Sale Proceeds and Investment Proceeds of the Loan and the rebate requirements contained in Section 148(f) of the Code and the Treasury Regulations thereunder will be taken. Immediately upon the request of KRWFC, the District will assemble copies of records concerning investments of Gross Proceeds of the Loan, including any amounts held by any provider of a letter of credit or guarantor under a reimbursement or other similar agreement. In particular, the District will provide KRWFC with information that will enable KRWFC to determine if any Rebate Amount is payable. The District will pay any Rebate Payment and any Yield Reduction Payment owed with respect to the Gross Proceeds of the Loan, as determined by KRWFC. The information described in this Section will be retained for at least six (6) years after the Redemption Date.

Section 2.11. Election to Apply Rebate Exception Separately to the Loan. The District hereby elects and KRWFC has previously elected to have the spending exceptions of Treas. Reg. 1.148-7 and the small issuer exceptions of Treas. Reg. 1.148-8 applied separately to the Loan.

The applicable beginning date in applying the spending exceptions of Treas. Reg. 1.148-7 is the Closing Date. The spending exceptions include the six-month exception described in Treas. Reg. 1.148-7(c), the eighteen month exception described in Treas. Reg. 1.148-7(d), and the two year exception described in Treas. Reg. 1.148-7(e).

Section 2.12. Information Reporting Requirements. The District represents that it will timely execute and file any information reports required under Section 149(e) of the Code (Form 8038-G) or as required by KRWFC.

Section 2.13. Compliance with Supplemental Tax Certificate. (a) The District may, at any time, employ bond counsel, independent certified public accountants, or other qualified experts acceptable to KRWFC to perform any of the requirements imposed upon the District by this Supplemental Tax Certificate.

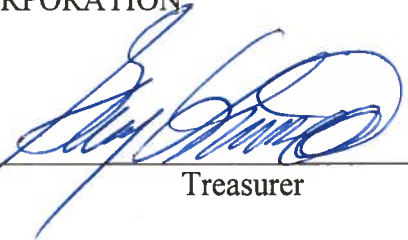
(b) KRWFC and the District agree, to the extent reasonably possible, to comply with any amendments to the Code or any applicable Regulations, effective retroactively, and KRWFC and the District shall take all actions necessary to amend this Supplemental Tax Certificate to comply therewith.

(c) Whenever any action or direction is required of the District hereunder, such action or direction may, or in the absence of any such action or direction shall, be made by KRWFC.

(d) Any restriction or covenant contained in this Supplemental Tax Certificate need not be observed or may be changed if KRWFC and the District receive an opinion of Tax Counsel to the effect that such nonobservance or change will not adversely effect the exclusion of interest on any of the Bonds from gross income for purposes of Federal income taxation.

IN WITNESS WHEREOF, KRWFC and the District have each caused this Supplemental Tax Certificate to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth above.

KENTUCKY RURAL WATER FINANCE CORPORATION

By  _____
Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

By _____
Chairman

(c) Whenever any action or direction is required of the District hereunder, such action or direction may, or in the absence of any such action or direction shall, be made by KRWFC.

(d) Any restriction or covenant contained in this Supplemental Tax Certificate need not be observed or may be changed if KRWFC and the District receive an opinion of Tax Counsel to the effect that such nonobservance or change will not adversely effect the exclusion of interest on any of the Bonds from gross income for purposes of Federal income taxation.

IN WITNESS WHEREOF, KRWFC and the District have each caused this Supplemental Tax Certificate to be executed in its own name and on its behalf by its duly authorized officers, all as of the date set forth above.

KENTUCKY RURAL WATER FINANCE CORPORATION

By  _____
Treasurer

HYDEN-LESLIE COUNTY WATER DISTRICT

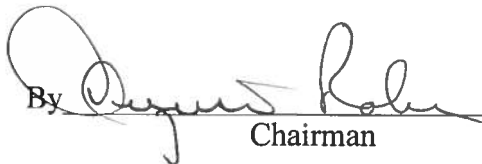
By  _____
Chairman

EXHIBIT 8

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B19-008) FOR AN AMOUNT UP TO \$2,735,000 TO THE HYDEN-LESLIE WATER DISTRICT, LESLIE COUNTY, KENTUCKY

WHEREAS, the Kentucky Infrastructure Authority (the "Authority") has been duly created as a body corporate and politic constituting a public corporation and a governmental agency of the Commonwealth of Kentucky pursuant to Chapter 224A of the Kentucky Revised Statutes (the "Act"); and

WHEREAS, pursuant to the Act, the Authority is duly and legally authorized to make loans to Governmental Agencies for the purpose of providing funds for the construction and acquisition of sanitary sewer facilities, water facilities or other types of infrastructure, and in that regard, to enter into Assistance Agreements with such Governmental Agencies governing the provisions in respect of which such loans are to be made, the amounts thereof and the repayment provisions in respect thereto; and

WHEREAS, the Authority anticipates entering into an Assistance Agreement for a loan from the Authority's Infrastructure Revolving Loan Program with the Hyden-Leslie Water District, subject to final determination of amount when the factors involving such financing have been determined; and

WHEREAS, the Authority intends to utilize money in the Infrastructure Revolving Fund to make the loan to the governmental agency for the aforementioned purposes; and

WHEREAS, the Authority wishes to establish terms and conditions on said Infrastructure Revolving Fund loans.

NOW, THEREFORE, THE KENTUCKY INFRASTRUCTURE AUTHORITY, ACTING BY AND THROUGH ITS BOARD OF DIRECTORS AS ITS DULY AUTHORIZED AND EMPOWERED GOVERNING BODY, DOES HEREBY RESOLVE AND ORDER, AS FOLLOWS:


Section 1. All statements of fact set forth in the preambles to this Resolution and Order are incorporated herein by reference, the same as if set forth verbatim. All such statements of fact are hereby declared to be true and accurate in all material respects.

Section 2. The Authority hereby authorizes the issuance of a conditional Infrastructure Revolving Fund loan commitment for an amount up to \$2,735,000 of refinance expense, to the Hyden-Leslie Water District for the refinance of Kentucky Rural Water Short Term Note for the Phase II project. Such amounts are subject to adjustment by further action of the Authority or may be adjusted by action of the Executive Director based on adjustment in project costs of not more than (10%) ten percent of the loan amount authorized by this resolution. Upon satisfaction of all conditions of the

commitment, execution of an assistance agreement for this loan is authorized.

Section 3. The loan shall be repayable over 30 years at an annual interest rate of 0.50%. In addition to debt service, a 0.2% annual administration fee on the unpaid, principal balance will be charged. From annual revenues, \$6,800 must be set aside in a borrower held replacement reserve each December 1 until the balance reaches \$136,000 and maintained for the life of the loan. These terms are subject to adjustment upon execution of the loan agreement, upon changes in the project conditions or determination that the project will require authority financing to be done on a taxable basis.

Section 4. This Resolution and Order shall be in full force and effect from and after its adoption at a properly held meeting of the Kentucky Infrastructure Authority this 7th day of November, 2019.




SANDRA K. DUNAHOO, CHAIR
KENTUCKY INFRASTRUCTURE AUTHORITY

ATTEST:



MARGARET F. LINK, SECRETARY
KENTUCKY INFRASTRUCTURE AUTHORITY

REVIEWED BY:



GREG B. LADD, GENERAL COUNSEL
DEPARTMENT FOR LOCAL GOVERNMENT

EXHIBIT 9

KENTUCKY INFRASTRUCTURE AUTHORITY
Minutes of the Full Board

Meeting Date/Location: November 7, 2019 – 1:00 p.m.
Kentucky Infrastructure Authority
100 Airport Road, Third Floor, Frankfort

Members present:

Mr. Chris Musgrave, (proxy for Commissioner Sandra K. Dunahoo), Department for Local Government
Mr. Ron Lovan, Representing the Kentucky Section of the American Water Works Association
Ms. Sandy Williams, (proxy for Secretary William Landrum), Finance and Administration Cabinet
Mr. Gwen Pinson, Executive Director, Public Service Commission
Mr. Bobby Aldridge (proxy for Interim Secretary Vivek Sarin), Cabinet for Economic Development
Mr. Russell Rose, representing Kentucky Rural Water Association
Mr. Robert A. Amato, representing Kentucky Municipal Utilities Association
Mr. Kurt Stafford, representing the For-Profit Water Companies
Mr. David A. Voegelé, representing Kentucky Association of Counties

Members absent:

Mr. Bruce Scott, (proxy for Secretary Charles Snavely), Energy and Environment Cabinet
Mr. Claude Christensen, representing Kentucky League of Cities

KIA Staff:

Ms. Donna McNeil, Executive Director
Ms. Linda Bridwell, Deputy Executive Director
Ms. Ashley Adams, Financial Analyst
Mr. Jeff Abshire, Fiscal Officer and KIA Treasurer
Ms. Julie Bickers, Regional Compliance Coordinator
Mr. Kelly Cunnagin, Executive Staff Advisor
Mr. Dustin Horn, WRIS Geoprocessing Specialist
Ms. Jocelyn Gross, Gateway Area Development District
Ms. Debbie Landrum, Regional Compliance Coordinator
Ms. Meg Link, Administrative Specialist III and KIA Secretary
Ms. Sarah Parsley, Regional Compliance Coordinator
Mr. Don Schrierer, WRIS Resource Management Analyst
Ms. Meili Sun, Financial Analyst

Guests:

Mr Mark Christopher Askin, Strand Associates
Mr. Jory Becker, Division of Water
Mr. Brian Bingham, Louisville MSD
Mr. Joe Burns, Kentucky Rural Water Association
Ms. Bethany Couch, Office of Financial Management
Mr. John L. Choat, City of Eddyville
Mr. Kyle Cunningham, Pennyryle Area Development District
Mr. Alex Godsey, Eclipse Engineers
Mr. Brad Good, Louisville MSD
Mr. Bryan Kirby, Community & Economic Development Associates
Mr. Patrick Kirby, Community & Economic Development Associates
Mr. Gary Larimore, Kentucky Rural Water Association
Mr. Charles A Ledford, City of Marion

Mr. Charles McCann, Rivercrest Engineering
Mr. Paul Nesbitt, Nesbitt Engineering, Inc.
Mr. James Peters, City of Eddyville
Mr. Roger Recktenwald, Kentucky Association of Counties
Mr. Adam Scott, Cann-Tech
Mr. Mark Walter, City of West Liberty
Mr. Gerald Weutcher, Hyden-Leslie Water District

PROCEEDINGS

Mr. Chris Musgrave, serving as proxy for Commissioner Sandra K. Dunahoo, Chair, called the meeting of the Kentucky Infrastructure Authority (KIA) Board to order. Mr. Musgrave confirmed the press notification distribution as well as the presence of a quorum. Guests were asked to introduce themselves.

I. BUSINESS (Board Action Required)

A. 1. APPROVAL OF MINUTES

For: KIA Regular Board Meeting of September 26, 2019

Judge David Voegele abstained. Mr. Russ Rose moved to approve the minutes of the September 26, 2019, regular board meeting. Ms. Sandy Williams seconded, and the motion carried unanimously.

B. NEW PROJECTS/ACTION ITEMS

1. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING AN AMENDMENT TO THE CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A18-003) INCREMENT FUNDING FOR AN AMOUNT UP TO \$9,593,790 TO THE CITY OF MARION, CRITTENDEN COUNTY, KENTUCKY

Mr. Jory Becker, DOW, Ms. Meili Sun, KIA, and Mr. Adam Ledford, representing the City of Marion, discussed the City's request for additional funding, Fund A Loan (A18-003) Funding III in an amount up to \$4,205,000 from the 2020 funding cycle for the New Wastewater Treatment Plant project to construct a 1.5 million gallon per day (MGD) Continuously Sequencing Reactor (CSR) wastewater treatment plant and collection system rehabilitation. This will bring the cumulative funding to \$9,593,790.

The new treatment facility will be located approximately half a mile from the existing treatment plant and will also include a new administration building and maintenance garage. The existing 0.66 MGD treatment facility was constructed in the 1970s and can no longer handle wet weather flows during moderate to heavy rains. The City considered alternatives for reducing flow and optimizing treatment as part of the Facility Plan, under review by the KY Division of Water, and has selected this project as the best alternative. The collection work will consist of the rehabilitation of approximately 43,336 linear feet of existing gravity sewer to reduce inflow and infiltration.

The City is currently under an Agreed Order with the KY Division of Water, mandating the completion of a Facility Plan and proper operation and maintenance of the wastewater treatment facilities and collection system. This project will fully satisfy requirements of the

Agreed Order. KIA has established a multi-year funding strategy with the City to provide incremental funding through FY2021. The City obtained a KIA planning and design loan of \$587,200 in FY2016 to complete the Facility Plan and subsequent design on the collection system and the treatment plant. The approval of the planning and design loan allowed the City to receive priority funding for a construction loan of \$4,801,590 in FY2018 to construct the collection system portion. This loan request will fund the continuous construction of the wastewater treatment plant. The loan outlay is as below:

Funding Cycle	Requested Amount	Cumulative Amount	Loan Type
FY 2016	\$ 587,200	\$587,200	Planning & Design
FY 2018	\$4,801,590	\$5,388,790	Construction
FY 2020	\$4,205,000	\$9,593,790	Construction
FY 2021	\$3,812,000	\$13,405,790	Construction

Ms. Sandy Williams asked how much of the assessment fee will be used water and sewer or is it all designated for capital projects. Mr. Ledford said all funds were to be used for sanitary sewer. Ms. Williams asked if other projects had been financed previously with those funds. Mr. Ledford noted that this fee was a result of beginning this process.

Judge David Voegelé moved to approve the Fund A Loan (A18-003) for additional funding in an amount up to \$4,205,000 with the standard conditions. Mr. Ron Lovan seconded and the motion was unanimously approved.

2. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A PLANNING AND DESIGN LOAN (A20-007) FOR AN AMOUNT UP TO \$525,000 TO THE CITY OF MOUNT STERLING, MONTGOMERY COUNTY, KENTUCKY

Mr. Jory Becker, DOW, Ms. Ashley Adams, KIA and Mr. Rick Fletcher, representing the City of Mount Sterling discussed the City’s request for a Fund A Loan, (A20-007) in an amount up to \$525,000 for the Wastewater Capacity Upgrade project. The purpose of this project is to maintain and improve public health by expanding capacity at the wastewater treatment plant to meet current and future demand in the City. This project will increase capacity at the Hinkston Creek Wastewater Treatment Plant (WWTP) from its current 3.0 MGD rating to 6.0 MGD. The plant is currently at 79% design capacity hydraulically and 141% capacity based on the design criteria concerning organic loadings. Maximum monthly concentrations for both ammonia and Total Phosphorus exceed design concentrations as well. This upgrade will include increased influent pumping, additional screenings capacity, increased aerator capacity, additional disinfection capabilities, increased sludge removal, improved sludge treatment, and a 50 foot riparian buffer zone along Hinkston Creek. Plant improvements will also include energy efficient pumps with VFDs, higher efficiency aeration equipment, and a SCADA system. The expansion will be constructed on a site adjacent to the current plant.

In addition to WWTP improvements, the South Queen Street area 8 inch sewer main will be replaced with a 12 inch PVC line in order to eliminate sanitary sewer overflows and inflow and infiltration (I/I) issues that have been identified in the area. The City struggles with I/I at this and other locations which they are working aggressively to address in order to maintain compliance with their current wastewater discharge permit.

Mount Sterling Water and Sewer provides service to nearly 5,000 customers in Montgomery County.

Ms. Sandy Williams asked about their accounts receivable and the policy for collecting past due accounts. Mr. Fletcher note at 30 days past due, the customer is issued a past due notice, which they have 10 days to pay after that service is shut off. Mr. Ron Lovan asked if the unpaid accounts are turned over to a collection agency. Mr. Fletcher noted there is a collection agency that will move forward with collection. Their accountant has told them not to write the accounts off, because they would not be able to collect on the accounts at that point in time.

Mr. Russ Rose asked Mr. Fletcher about the typical annual rate increase and how that was determined. Mr. Fletcher said there is no ordinance in place to raise rates annually. The rates are taken to their Board of Commissioners for consideration, based on expenditures, on a year by year basis. Ms. Adams noted that if an annual CPI clause is not in their ordinance it is not included in her credit analyst.

Mr. Ron Lovan moved to approve the Fund A Loan (A20-007) in an amount up to \$525,000 with the standard conditions. Ms. Sandy Williams seconded and the motion was unanimously approved.

3. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A20-022) FOR AN AMOUNT UP TO \$1,264,200 TO THE CITY OF KUTTAWA, LYON COUNTY, KENTUCKY

Mr. Jory Becker, DOW, Ms. Linda Bridwell, KIA presenting for former KIA staff member Mr. Michael Dant, and Mayor Jimmy Campbell, City of Kuttawa, presented information prepared by former KIA analyst Mr. Michael Dant and discussed the City of Kuttawa's request for a Fund A Loan (A20-022) in an amount up to \$1,264,200 to fund the Lift Station and Force Main Replacement project. The project will replace the existing Magnolia lift station with a new lift station, sized to handle existing and anticipated future flows, as well as replacement of approximately 1,400 linear feet of existing cast iron force main. This lift station receives flows from the surrounding neighborhoods as well as the Old Kuttawa area. The project will also replace the existing Old Kuttawa lift station with a new lift station, sized to handle existing and anticipated future flows, as well as replacement of approximately 8,000 linear feet of existing cast iron force main. The purpose of the work is to help the City achieve compliance with an EPA Agreed Order related to sanitary sewer system overflows and pollutant removal at their wastewater treatment plant due to excess infiltration and inflow from their collection system.

The City provides water and wastewater services in Kuttawa, serving 475 customers. The City is a regional provider, treating wastewater from the Lyon County Water District, which is a PSC regulated system.

Mr. Russ Rose asked how the City arrives on their in city and out of city rates and the increase is not the same for those rates. Ms. Bridwell stated that every situation is different. Mayor Campbell said a cost study was done. The Mayor noted that he was fairly new to the office following a 20 year incumbent and is trying to get a handle on what needs to be done and the KIA loan would allow them to begin that process. Ms. Bridwell said KIA doesn't look at the cost of services, but that rates are sufficient to cover the cash that is needed. Ms. Sandy

Williams asked about the City borrowing money from their gas fund and did it need to be repaid. The Mayor said no, there was no repayment being done, the City owns the Gas Company and it has been taken care of through their audit.

Mr. Russ Rose moved to approve the Fund A Loan (A20-022) in an amount up to \$1,264,200 to the City of Kuttawa with the standard conditions. Judge David Voegelé seconded and the motion was unanimously approved.

4. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A20-024) FOR AN AMOUNT UP TO \$246,000 TO THE CITY OF SMITHLAND, LIVINGSTON COUNTY, KENTUCKY

Mr. Jory Becker, DOW, Ms. Meili Sun, KIA, and Mayor William Hesser, representing the City of Smithland, discussed the City's request for a Fund A Loan (A20-024) in an amount up to \$246,000 to fund the planning and design portion of the Sewer Rehabilitation project. The purpose of the planning and design work is to identify the major sources of I&I that cause sanitary sewer overflows and eventually achieve compliance with an agreed order issued by the Division of Water. This project will consist of a Phase III SSES including flow monitoring, CCTV inspections, and field surveys to locate the sources of Inflow and Infiltration. It will also include evaluation of the City's influent/effluent lift station and force main networks to identify capacity related issues. Following the field studies, design will be performed to outline the scope of work for procurement and the construction portion required to address system deficiencies determined during the Phase III SSES and lift station evaluations.

The City is the county seat of Livingston County. It purchases 100% of its water supply from Crittenden-Livingston County Water District ("CCWD") to serve approximately 180 customers within the service area. The CCWD's wholesale water rate is regulated by the Kentucky Public Service Commission.

Judge David Voegelé moved to approve the Fund A Loan (A20-024) Planning and Design loan in an amount up to \$246,000 to the City of Smithland with the standard conditions and the following special condition: The City shall pass an ordinance to raise both water and sewer rates by 28% equivalent to \$55,000 on or before July 1, 2021. Mr. Ron Lovan seconded and the motion was unanimously approved.

5. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A20-027) FOR AN AMOUNT UP TO \$423,964 TO THE CITY OF EDDYVILLE, LYON COUNTY, KENTUCKY

Mr. Jory Becker, DOW, Ms. Meili Sun, KIA and Mayor John Choat, representing the City of Eddyville, discussed the City's request for a Fund A Loan (F20-027) in an amount up to \$423,964 to fund the planning and design phase of the Wastewater Sanitary Sewer Evaluation Survey ("SSES") and Rehabilitation project on the collection system south of Fairview Avenue, north of Interstate 69, stretching from the Industrial Park to the east and from the WWTP to the west. An SSES will be performed to include smoke testing, CCTV and manhole inspections on portions of approximately 31,000 LF of 8" gravity sewer line and 23,000 LF of 12" gravity sewer line. Flow monitors will collect flows for months to determine the locations

of excessive inflow and infiltration. The rehabilitation efforts will ensue if the City is approved for a KIA construction loan after completion of the planning and design phase.

The City currently serves approximately 1,100 retail customers and treats wastewater for the City of Fredonia. The wholesale wastewater treatment accounts for less than 4% of total volume treated annually.

Ms. Sandy Williams asked about the 53 day turnaround time with accounts receivable and what policy was in place for collecting the accounts. Mayor Choat, noted he was a new mayor, his staff in attendance said within 15 days shut off notices are delivered and if the account is not paid the service is shut off. Mr. Ron Lovan asked Ms. Williams about her concerns. She noted she was concerned that the issues were addressed quickly before things got out of hand.

Mr. Ron Lovan moved to approve the Fund A Loan (A20-027) Planning and Design loan to the City of Eddyville in an amount up to \$423,964 with the standard conditions. Ms. Sandy Williams seconded and the motion carried unanimously.

6. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR A FEDERALLY ASSISTED CLEAN WATER REVOLVING FUND A LOAN (A20-033) FOR AN AMOUNT UP TO \$910,828 TO THE CITY OF SEBREE, WEBSTER COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Linda Bridwell, KIA, discussed the City's request for a Fund A loan (A20-033) in an amount up to \$910,828 for the Sebree Sanitary Sewer Replacement project. This project will include replacing approximately 8,900 linear feet of existing 8-inch clay pipe, extending an 8 inch gravity sewer 101 linear feet to add five new customers, lowering a main that is currently exposed in a creek, and replacement of a retaining wall that protects a 12 inch main.

The City serves 592 customers sanitary service in Webster County.

Mr. Russ Rose asked about the \$20 surcharge for out of city customers. Ms. Bridwell noted that a city official was not present, but Mr. Mark Christopher Askin, was their engineer. Mr. Askin stated that the rates were in place prior to their coming on board, but said he was assuming there was more infrastructure needed to get service to out of city customers and that was why that surcharge was in place. Mr. Rose asked if Mr. Askin if he knew how many out of city customers there were currently and Mr. Atkins said not many, 36-40. Mr. Kurt Stafford asked Ms. Bridwell about the 18% increase, was it a one-time increase or would it be staggered. Ms. Bridwell noted after discussions with the City it would be a one-time increase that should get us through the next three or four years until the debt service starts. In the loan conditions, they have to maintain a debt ratio and submit their audits annually so staff can monitor they are following the terms of the agreement. They have prepared a rate analysis which we think will get them where they need to cover. Director McNeil asked Ms. Bridwell what dollar amount the 18% increase represents. Ms. Bridwell noted \$50,000.

Mr. Ron Lovan moved to approve the Fund A Loan (A20-033) to the City of Sebree in an amount up to \$910,828 with the standard conditions and the following special condition: The City of Sebree should pass a rate ordinance, no later than December

31, 2019 to increase sewer revenues by a projected 18% overall, effective no later than July 1, 2020. Mr. Kurt Stafford seconded and the motion carried unanimously.

7. **A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A10-04) BY THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY**

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A10-05) BY THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A10-06) BY THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A10-07) BY THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A11-15) BY THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A12-29) BY THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A17-028) BY THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY

A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR ASSUMPTION OF THE INFRASTRUCTURE REVOLVING FUND LOAN (A18-010) BY THE LOUISVILLE AND JEFFERSON COUNTY METROPOLITAN SEWER DISTRICT, JEFFERSON COUNTY, KENTUCKY

Ms. Ashley Adams, KIA and Mr. Brian Bingham, representing Louisville and Jefferson County Metropolitan Sewer District (MSD), discussed MSD's plans to assume the following Fund A wastewater loans: A10-04, A10-05, A10-06, A10-07, A11-15, A12-29, A17-028, A18-010 from the Oldham County Environmental Authority ("OCEA") as part of MSD's acquisition of the OCEA wastewater system and all of its assets. The existing loans were approved between 2010-2018 by the KIA board to fund various wastewater system improvement and expansion projects in Oldham County. At this time, it is estimated that the acquisition will be completed by the end of November 2019.

OCEA was created by ordinance on September 21, 2010 and operates directly, or through arrangements with Veolia North America – South, LLC ("Veolia"). OCEA's assets include a wastewater collection and treatment system that serves all of Oldham County with the exception of the City of LaGrange and the City of Crestwood, which is now served by MSD. Upon the execution of this transfer of assets, MSD will assume total ownership of OCEA. This merger will help provide the residents of Oldham County a more cost-effective solution to wastewater management in addition to improving water quality in the area and affordably adding capacity to both systems. MSD will continue to honor the operations, management, and maintenance contract with Veolia dated November 1, 2015 until it expires.

Mr. Ron Lovan asked about the history of the acquisition, having recently, within the last couple of years awarding loans to OCEA. Judge David Voegelé noted that was a different issue of Veolia's inability to get some work done in the appropriate amount of time. Judge Voegelé noted that their discussions with MSD, began at the beginning of 2019. He stated that after the City of Crestwood sold out to MSD, they decided to investigate that possibility as well. A special called meeting of the fiscal court will be tomorrow to approve this agreement. He feels confident it will be approved. With this agreement, their residents will save on average \$7,200 each. Mr. Brian Bingham, chief of operations for MSD, addressed the group and noted Mr. Lovan was talking about a previous discussion about the South Oldham Regional facility and the option of them sending flow to the MSD system. That facility is up and running and operating well now. Veolia will run that system until 2021 and then MSD will step in and provide services more cost effectively and provide the savings back to the residents. Ms. Adams noted that OCEA had several projects in the pipeline for additional KIA funding and discussions will take place on the best way for them to move forward as well.

Ms. Sandy Williams asked what MSD's total outstanding debt total is with KIA. Ms. Adams said around \$30 million currently. That does not include this debt.

Mr. Russ Rose and Judge David Voegelé abstained. Mr. Ron Lovan moved to approve Louisville and Jefferson County Metropolitan Sewer District's Assumption of OCEA Fund A loans A10-04, A10-05, A10-06, A10-07, A11-15, A12-29, A17-028, A18-010 in an amount up to \$19,492,651 with the standard conditions. Ms. Gwen Pinson seconded and the motion was unanimously approved.

8. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B19-008) FOR AN AMOUNT UP TO \$2,735,000 TO THE HYDEN-LESLIE WATER DISTRICT, LESLIE COUNTY, KENTUCKY

Ms. Linda Bridwell, KIA, and Mr. Gerald Wuetcher, representing the Hyden-Leslie Water District, discussed the request from the Hyden-Leslie Water District requesting a Fund B loan

(B19-008) in an amount up to \$2,735,000 for the refinance of the Kentucky Rural Water Short-Term Note for a \$4.1 million project which included 61.5 miles of water line, two 50,000 gallon water tanks, three pump stations, and the addition of 317 customers. This project has been completed. The difference in the project cost and loan amount was provided through grant monies. The District originally sought the short-term financing to complete the project and needs to convert the loan into a long-term arrangement.

The District serves nearly 3,700 customers in Leslie County and is regulated by the PSC.

Mr. Ron Lovan asked about the two Rural Development loans. Mr. Wuetcher said as best he can tell when the Commission Approved the Authorization Public Needs for Assessment for the project associated with this debt, the Commission noted there was going to be some sort of three year bridge loan with KRWA and Rural Development about moving forward and taking over the loan. What actually happened was KRWA issued them a two year note in 2014. That note has been turned over twice, so the Hyden-Leslie Water District is at the end of the six year period under KRS278.300, a public utility is not required to get PSC approval for notes issued for two years or less; however those notes cannot be turned over for a period of more than six years. Hyden-Leslie is expecting a fairly quick turnaround within a year, but they would need to get PSC authorization. The Hyden-Leslie Water District anticipates filing concurrent application or filing one application that would seek authorization to enter into an Assistance Agreement with KIA and at the same time authorizing Hyden Leslie to enter into that one year note until they can get the funding from KIA. Mr. Lovan asked about ‘putting the cart before the horse’ the Assistance Agreement will not go into effect until the PSC has given their approval. Ms. Bridwell stated that that is part of the agreement we have put into the conditions. She also noted that she and Director McNeil do not think it is possible to take the project before the Capitol Projects and Bond Oversight Committee until acceptable rates are in place. The loan is only approved up to the \$2,735,000, which is the payoff amount due February 1, 2020.

Ms. Gwen Pinson and Mr. Russ Rose abstained. Mr. Ron Lovan moved to approve the Fund B Loan, (B19-008) in an amount up to \$2,735,000 to the Hyden-Leslie Water District with the standard conditions and the following special conditions: 1) By November 30, 2019, the District will need to apply to the Public Service Commission (PSC) for debt authorization for the \$2.735 million refinancing loan; 2) By November 30, 2019, the District will need a resolution from the Hyden-Leslie Water District Board, demonstrating their intentions to increase revenues as necessary and authorized by the PSC to meet the loan requirements over the life of the loan. KIA Staff review indicates that rates would need to be increased by 40% in 2020, and then 3% annually beginning in 2021 to keep up with expenses and RD debt service; 3) New rates, as authorized by the PSC, sufficient to meet debt service obligations, will need to be implemented before the assistance agreement will be executed; and 4) The District will need to satisfy the letter of conditions from Rural Development on the Phase III project by January 31.. Mr. Kurt Stafford seconded and the motion was approved unanimously.

9. A RESOLUTION AND ORDER OF THE BOARD OF DIRECTORS OF THE KENTUCKY INFRASTRUCTURE AUTHORITY AUTHORIZING ISSUANCE OF A CONDITIONAL COMMITMENT FOR AN INFRASTRUCTURE REVOLVING FUND LOAN (B19-010) FOR AN AMOUNT UP TO \$596,000 TO THE CITY OF HAZARD, PERRY COUNTY, KENTUCKY

Ms. Linda Bridwell, KIA, and Mr. Bryan Kirby, representing the City of Hazard, discussed the City of Hazard’s request for a Fund B loan (B19-010) in an amount up to \$596,000 for the

Coalfields Industrial Gas Supply Project. This project will include the installation of six miles of 6” gas line from the wellhead in central Perry County, to the Coalfields Industrial Park. The utility currently provides service to 1,637 customers in Perry County.

The City of Hazard Gas wholly operates the gas utility. For the purposes of analysis, the population and Median Household Income (“MHI”) information for the City has been utilized.

Mr. Bob Amato asked if there could be more business coming in. Mr. Kirby noted there was only one at this point in time. This business will bring in 100-150 new jobs, but the potential is there for more growth. Mr. Musgrave noted the industrial park is directly across from the airport that has several things going on.

Mr. Russ Rose moved to approve the Fund B Loan (B19-010) in an amount up to \$596,000 to the City of Hazard with the standard conditions. Mr. Ron Lovan seconded and the motion was unanimously approved.

10. A 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 LOAN (F20-006) FOR AN AMOUNT UP TO \$300,000 TO THE CITY OF WEST LIBERTY, MORGAN COUNTY, KENTUCKY

Mr. Jory Becker, DOW, and Ms. Meili Sun, KIA, and Mayor Mark Walter discussed the City of West Liberty’s request for a Fund F Loan (F20-006) in an amount up to \$300,000 to co-fund the Water Quality Improvements project with the Appalachian Regional Commission (“ARC”). This project features the construction of a new 100,000 gallon steel ground storage tank, a new 80 gallons per minute (GPM) and 10 horsepower (HP) duplex pump station, waterline replacements on various streets, and a waterline extension on Branch Street that loops to Rupe Drive and Glenn Avenue. The construction scope also includes the installation of twenty-four 6” gate valves and boxes, nine hydrants, 40 residential meters and setters, three air relief valves, five waterline markers, and one 4” service meter for the Eastern Kentucky Correctional Complex. The purpose of the project is to provide additional storage for reliability and pressure, and to eliminate two dead-end mains. This will improve services and ensure that high-quality standards are met throughout the area.

The City is a regional provider, serving 800 retail customers inside and outside the City limit, and supplying wholesale water to the Morgan County Water District, which is a PSC regulated system.

Ms. Sandy Williams asked if the City had recovered from the tornado. Mayor Walker noted they are recovering, long-term. They lost 30% of their revenue. There are still some vacancies they would like to be replaced, but things are moving forward.

Mr. Russ Rose asked why the debt per customer rate shows 6,381 going down to \$6,036. Ms. Sun said that is correct they are making yearly payments on their debt. The financial summary shows their annual debt coverage at \$300,000 each year and this loan is for \$300,000.

Ms. Gwen Pinson abstained from voting. Mr. Ron Lovan moved to approve the Fund F loan (F20-006) in an amount up to \$300,000 with the standard conditions. Ms. Sandy Williams seconded and the motion was unanimously approved.

11. A RESOLUTION 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:

BORROWER	FUND	AMOUNT UP TO
City of Marion (Funding III)	A18-003	\$ 4,205,000
City of Mount Sterling (P & D)	A20-007	\$ 525,000
City of Kuttawa	A20-022	\$1,264,2000
City of Smithland (P & D)	A20-024	\$ 246,000
City of Eddyville (P & D)	A20-027	\$ 423,964
City of Sebree	A20-033	\$ 910,828
Hyden-Leslie Water District	B19-008	\$ 2,735,000
City of Hazard	B19-010	\$ 596,000
City of West Liberty	F20-005	\$ 300,000

Mr. Ron Lovan moved to approve the reimbursement resolution. Ms. Sandy Williams seconded and the motion carried unanimously.

EXECUTIVE DIRECTOR’S REPORT

Director McNeil addressed the group and welcomed Mr. Kurt Stafford, the newest member to the Board representing the For-Profit Water Companies.

She noted that former Kentucky Rural Water Association member, Paul Lashbrooke had passed away on October 27th. Director McNeil read a Resolution of Sympathy that will be sent to the Lashbrooke family.

Mr. Ron Lovan, made the motion to approve the Resolution in memory of Paul Lashbrooke, Mr. Russ Rose seconded and the motion was unanimously approved.

KIA is in the middle of the Call for Projects for the 2020 Intended Use Plan. To date, 15 projects have been submitted, the deadline is December 16th.

At the December KIA Board meeting, there will be a discussion to set the Board meeting calendar for 2020. All members were asked to come prepared and bring their calendars.

KIA staff will be attending the Council of Infrastructure Financing Authorities (CIFA) in Cleveland and presenting to the group on the KIA WRIS, Dashboard and our software where we manage our SRF program.

She directed everyone's attention to a picture that had been framed of KIA staff members Bryan Bunch and Dustin Horn. They attended the ERSI Conference in July and accepted an award on behalf of KIA for Special Achievement in GIS. We have had more inquiries from other states' agencies, Tennessee, Florida, Minnesota and Georgia on open sourcing our WRIS system. After the presentation, there may be other states interested.

Director McNeil updated the group on the Public Water and Wastewater Task Force. The final meeting is set for November 14th. This is an open meeting and the group will be discussing the recommendations for the Legislature that have come from the four previous meetings the group has attended. She has received emails asking to rank the recommendations that have come from those earlier meetings and they will be discussed on the 14th. She has turned in some comments and suggestions, if anyone is interested in seeing those, please let her know. She thinks the Task Force will revamp everything that has been turned in.

Ms. Gwen Pinson asked when the final report will be available. Ms. McNeil noted that it should be the end of November. LRC staff is working to combine all the information that has been submitted. She has been told that LRC will email all Task Force members the final report prior to the meeting at the end of the month.

Mr. Russ Rose asked about the conditions that are placed on the loans the Board approves. He asked what procedures were in place to ensure that the conditions are being followed. Director McNeil noted staff has been monitoring those special conditions before a project can go into an Assistance Agreement or before drawing any funds. The staff has been manually doing that through a shared Excel spreadsheet.

KIA is now in the process working with Spaulding Ridge and giving them all of our spreadsheet information and incorporating them to update the process. The software will alert staff if conditions are not met before they can enter into an Assistance Agreement and funds will be distributed. All this is in the process and hopefully ready to go mid-December where this can be done electronically in the future and all the staff can then monitor it electronically. The software will have the capability to give staff alerts before anything might happen that should not be taking place. Concerns arose a year or two earlier when staff missed a project that should have been taken before the Capital Projects and Bond Oversight Committee and it was put under Assistance Agreement. She had to ask for forgiveness, which was granted, but staff was reprimanded and told to have a system in place to ensure that this did not happen again. Mr. Rose asked if this would monitor projects moving forward. Director McNeil said that this is a phase process and that is the direction the project will follow. Staff wanted to make sure some critical pieces were put in place first. The Loan Tracking Spreadsheet, the Special Conditions and getting them under Assistance Agreement and also the financial analysis that are presented in the Board Book are all being modeled, which should standardize information. This will allow staff to go in at any time and see the status of the loan and distribute workload accordingly. The second phase will be getting the Regional Compliance staff will be able to look at audits and other information that are included in the closeout and repayment process.

ANNOUNCEMENTS/NOTIFICATIONS

- Next scheduled KIA board meeting:
Thursday, December 5, 2019, 1:00 p.m.
100 Airport Road, Third Floor

Frankfort, Kentucky

There being no further business, Mr. Ron Lovan moved to adjourn. Mr. Kurt Stafford seconded and the motion carried unanimously. The November 5, 2019 meeting of the Board of the Kentucky Infrastructure Authority was adjourned.

Submitted by:


Margaret F. Link, Secretary
Kentucky Infrastructure Authority


Date

EXHIBIT 10



KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

100 Airport Road
Frankfort, Kentucky 40601
(502) 573-0260
(502) 696-0676 (fax)
kia.ky.gov

Donna McNeil
Executive Director

December 13, 2019

Honorable Augustus Roberts, Chairman
Hyden-Leslie County Water District
356 Wendover Road
Hyden, KY 41749

KENTUCKY INFRASTRUCTURE AUTHORITY INFRASTRUCTURE REVOLVING LOAN FUND CONDITIONAL COMMITMENT LETTER (B19-008)

Dear Mr. Roberts:

The Kentucky Infrastructure Authority (“the Authority”) commends your efforts to improve public service facilities in your community. On November 7, 2019, the Authority approved your loan for the Refinancing KRWFC Note project subject to the conditions stated below. The total cost of the project shall not exceed \$2,735,000, without prior authorization, of which the Authority loan shall provide \$2,735,000 of the funding. The final loan amount will be equal to the Authority’s portion of estimated project cost applied to the actual project cost. Attachment B incorporated herein by reference fully describes the project.

An Assistance Agreement will be executed between the Authority and the Hyden-Leslie County Water District upon satisfactory performance of the conditions set forth in this letter. You must meet the conditions set forth in this letter and enter into an Assistance Agreement by December 13, 2020 (twelve months from the date of this letter). 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.

Mr. Roberts
December 13, 2019
Page 2

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.

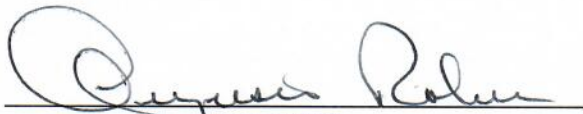
Sincerely,

Linda Bridwell, PE
Deputy Executive Director
Kentucky Infrastructure Authority

Attachments

cc: Larry Turner, Manager hlwater@tds.net

Please sign and return a copy of this letter indicating your acceptance of this commitment and its terms. Complete the attached "Authorization for Electronic Deposit of Vendor Payment Form" and the "ACH Debit Authorization Form" **and return to the US Bank address at the bottom of each form**. Also included are the "Legal Counsel Certification Letter" sample and the "Statement of Approval of Projections of Revenue and Expenses" for you to complete at the appropriate time.


Accepted

12-23-19
Date

Mr. Roberts
December 13, 2019
Attachment A

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

1. The Authority project loan shall not exceed \$2,735,000.
2. The loan shall bear interest at the rate of 0.50% per annum commencing with the first draw of funds.
3. The loan shall be repaid over a period not to exceed 30 years from the date of the last draw of funds.
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. KIA requires the use of Automated Clearing House (ACH) debits for payment of all balances due on the loan. This will ensure that payments are credited timely to your account without the risk of incurring late payment fees. If the due date falls on a weekend or holiday your account will be debited on the next business day. Please complete and return the attached authorization to U.S. Bank for processing.
5. Full principal payments will commence on June 1, or December 1, immediately succeeding the date of the last draw of funds, provided that if such June 1, or December 1, shall be less than three months since the date of the last draw of funds, then the first principal payment date shall be the June 1, or December 1, which is at least six months from the date of the last draw of funds. Full payments will be due each six months thereafter until the loan is repaid.
6. A loan servicing fee of 0.20% of the outstanding loan balance shall be payable to the Authority as a part of each interest payment.
7. Loan funds will only be disbursed after execution of the Assistance Agreement as project costs are incurred.
8. The Authority requires that an annual financial audit be provided for the life of the loan.
9. The final Assistance Agreement must be approved by ordinance or resolution, as applicable, of the city council or appropriate governing board.

Mr. Roberts
December 13, 2019
Attachment A

10. The borrower must maintain a 1.1 debt coverage ratio throughout the life of the KIA loan. All borrowers are subject to at least an annual financial review for compliance.

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 Borrower must provide certification from their legal counsel stating that the procurement procedures, including those for construction, land, equipment and professional services that were a part of the project, were in compliance with applicable state and local procurement laws.
2. At this time, the Authority understands no other funding is being pursued for this project. If this changes, the Borrower is to notify the Authority.
3. 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. Any special conditions listed in Attachment B must be satisfied before the project is presented before the Committee.
4. 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.
5. The Borrower must complete and return the attached "Authorization for Electronic Deposit of Vendor Payment" form to the Authority, and "ACH Debit Authorization" form to US Bank.
6. The Borrower will implement the Kentucky Uniform System of Accounting (KUSoA), or an alternative approved by the Authority and assure that rates and charges for services are based upon the cost of providing such service.

Any special conditions listed in Attachment B must be resolved.

Fund B/C LOAN CONDITIONS CHECKLIST

Congratulations on receiving a conditional commitment of funding from KIA's Fund B/C Loan Program. Borrowers will now be assigned a Compliance Analyst to help guide them through the rest of the loan process based on which Area Development District (ADD) they are located. Please submit all documents to one of the following contacts:

- Julie Bickers (Julie.Bickers@ky.gov, 502-892-3455): Purchase, Pennyriple, Green River, Barren River, Lake Cumberland.
- Debbie Landrum (Debbie.Landrum@ky.gov, 502-892-3454): Lincoln Trail, KIPDA, Northern KY, Bluegrass.
- Sarah Parsley (Sarah.Parsley@ky.gov, 502-892-3177): Buffalo Trace, Gateway, FIVCO, Big Sandy, KY River, Cumberland Valley

After all of the conditions of the Conditional Commitment Letter have been fulfilled, KIA will initiate the Assistance Agreement with the borrower. The Assistance Agreement must be fully executed before any funds may be disbursed. The following is a list of items needed to process your loan (forms can be found here <https://kia.ky.gov/FinancialAssistance/Pages/Forms.aspx>):

Before bid opening, submit the following items to the designated agency.

Submit

To:

- | | | |
|-----|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| KIA | <input type="checkbox"/> | Conditional Commitment Letter (this letter is sent to the borrower via email shortly following KIA board approval and is to be signed by the authorizing official) |
| KIA | <input type="checkbox"/> | Authorization for Electronic Deposit/Debit of Borrower Disbursements/ Payment (these forms are attached to the loan commitment letter sent after KIA board approval and are to be signed by the authorizing official and forwarded to US Bank) |
| KIA | <input type="checkbox"/> | Eclearinghouse Endorsement (if not already submitted with loan application) |
| DOW | <input type="checkbox"/> | Plans and specifications (Kentucky Division of Water will review and KIA will need copy of approval letter) |
| KIA | <input type="checkbox"/> | Proof of compliance with any special condition identified in the Conditional Commitment Letter (e.g. adopted ordinance). |

After the project has opened bids, please submit the following items to the designated agency assigned below. It is imperative that the remaining standard conditions are fulfilled by the deadlines set forth in the Conditional Commitment Letter.

Submit

To:

- | | | |
|-----|--------------------------|-----------------------------------------------------------------------------------------------------------------|
| KIA | <input type="checkbox"/> | Bid Advertisement |
| KIA | <input type="checkbox"/> | Bid Tabulation and Engineer's Recommendation |
| KIA | <input type="checkbox"/> | As-Bid Budget |
| KIA | <input type="checkbox"/> | Procurement Certification (KIA sends to borrower after bid opening for signature.) |
| KIA | <input type="checkbox"/> | Certification of obtainable revenue projections (KIA sends to borrower after bid opening for signature.) |
| KIA | <input type="checkbox"/> | Certification of clear site (KIA sends to borrower after bid opening for signature.) |
| KIA | <input type="checkbox"/> | Plans and specifications approval from the Kentucky Division of Water |
| KIA | <input type="checkbox"/> | Public Service Commission (PSC) approval , (CPCN and Authorization to Incur Debt) if applicable. |

**AUTHORIZATION FOR ELECTRONIC DEPOSIT
OF BORROWER PAYMENT
KENTUCKY INFRASTRUCTURE AUTHORITY
(FUND B19-008)**

Borrower Information:

Name: _____

Address: _____

City: _____ State: KY Zip: _____

Federal I.D. # _____

Contact Name: _____ Telephone: _____

Email: _____

Financial Institution Information:

Bank Name: _____

Branch: _____ Phone No: _____

City: _____ State: ____ Zip: _____

Transit / ABA No.: _____

Account Name: _____

Account Number: _____

I, the undersigned, authorize payments directly to the account indicated above and to correct any errors which may occur from the transactions. I also authorize the Financial Institution to post these transactions to that account.

Signature: _____ Date: _____

Name Printed: _____ Job Title: _____

Please return completed form to:

**U.S. Bank
Attention: Corporate Trust Administration
One Financial Square
Mail Code: CN-KY-0850
Louisville, KY 40202**

KIA Loan # _____

**ACH DEBIT AUTHORIZATION FORM
AUTHORIZATION AGREEMENT FOR PRE-ARRANGED PAYMENTS
(DEBITS)**

The undersigned hereby authorizes U.S. Bank National Association Corporate Trust Department ("U.S. Bank") to initiate debit entries to the account indicated below at the bank named below:

CHECKING: SAVINGS:
BANK NAME: _____ BRANCH: _____
CITY: _____ STATE: _____ ZIP CODE: _____
BANK TRANSIT/ABA #: _____ ACCOUNT #: _____

This authority is to remain in full force and effect until U.S. Bank has received written notification from the undersigned of its termination in such time and in such manner as to afford U.S. Bank a reasonable opportunity to act. The undersigned has the right to stop payment of a debit entry by reasonable prior written notification to U.S. Bank. After the above account has been charged, the undersigned has the right to have the amount of any erroneous debit immediately credited to its account by U.S. Bank up to 30 days following issuance of a statement.

NAME OF ENTITY: _____
ADDRESS: _____

TAX IDENTIFICATION NUMBER: _____

By: _____ Date: _____
Authorized Signer

Send to: U.S. Bank
Attention: Corporate Trust Administration
One Financial Square
Mail Code: CN-KY-0850
Louisville, KY 40202

SAMPLE LETTER

[Letterhead of Counsel for Water Utility]

[Date]

Kentucky Infrastructure Authority
100 Airport Road
Frankfort, Kentucky 40601

RE: Loan#
 City of xxxxx

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 XXXXXXXXXXXXX, hereinafter referred to as the "Water Utility ". I am familiar with the organization and existence of the Water Utility and the laws of the Commonwealth applicable thereto. Additionally I am familiar with the water project (the "Project") with respect to which the funding commitment by and between the Kentucky Infrastructure Authority ("Authority") and the Water Utility.

I have reviewed the commitment letter by and between the Authority and the Water Utility and the documentation regarding wage rates and procurement with respect to the Project.

Based upon my review I am of the opinion that:

The Water Utility has prepared construction specifications in accordance with all procurement procedures including those for construction, land, equipment and professional services that are a part of the project are in compliance with all applicable state and local procurement laws.

Respectfully,

**STATEMENT OF APPROVAL
OF PROJECTIONS OF REVENUE AND EXPENSES**

Borrower Name: _____

Loan No.: _____

I hereby certify that the revenue projections in the attached descriptions are still obtainable and that projections of operating expenses have not materially changed based on the "as-bid" budget submitted for the Project.

Signed: _____

Borrower

Date

ATTACHMENT B

**Hyden-Leslie County Water District
B19-008**

EXECUTIVE SUMMARY		Reviewer	Michael Dant	
KENTUCKY INFRASTRUCTURE AUTHORITY		Date	November 7, 2019	
Fund B Infrastructure		KIA Loan Number	B19-008	
REVOLVING LOAN FUND		WRIS Number	21131111	
BORROWER	HYDEN-LESLIE COUNTY WATER DISTRICT LESLIE COUNTY			
BRIEF DESCRIPTION				
Permanent financing for a short term Kentucky Rural Water Finance Corporation (RWFC) loan on a previous project.				
The short term financing was to advance refund a 2013F bond with KRWFC. The original work was a \$4.1 million dollar project which included: 61.45 miles of water line, the addition of 317 customers, two 50,000 gallon water tanks, and three pump stations.				
PROJECT FINANCING	PROJECT BUDGET	RD Fee %	Actual %	
	Other		\$ 2,735,000	
TOTAL	\$2,735,000	TOTAL	\$2,735,000	
REPAYMENT	Rate	0.50%	Est. Annual Payment \$103,759	
	Term	30 Years	1st Payment 6 Mo. after first draw	
PROFESSIONAL SERVICES	Engineer	N/A		
	Bond Counsel	Rubin & Hays		
PROJECT SCHEDULE	Bid Opening	N/A		
	Construction Start	N/A		
	Refinancing	Jan-20		
DEBT PER CUSTOMER	Existing	\$1,640		
	Proposed	\$1,556		
OTHER DEBT	See Attached			
OTHER STATE-FUNDED PROJECTS LAST 5 YRS	See Attached			
RESIDENTIAL RATES		<u>Users</u>	<u>Avg. Bill</u>	
	Current	3,696	\$31.48 (for 4,000 gallons)	
	Proposed	3,696	\$44.00 (for 4,000 gallons)	
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 2016	290,068	264,763	25,305	1.1
Audited 2017	133,132	260,901	(127,769)	0.5
Audited 2018	(21,915)	257,349	(279,264)	-0.1
Projected 2019	(83,720)	195,569	(279,289)	-0.4
Projected 2020	3,134,245	3,031,858	102,387	1.0
Projected 2021	429,246	294,059	135,187	1.5
Projected 2022	423,429	372,232	51,197	1.1
Projected 2023	416,742	371,063	45,679	1.1

Reviewer: Linda Bridwell
Date: November 7, 2019
Loan Number: B19-008

**KENTUCKY INFRASTRUCTURE AUTHORITY
INFRASTRUCTURE REVOLVING LOAN FUND (FUND B)
HYDEN-LESLIE WATER DISTRICT, LESLIE COUNTY
PROJECT REVIEW
WX21131111**

I. PROJECT DESCRIPTION

The Hyden-Leslie Water District (the "District") is requesting a Fund B loan in the amount of \$2,735,000 for the refinance of the Kentucky Rural Water Short-Term Note for a \$4.1 million project which included 61.5 miles of water line, two 50,000 gallon water tanks, three pump stations, and the addition of 317 customers. This project has been completed. The difference in the project cost and loan amount was provided through grant monies. The District originally sought the short-term financing to complete the project and needs to convert the loan into a long-term arrangement.

The District serves nearly 3,700 customers in Leslie County and is regulated by the PSC.

II. PROJECT BUDGET

	Total
Refinance	\$ 2,735,000
Total	\$ 2,735,000

III. PROJECT FUNDING

	Amount	%
Fund B Loan	\$ 2,735,000	100%
Total	\$ 2,735,000	100%

IV. KIA DEBT SERVICE

Construction Loan	\$ 2,735,000
Less: Principal Forgiveness	0
Amortized Loan Amount	\$ 2,735,000
Interest Rate	0.50%
Loan Term (Years)	30
Estimated Annual Debt Service	\$ 98,289
Administrative Fee (0.20%)	5,470
Total Estimated Annual Debt Service	\$ 103,759

V. RATE STRUCTURE

A. Customers

	Current
Residential	3,428
Commercial	268
Industrial	0
Total	3,696

B. Rates

	Proposed	Current	Prior
Date of Last Rate Increase		10/29/10	05/22/92
Minimum (includes 2,000 gallons)	\$ 28.00	\$ 20.24	\$ 17.30
Next 3,000 Gallons	8.00	5.62	4.80
Cost for 4,000 gallons	\$ 44.00	\$ 31.48	\$ 26.90
Increase %	40%	17.0%	
Affordability Index (Rate/MHI)	1.8%	1.3%	1.1%

VI. DEMOGRAPHICS

Based on current Census data from the American Community Survey 5-Year Estimate 2013-2017, the Utility’s service area population was 10,296 with a Median Household Income (MHI) of \$28,648. The median household income for the Commonwealth is \$46,535. Based on the MHI of the service area of the utility, the project will qualify for a 30-year term with a 0.50% interest rate.

Year	Population		County	% Change	County Unemployment	
	City	% Change			Date	Rate
1980	488		14,882		June 2005	8.5%
1990	375	-23.2%	13,642	-8.3%	June 2010	12.9%
2000	204	-45.6%	12,401	-9.1%	June 2015	10.6%
2010	365	78.9%	11,310	-8.8%	June 2018	8.8%
Current	419	14.8%	10,648	-5.9%		
Cumulative %		-14.1%		-28.5%		

VII. FINANCIAL ANALYSIS

Financial information was obtained from the audited financial statements for the years ended June 30, 2016 through June 30, 2018. Percentage references in the History section below are based on whole dollar amounts and not the rounded amounts

presented.

HISTORY

Water revenues for the District have remained relatively flat at \$1.5 million for the period 2016-2018 with a slight reduction in Penalties and Service Charges paid. Over the same time period, operating expenses increased \$273,426 or 21.5%. This was generally due to Materials & Supplies being increased for maintenance, as well as Salaries increased due to overtime costs. The debt coverage ratio dropped from 1.1 to a negative 0.1 in 2018.

The District has been using cash reserves to cover operating increases, but recognizes that they need a rate increase.

The Balance sheet current ratio was 7.4 in 2018, debt to equity was 0.3, and the District had 10.1 months operating expenses in unrestricted cash.

PROJECTIONS

Projections are based on the following assumptions:

- 1) Revenues have been projected to increase 40% in 2020 based on a projected rate increase. The District is in the process of working on an additional improvement project with Rural Development, and expects to increase rates in 2020. Revenues are expected to increase 3% each year after that. Revenues must increase 40% in 2020 and 3% each subsequent year to support current and future debt service and operating expenses.
- 2) Operating expenses are projected to increase 4% each year beginning in 2019, based on historical trends.
- 3) Debt projections include an estimated \$1,727,000 loan from Rural Development at 2.375% interest, with repayment beginning in 2022.
- 4) Debt service coverage is 1.3 in 2020 when principal and interest repayments begin.

Based on the pro forma assumptions, the utility shows adequate cash flow to repay the KIA Fund B loan only if the District completes the required conditions for the loan.

REPLACEMENT RESERVE

The replacement reserve will be 5% (\$136,000 total) of the final amount borrowed to be funded annually (\$6,800 yearly) each December 1 for 20 years and maintained for the life of the loan.

Debt Issue	Outstanding	Maturity (Fiscal Year)
1989 KRWFC (RD)	382,500	2028
2000 RD	236,800	2040
2012 RD Series A	1,030,500	2051
2012 RD Series B	1,786,500	2051
2014 Interim Financing KRWFC	2,625,000	2020
Proposed RD Phase III	1,727,000	2052
Total	<u>7,788,300</u>	

VIII. CONTACTS

Legal Applicant	
Entity Name	Hyden-Leslie County Water District
Authorized Official	Augustus Roberts (Chairman)
County	Leslie
Email	augustusroberts@icloud.com
Phone	606-672-2791
Address	356 Wendover Road Hyden, KY 41749

Applicant Contact	
Name	Larry J Turner
Organization	Hyden Leslie County Water District
Email	hlwater@tds.net
Phone	606-672-2791
Address	356 Wendover Road Hyden, KY 41749

IX. RECOMMENDATIONS

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

- 1) By November 30, 2019, the District will need to apply to the Public Service Commission (PSC) for debt authorization for the \$2.735 million refinancing loan.
- 2) By November 30, 2019, the District will need a resolution from the Hyden-

Leslie Water District Board, demonstrating their intentions to increase revenues as necessary and authorized by the PSC to meet the loan requirements over the life of the loan. KIA Staff review indicates that rates would need to be increased by 40% in 2020, and then 3% annually beginning in 2021 to keep up with expenses and RD debt service.

- 3) New rates, as authorized by the PSC, sufficient to meet debt service obligations, will need to be implemented before the assistance agreement will be executed.
- 4) The District will need to satisfy the letter of conditions from Rural Development on the Phase III project by January 31.

**HYDEN-LESLIE COUNTY WATER DISTRICT
FINANCIAL SUMMARY (DECEMBER YEAR END)**

	<u>Audited</u> <u>2016</u>	<u>Audited</u> <u>2017</u>	<u>Audited</u> <u>2018</u>	<u>Projected</u> <u>2019</u>	<u>Projected</u> <u>2020</u>	<u>Projected</u> <u>2021</u>	<u>Projected</u> <u>2022</u>	<u>Projected</u> <u>2023</u>
Balance Sheet								
Assets								
Current Assets	2,408,052	2,064,388	1,698,353	1,419,068	1,630,355	1,776,942	1,839,939	1,897,718
Other Assets	26,471,495	26,010,389	25,393,733	24,538,483	26,383,233	25,459,608	24,535,983	23,612,358
Total	28,879,547	28,074,777	27,092,086	25,957,551	28,013,588	27,236,550	26,375,922	25,510,076
Liabilities & Equity								
Current Liabilities	182,533	197,112	230,740	3,057,624	325,131	332,174	336,402	340,833
Long Term Liabilities	6,110,406	6,085,791	6,019,892	3,102,272	5,618,946	5,430,476	5,239,678	5,046,449
Total Liabilities	6,292,939	6,282,903	6,250,632	6,159,896	5,944,076	5,762,650	5,576,080	5,387,282
Net Assets	22,586,608	21,791,874	20,841,454	19,797,655	22,069,512	21,473,900	20,799,842	20,122,794
Cash Flow								
Revenues	1,562,058	1,541,622	1,539,435	1,539,435	2,128,477	2,190,326	2,254,031	2,319,647
Operating Expenses	1,290,896	1,411,370	1,564,322	1,626,127	1,697,204	1,764,052	1,833,574	1,905,877
Other Income	18,906	2,880	2,972	2,972	2,702,972	2,972	2,972	2,972
Cash Flow Before Debt Service	290,068	133,132	(21,915)	(83,720)	3,134,245	429,246	423,429	416,742
Debt Service								
Existing Debt Service	264,763	260,901	257,349	195,569	2,929,427	191,628	269,801	268,632
Proposed KIA Loan	0	0	0	0	102,431	102,431	102,431	102,431
Total Debt Service	264,763	260,901	257,349	195,569	3,031,858	294,059	372,232	371,063
Cash Flow After Debt Service	25,305	(127,769)	(279,264)	(279,289)	102,387	135,187	51,197	45,679
Ratios								
Current Ratio	13.2	10.5	7.4	0.5	5.0	5.3	5.5	5.6
Debt to Equity	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Days Sales in Accounts Receivable	55.4	64.9	67.5	67.5	67.5	67.5	67.5	67.5
Months Operating Expenses in Unrestricted Cash	19.8	14.7	10.1	7.6	8.0	8.7	8.7	8.6
Debt Coverage Ratio	1.1	0.5	(0.1)	(0.4)	1.3	1.5	1.1	1.1

EXHIBIT 11



KENTUCKY INFRASTRUCTURE AUTHORITY

Andy Beshear
Governor

100 Airport Road
Frankfort, Kentucky 40601
(502) 573-0260
kia.ky.gov

Donna McNeil
Executive Director

December 20, 2019

Mr. Gerald Wuetcher
Stoll, Keenon, Ogden PLLC
2000 PNC Plaza, 500 W. Jefferson St.
Louisville, KY 40202-2828

RE: Hyden-Leslie County Water District, Loan B19-008

Mr. Wuetcher:

We have received your request on behalf of the Hyden-Leslie County Water District to extend the deadline of January 31, 2020 to satisfy the letter of conditions from Rural Development (RD) on the Phase III project. We understand this time frame is now unreasonable due to Hyden-Leslie County Water District not obtaining CDBG funding as of yet, which was part of the RD conditions. We do not have an issue with extending the deadline at this time to your proposed June 1, 2020. Please keep us informed of the status as it progresses.

Respectfully,

A handwritten signature in blue ink that reads "Linda Bridwell".

Linda Bridwell, PE
Deputy Executive Director
Kentucky Infrastructure Authority



GERALD WUETCHER
DIRECT DIAL: (859) 231-3017
DIRECT FAX: (859) 258-3517
gerald.wuetcher@skofirm.com

2000 PNC PLAZA
500 WEST JEFFERSON STREET
LOUISVILLE, KY 40202-2828
MAIN: (502) 333-6000
FAX: (502) 333-6099

December 18, 2019

VIA ELECTRONIC MAIL AND REGULAR MAIL

Ms. Sarah J. Parsley
Regional Compliance Coordinator
Kentucky Infrastructure Authority
100 Airport Road
Frankfort, KY 40601

Re: Hyden-Leslie County Water District
Loan B19-008

Dear Ms. Parsley:

I am writing on behalf of Hyden-Leslie County Water District (“the District”) to request an extension of time in which to satisfy one of the conditions established for the above-referenced loan.

On November 7, 2019, the Kentucky Infrastructure Authority (“KIA”) Board of Directors approved the District’s application for a Fund B loan in the amount of \$2,735,000 to refund an existing loan with the Kentucky Rural Water Finance Corporation, but attached several conditions to its approval, including that the District meet no later than January 31, 2020, the conditions Rural Development (“RD”) set forth in its letter of December 4, 2018 for a loan and grant to finance a proposed waterworks improvement project. A copy of the letter of December 4, 2018 is enclosed.

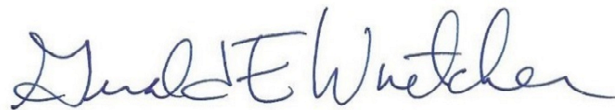
The District will not meet all conditions set forth in RD’s letter by January 31, 2020. More specifically, it has been unable to secure a Community Development Block Grant of \$900,000, which is an essential element of the proposed waterworks project’s funding. In February 2019, the District was awarded a Community Development Block Grant of \$900,000. However, the award was withdrawn earlier this month when its co-applicant, Leslie County Fiscal Court, failed to take the necessary actions to secure the grant funds. The District will reapply for a Community Development Block Grant in March 2020 and plans to approach the City of Hyden to co-sponsor its application. Due to the withdrawal of the grant award, the District cannot meet the conditions

Ms. Sarah J. Parsley
December 18, 2019
Page 2

of RD's letter by January 31, 2020 and will not satisfy the condition that KIA's Board of Directors placed on the proposed KIA loan.

The District requests that KIA extend the time to satisfy this condition to June 1, 2020. While the District anticipates that its requested extension will provide adequate time to meet conditions in the RD Letter, it respectfully reserves the right to request additional extensions if necessary. The District will provide periodic status reports to KIA to keep it timely apprised of developments.

Sincerely,
Stoll Keenon Ogden PLLC

A handwritten signature in blue ink that reads "Gerald Wuetcher". The signature is written in a cursive style with a large initial "G" and "W".

Gerald Wuetcher

Enclosure
Cc: L.J. Turner



December 4, 2018

Augustus Roberts, Chairman
Hyden-Leslie County Water District
P.O. Box 906
Hyden, Kentucky 41749

SUBJECT: Recipient Name: Hyden-Leslie County Water District
Project Name: Water System Improvements

Dear Mr. Roberts:

This letter establishes conditions that must be understood and agreed to by you before further consideration may be given to the application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,727,000; a RUS grant not to exceed \$1,152,800; a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$900,000; and Abandoned Mine Land (AML) grant of \$323,000; a Appalachian Regional Commission (ARC) grant of \$500,000; a Coal Severance Grant of \$2,500; and a Coal Severance Grant 37-C-2017 of \$15,700. No applicant contribution will be required.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application. In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

Rural Development • Kentucky State Office
771 Corporate Drive, Suite 200, Lexington, Kentucky 40502
Voice (859) 224-7300 • Fax (855) 661-8335 • TTY (859) 224-7422

DEC 07 2018

USDA is an equal opportunity provider, employer and lender.

1. Number of Users and Their Contribution:

There shall be 3,762 water users, of which 3,696 are existing users and 66 are new. The Area Director will review and authenticate the number of users prior to advertising for construction bids.

2. Grant Agreement:

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

3. Drug-Free Work Place:

Prior to grant closing, the District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the Bond. Principal payment will not be deferred for a period in excess of 2 years from the date of the Bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January and July) and principal will be due on or before the first of January. Rural Development may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

5. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Reserve Accounts:

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

The District will be required to deposit \$580 per month into a "Funded Debt Reserve Account" until the account reaches \$69,600. The deposits are to be resumed any time the account falls below the \$69,600.

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

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

The District also needs to fund an account for short-lived assets by depositing a sum of \$10,028 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's utility systems.

7. Security Requirements:

A pledge of gross water revenue(s) will be provided in the Bond Ordinance. Bonds shall rank on a parity with existing bonds, if possible.

If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue. Additional security requirements are contained in [RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," and RUS Bulletin 1780-27, "Loan Resolution Public Body." A draft of all security instruments, including, draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. The Bond Resolution and Loan Resolution must be duly adopted and executed prior to loan closing. The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

8. Land Rights and Real Property:

The District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users.

The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

9. Organization:

The District will be legally organized under applicable KRS, which will permit them to perform this service, borrow, or repay money.

The District must maintain a current registration of their Dun and Bradstreet Data Universal Numbering System (DUNS) number in SAM.gov (System for Award Management) in order to receive federal loan and/or grant financial assistance. This registration must be updated/renewed at least annually.

10. Business Operations:

The District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the District after review by Rural Development. At no later than loan pre-closing, the District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, delayed payment penalties, disconnect/reconnect fees, bookkeeping, making and delivering required reports and audits.

11. Conflict of Interest Policy:

Prior to obligation of funds, you will certify in writing that your organization has in place an up-to-date written policy on conflict of interest. The policy will include, at a minimum: (1) a requirement for those with a conflict/potential conflict to disclose the conflict/potential conflict, (2) a prohibition of interested members of the applicant's governing body from voting on any matter in which there is a conflict, and (3) a description of the specific process by which the governing body will manage identified or potential conflicts.

You must also submit a disclosure of planned or potential transactions related to the use of Federal funds that may constitute or present the appearance of personal or organizational conflict of interest. Sample conflict of interest policies may be found at the National Council of Nonprofits website, <https://www.councilofnonprofits.org/tools-resources/conflict-of-interest>, or in Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy," at <http://www.irs.gov/pub/irs-pdf/i1023.pdf>. Though these examples reference non-profit corporations, the requirement applies to all types of Agency borrowers.

Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure of the same format is required if no conflicts are anticipated. Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

12. Accounts, Records and Audits:

The District will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits)/statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780.

The District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

13. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The type of financial information that must be submitted is specified below:

Audits – An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

14. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$217,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures.

The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.

- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in special flood and mudslide prone areas.

15. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "28" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project must be constructed by the design/bid/build method of construction. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
 - 1. Final plans, specifications and bid documents.
 - 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.

3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel and/or Local Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

16. Bid Tabulation:

Immediately after bid opening, you must provide the Agency with the bid tabulation and your engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of this letter have been satisfied, the Agency will authorize you to issue the Notice of Award.

- A. Cost Overruns – If bids are higher than expected, or if unexpected construction problems are encountered, you must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds.

Cost overruns exceeding 20% of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.

- B. Excess Funds – If bids are lower than anticipated at time of obligation, excess funds must be de-obligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be de-obligated, with grant funds being de-obligated first. Excess funds do not include contingency funds as described in this letter.

17. Contract Documents, Final Plans, and Specifications:

- A. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.
- B. The contract documents, final plans, and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.
- C. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

18. Contract Review:

Your attorney will certify that the executed contract documents, including performance and payment, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61 (b).

19. Civil Rights & Equal Opportunity:

You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

A. Section 504 of the Rehabilitation Act of 1973:

Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Rural Development financial assistance.

B. Civil Rights Act of 1964:

All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*) and Subpart E of Part 1901 of this Title, particularly as it relates to conducting and reporting of compliance reviews.

Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this Title.

C. The Americans with Disabilities Act (ADA) of 1990:

This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

D. Age Discrimination Act of 1975:

This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

E. Limited English Proficiency (LEP) under Executive Order 13166:

LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons.

LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. You must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information your organization provides. These protections are pursuant to Executive Order 13166 entitled, "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005, "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA."

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. You must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor your compliance with these requirements during compliance reviews.

20. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the District.

21. Compliance with Special Laws and Regulations:

The District will be required to conform to any and all state and local laws and regulations affecting this type project.

22. Treatment Plant and System Operator:

The District is reminded that the water treatment plant and water system operator must have an Operator's Certificate issued by the State.

23. Prior to Pre-Closing the Loan, the District Will Be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

24. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the District will apply for and accept such loan in sufficient amount to repay the Government.

25. Commercial Interim Financing:

The District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

26. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

For each "construction account" as established, if the amount of RUS loan and grant funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed \$250,000 at any time, the financial institution will secure the amount in excess of \$250,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

Agency funds will be disbursed into the construction account through an electronic transfer system. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

Monthly audits of the District's construction account records shall be made by Rural Development.

Borrowers receiving federal loan and/or grant funds by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment.

Any applicant contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless an agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first. Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. The Grant funds must not be disbursed prior to loan funds except as specified in RUS Instruction 1780.45 (d). In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

During construction, the District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the District, the District Council shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the District. Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

27. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the District.

Grant funds are to be deposited in an interest bearing account in accordance with 2 CFR part 200 and interest in excess of \$500 per year remitted to the Agency.

The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing account, unless:

- a. The recipient receives less than \$120,000 in Federal awards per year.
- b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- d. A foreign government or banking system prohibits or precludes interest-bearing accounts.

28. Project Budget:

Estimated expenditures are as follows:

Project Costs:

Development	\$3,648,000
Land and Rights	15,000
Legal and Administrative	30,000
Engineering Fees	483,000
Interest	30,000
Admin (CDBG)	50,000
Contingencies	<u>365,000</u>
TOTAL PROJECT COST	\$4,621,000

Project Funding:

RUS Loan	\$1,727,000
RUS Grant	1,152,800
ARC Grant	500,000
HUD-CDBG Grant	900,000
AML Grant	323,000
Coal Severance Grant	2,500
Coal Severance Grant 37 C-2017	<u>15,700</u>
TOTAL FUNDING	\$4,621,000

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. Prior to advertisement for construction bids, you must provide evidence of applicant contributions and approval of other funding sources.

This evidence should include a copy of the commitment letter. Agency funds will not be used to pre-finance funds committed to the project from other sources.

Obligated loan or grant funds not needed to complete the proposed project will be de-obligated prior to start of construction. Any reduction will be applied to grant funds first. An amended letter of conditions will be issued for any changes to the total project budget.

29. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the HUD-CDBG grant in the amount of \$900,000, for the ARC grant in the amount of \$500,000, for the AML grant in the amount of \$323,000, for the Coal Severance grant in the amount of \$2,500, and the Coal Severance grant 37 C-2017 in the amount of \$15,700.

30. Construction Completion Timeframe:

All projects are required to be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, you must submit a written waiver request with adequate justification of extenuating circumstances beyond your control for an extension of time. Any additional requests for waivers beyond the initial extension will be submitted through the State Office to the Assistant Administrator for concurrence decision.

31. Use of Remaining Project Funds:

The applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS/ARC/AML/CDBG/Coal Severance & Coal Severance 37 C-2017 grant funds and refunded in proportion to participation in the project. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

32. Proposed Operating Budget:

You will be required to submit to Rural Development a copy of your proposed annual operating budget that supports the proposed loan repayment prior to this agency giving you written authorization to proceed with the bidding phase. The operating budget should be based on a typical year cash flow, subject to completion of this project in the first full year of operation. Form RD 442-7, "Operating Budget," or similar form may be utilized for this purpose.

33. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Residential water rates will be at least:

First	2,000	gallons @ \$26.30 - Minimum Bill.
Next	3,000	gallons @ \$ 7.30 – per 1,000 gallons.
Next	5,000	gallons @ \$ 5.79 – per 1,000 gallons.
Next	15,000	gallons @ \$ 4.72 – per 1,000 gallons.
All Over	25,000	gallons @ \$ 4.11 – per 1,000 gallons.

Commercial water rates will be at least:

First	2,000	gallons @ \$39.45 - Minimum Bill.
Next	3,000	gallons @ \$11.19 – per 1,000 gallons.
Next	5,000	gallons @ \$ 9.41 – per 1,000 gallons.
Next	15,000	gallons @ \$ 7.91 – per 1,000 gallons.
All Over	25,000	gallons @ \$ 5.45 – per 1,000 gallons.

34. Water Purchase Contract:

The District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

35. Vulnerability Assessment/Emergency Response Plan (VA/ERP):

The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The documents are not submitted to the Agency for VA/ERP requirements throughout the life of the loan.

36. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain.

If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

37. Water Withdrawal Permit:

The District will be required to obtain satisfactory evidence that a revised water withdrawal permit has been secured from the Division of Water. The permit must be obtained prior to the commencement of construction on the water project.

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

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

39. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated June 27, 2018, from Ms. Lee Nalley.
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service by letter dated October 29, 2018, and signed by Virgil Lee Andrews, Jr., Field Supervisor.
- C. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- D. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted until RD can consult with the State Historical Preservation Officer and issue further directions.
- E. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- F. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

40. System for Award Management:

You will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active registration in the System for Award Management (SAM) database. Renewal can be done on-line at: <http://sam.gov>.

This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process may take up to 10 business days. (See 2 CFR Part 25 and the "Help" section at <http://sam.gov>).

41. Prepayment and Extra Payments:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.

42. Security/Operational Inspections:

The Agency will inspect the facility and conduct a review of your operations and records management system and conflict of interest policy every three years for the life of the loan. You must participate in these inspections and provide the required information.

43. American Iron & Steel:

Section 746 of Title VII of the Consolidated Appropriations Act of 2017 (Division A - Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2017) applies a new American Iron and Steel requirement:

- (1) No Federal funds made available for this fiscal year for the rural water, waste water, waste disposal, and solid waste management programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 et seq.) shall be used for a project for the construction, alteration, maintenance, or repair of a public water or wastewater system unless all of the iron and steel products used in the project are produced in the United States.
- (2) The term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.
- (3) The requirement shall not apply in any case or category of cases in which the Secretary of Agriculture (in this section referred to as the "Secretary") or the designee of the Secretary finds that— a. applying the requirement would be inconsistent with the public interest; b. iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or c. inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

44. Final Approval Conditions:

Final approval of this assistance will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Area Director will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,



HILDA GAY LEGG
State Director

Enclosures

cc: Area Director – London, Kentucky
Kentucky River ADD – Hazard, Kentucky
Leroy Lewis – Hyden, Kentucky
Randy Jones – Louisville, Kentucky
Mike Maggard – Lexington, Kentucky
PSC – ATTN: Talina Mathews – Frankfort, Kentucky

EXHIBIT 12



December 4, 2018

Augustus Roberts, Chairman
Hyden-Leslie County Water District
P.O. Box 906
Hyden, Kentucky 41749

SUBJECT: Recipient Name: Hyden-Leslie County Water District
Project Name: Water System Improvements

Dear Mr. Roberts:

This letter establishes conditions that must be understood and agreed to by you before further consideration may be given to the application. The loan and grant will be administered on behalf of the Rural Utilities Service (RUS) by the State and Area office staff of USDA Rural Development. Any changes in project cost, source of funds, scope of services or any other significant changes in the project or applicant must be reported to and approved by USDA Rural Development, by written amendment to this letter. Any changes not approved by Rural Development shall be cause for discontinuing processing of the application. It should also be understood that Rural Development is under no obligation to provide additional funds to meet an overrun in construction costs.

This letter is not to be considered as loan or grant approval or as a representation as to the availability of funds. The docket may be completed on the basis of a RUS loan not to exceed \$1,727,000; a RUS grant not to exceed \$1,152,800; a Department of Housing and Urban Development (HUD) Community Development Block Grant (CDBG) of \$900,000; and Abandoned Mine Land (AML) grant of \$323,000; a Appalachian Regional Commission (ARC) grant of \$500,000; a Coal Severance Grant of \$2,500; and a Coal Severance Grant 37-C-2017 of \$15,700. No applicant contribution will be required.

If Rural Development makes the loan, the interest rate will be the lower of the rate in effect at the time of loan approval or the rate in effect at the time of loan closing, unless the applicant otherwise chooses. The loan will be considered approved on the date a signed copy of Form RD 1940-1, "Request for Obligation of Funds," is mailed to you.

Please complete and return the attached Form RD 1942-46, "Letter of Intent to Meet Conditions," if you desire that further consideration be given to your application.

The "Letter of Intent to Meet Conditions" must be executed within three weeks from the date of this letter or it becomes invalid unless a time extension is granted by Rural Development.

If the conditions set forth in this letter are not met within 240 days from the date hereof, Rural Development reserves the right to discontinue the processing of the application. In signing Form RD 1942-46, "Letter of Intent to Meet Conditions," you are agreeing to complete the following as expeditiously as possible:

Rural Development • Kentucky State Office
771 Corporate Drive, Suite 200, Lexington, Kentucky 40502
Voice (859) 224-7300 • Fax (855) 661-8335 • TTY (859) 224-7422

DEC 07 2018

USDA is an equal opportunity provider, employer and lender.

1. Number of Users and Their Contribution:

There shall be 3,762 water users, of which 3,696 are existing users and 66 are new. The Area Director will review and authenticate the number of users prior to advertising for construction bids.

2. Grant Agreement:

Attached is a copy of RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," for your review. You will be required to execute a completed form at the time of grant closing.

3. Drug-Free Work Place:

Prior to grant closing, the District will be required to execute Form AD-1049, "Certification Regarding Drug-Free Workplace Requirements (Grants) Alternative I - For Grantees Other Than Individuals."

4. Repayment Period:

The loan will be scheduled for repayment over a period not to exceed 40 years from the date of the Bond. Principal payment will not be deferred for a period in excess of 2 years from the date of the Bond. Payments will be in accordance with applicable KRS, which requires interest to be paid semi-annually (January and July) and principal will be due on or before the first of January. Rural Development may require the District to adopt a supplemental payment agreement providing for monthly payments of principal and interest so long as the bond is held or insured by RUS. Monthly payments will be approximate amortized installments.

5. Recommended Repayment Method:

Payments on this loan shall be made using the Preauthorized Debit (PAD) payment method. This procedure eliminates the need for paper checks and ensures timely receipt of RD loan payments. To initiate PAD payments, Form RD 3550-28, "Authorization Agreement for Preauthorized Payments," should be signed by the District to authorize the electronic withdrawal of funds from your designated bank account on the exact installment payment due date. The Area Director will furnish the necessary forms and further guidance on the PAD procedure.

6. Reserve Accounts:

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

The District will be required to deposit \$580 per month into a "Funded Debt Reserve Account" until the account reaches \$69,600. The deposits are to be resumed any time the account falls below the \$69,600.

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

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

The District also needs to fund an account for short-lived assets by depositing a sum of \$10,028 monthly into the account. The funds in the short-lived asset account may be used by the District as needed to replace or add short-lived assets in the District's utility systems.

7. Security Requirements:

A pledge of gross water revenue(s) will be provided in the Bond Ordinance. Bonds shall rank on a parity with existing bonds, if possible.

If this is not possible, the bond will be subordinate and junior to the existing bonds, in which case the District will be required to abrogate its right to issue additional bonds ranking on a parity with the existing bonds, so long as any unpaid indebtedness remains on this bond issue. Additional security requirements are contained in [RUS Bulletin 1780-12, "Water and Waste System Grant Agreement," and RUS Bulletin 1780-27, "Loan Resolution Public Body." A draft of all security instruments, including, draft bond resolution, must be reviewed and concurred in by the Agency prior to advertising for bids. The Bond Resolution and Loan Resolution must be duly adopted and executed prior to loan closing. The Grant Agreement must be fully executed prior to the first disbursement of grant funds.

8. Land Rights and Real Property:

The District will be required to furnish satisfactory title, easements, etc., necessary to install, maintain and operate the facility to serve the intended users.

The pipelines will be on private rights-of-way where feasible. Easements and options are to be secured prior to advertising for construction bids.

9. Organization:

The District will be legally organized under applicable KRS, which will permit them to perform this service, borrow, or repay money.

The District must maintain a current registration of their Dun and Bradstreet Data Universal Numbering System (DUNS) number in SAM.gov (System for Award Management) in order to receive federal loan and/or grant financial assistance. This registration must be updated/renewed at least annually.

10. Business Operations:

The District will be required to operate the system under a well-established set of resolutions, rules and regulations. A budget must be established annually and adopted by the District after review by Rural Development. At no later than loan pre-closing, the District will be required to furnish a prior approved management plan to include, as a minimum, provisions for management, maintenance, meter reading, miscellaneous services, billing, collecting, delayed payment penalties, disconnect/reconnect fees, bookkeeping, making and delivering required reports and audits.

11. Conflict of Interest Policy:

Prior to obligation of funds, you will certify in writing that your organization has in place an up-to-date written policy on conflict of interest. The policy will include, at a minimum: (1) a requirement for those with a conflict/potential conflict to disclose the conflict/potential conflict, (2) a prohibition of interested members of the applicant's governing body from voting on any matter in which there is a conflict, and (3) a description of the specific process by which the governing body will manage identified or potential conflicts.

You must also submit a disclosure of planned or potential transactions related to the use of Federal funds that may constitute or present the appearance of personal or organizational conflict of interest. Sample conflict of interest policies may be found at the National Council of Nonprofits website, <https://www.councilofnonprofits.org/tools-resources/conflict-of-interest>, or in Internal Revenue Service Form 1023, Appendix A, "Sample Conflict of Interest Policy," at <http://www.irs.gov/pub/irs-pdf/i1023.pdf>. Though these examples reference non-profit corporations, the requirement applies to all types of Agency borrowers.

Disclosure must be in the form of a written letter signed and dated by the applicant's official. A negative disclosure of the same format is required if no conflicts are anticipated. Assistance in developing a conflict of interest policy is available through Agency-contracted technical assistance providers if desired.

12. Accounts, Records and Audits:

The District will be required to maintain adequate records and accounts and submit annual budgets and year-end reports (annual audits)/statistical and financial reports, quarterly and annually, in accordance with subsection 1780.47 of RUS Instruction 1780.

The District shall be required to submit a copy of its audit agreement for review and concurrence by Rural Development prior to pre-closing the loan.

13. Accomplish Audits for Years in Which Federal Financial Assistance is Received:

The type of financial information that must be submitted is specified below:

Audits – An annual audit under the Single Audit Act is required if you expend \$750,000 or more in Federal financial assistance per fiscal year. The total Federal funds expended from all sources shall be used to determine Federal financial assistance expended. Expenditures of interim financing are considered Federal expenditures.

All audits are to be performed in accordance with 2 CFR Part 200, as adopted by USDA through 2 CFR Part 400. Further guidance on preparing an acceptable audit can be obtained from the Agency. It is not intended that audits required by this part be separate and apart from audits performed in accordance with State and local laws. To the extent feasible, the audit work should be done in conjunction with those audits. The audit must be prepared by an independent licensed Certified Public Accountant, or a State or Federal auditor if allowed by State law, and must be submitted within 9 months of your fiscal year end.

14. Insurance and Bonding:

The following insurance and bonding will be required:

- A. Adequate Liability and Property Damage Insurance including vehicular coverage, if applicable, must be obtained and maintained by the District. The District should obtain amounts of coverage as recommended by its attorney, consulting engineer and/or insurance provider.
- B. Worker's Compensation - The District will carry worker's compensation insurance for employees in accordance with applicable state laws.
- C. Fidelity Bond - The District will provide Fidelity Bond Coverage for all persons who have access to funds. Coverage may be provided either for all individual positions or persons, or through "blanket" coverage providing protection for all appropriate employees and/or officials. The amount of coverage required for all RUS loans is \$217,000.
- D. Real Property Insurance - The District will obtain and maintain adequate fire and extended coverage on all structures including major items of equipment or machinery located in the structures.

The amounts of coverage should be based on recommendations obtained by the District from its attorney, consulting engineer and/or insurance provider. Subsurface lift stations do not have to be covered except for the value of electrical and pumping equipment therein.

- E. Flood Insurance - The District will obtain and maintain adequate coverage on any facilities located in special flood and mudslide prone areas.

15. Planning and Performing Development:

- A. The engineer should not be authorized to commence work on final plans and specifications until a determination has been made that the project can be planned and constructed within the estimated cost shown in paragraph "28" of this letter. The engineer may then proceed to develop final plans and specifications to be completed no later than 210 days from this date, and prepare bid documents. The Area Director is prepared to furnish the necessary guide to follow so as to keep the project plans and documents within our guidelines and requirements. The project must be constructed by the design/bid/build method of construction. The project should not be advertised for construction bids until all easements and enforceable options have been obtained, and total funds are committed or available for the project.
- B. The following documents will be submitted to Rural Development for review and must be concurred in by Rural Development prior to advertisement for construction bids:
 - 1. Final plans, specifications and bid documents.
 - 2. Applicant's letter on efforts to encourage small business and minority-owned business participation.

3. Legal Service Agreements.
4. Engineering Agreements.

Revision in these documents will be subject to Rural Development concurrence. Any agreements, contracts, etc. not reviewed and approved by Rural Development will not be eligible for payment from project funds or revenues from facilities financed by this Agency.

Prior to receipt of an authorization to advertise for construction bids, the District will obtain advance clearance from Bond Counsel and/or Local Counsel regarding compliance with KRS 424 pertaining to publishing of the advertisement for construction bids in local newspapers and the period of time the notice is required to be published.

16. Bid Tabulation:

Immediately after bid opening, you must provide the Agency with the bid tabulation and your engineer's evaluation of bids and recommendations for contract awards. If the Agency agrees that the construction bids received are acceptable, adequate funds are available to cover the total project costs, and all the requirements of this letter have been satisfied, the Agency will authorize you to issue the Notice of Award.

- A. Cost Overruns – If bids are higher than expected, or if unexpected construction problems are encountered, you must utilize all options to reduce cost overruns. Negotiations, redesign, use of bidding alternatives, rebidding or other means will be considered prior to commitment of subsequent funding by the Agency. Any requests for subsequent funding to cover cost overruns will be contingent on the availability of funds.

Cost overruns exceeding 20% of the development cost at time of loan or grant approval or where the scope of the original purpose has changed will compete for funds with all other applications on hand as of that date.

- B. Excess Funds – If bids are lower than anticipated at time of obligation, excess funds must be de-obligated prior to start of construction except in the cases addressed in this paragraph. In cases where the original PER for the project included items that were not bid, or were bid as an alternate, the State Office official may modify the project to fully utilize obligated funds for those items. Amendments to the PER, ER, and letter of conditions may be needed for any work not included in the original project scope. In all cases, prior to start of construction, excess funds will be de-obligated, with grant funds being de-obligated first. Excess funds do not include contingency funds as described in this letter.

17. Contract Documents, Final Plans, and Specifications:

- A. The contract documents must consist of the EJCDC construction contract documents as indicated in RUS Bulletin 1780-26 or other Agency-approved forms of agreement.
- B. The contract documents, final plans, and specifications must comply with RUS Instruction 1780, Subpart C – Planning, Designing, Bidding, Contracting, Constructing and Inspections, and must be submitted to the Agency for concurrence prior to advertising for bids along with an updated cost estimate. The Agency may require another updated cost estimate if a significant amount of time elapses between the original submission and advertising for bids.
- C. The use of any procurement method other than competitive sealed bids must be requested in writing and approved by the Agency.

18. Contract Review:

Your attorney will certify that the executed contract documents, including performance and payment, if required, are adequate and that the persons executing these documents have been properly authorized to do so in accordance with RUS Instruction 1780.61 (b).

19. Civil Rights & Equal Opportunity:

You should be aware of and will be required to comply with other federal statute requirements including but not limited to:

A. Section 504 of the Rehabilitation Act of 1973:

Under Section 504 of the Rehabilitation Act of 1973, as amended (29 U.S.C. 794), no handicapped individual in the United States shall, solely by reason of their handicap, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Rural Development financial assistance.

B. Civil Rights Act of 1964:

All borrowers are subject to, and facilities must be operated in accordance with, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d *et seq.*) and Subpart E of Part 1901 of this Title, particularly as it relates to conducting and reporting of compliance reviews.

Instruments of conveyance for loans and/or grants subject to the Act must contain the covenant required by paragraph 1901.202(e) of this Title.

C. The Americans with Disabilities Act (ADA) of 1990:

This Act (42 U.S.C. 12101 et seq.) prohibits discrimination on the basis of disability in employment, state and local government services, public transportation, public accommodations, facilities, and telecommunications. Title II of the Act applies to facilities operated by state and local public entities that provide services, programs, and activities. Title III of the Act applies to facilities owned, leased, or operated by private entities that accommodate the public.

D. Age Discrimination Act of 1975:

This Act (42 U.S.C. 6101 et seq.) provides that no person in the United States shall, on the basis of age, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal financial assistance.

E. Limited English Proficiency (LEP) under Executive Order 13166:

LEP statutes and authorities prohibit exclusion from participation in, denial of benefits of, and discrimination under Federally-assisted and/or conducted programs on the ground of race, color, or national origin. Title VI of the Civil Rights Act of 1964 covers program access for LEP persons.

LEP persons are individuals who do not speak English as their primary language and who have a limited ability to read, speak, write, or understand English. These individuals may be entitled to language assistance, free of charge. You must take reasonable steps to ensure that LEP persons receive the language assistance necessary to have meaningful access to USDA programs, services, and information your organization provides. These protections are pursuant to Executive Order 13166 entitled, "Improving Access to Services by Persons with Limited English Proficiency" and further affirmed in the USDA Departmental Regulation 4330-005, "Prohibition Against National Origin Discrimination Affecting Persons with Limited English Proficiency in Programs and Activities Conducted by USDA."

Agency financial programs must be extended without regard to race, color, religion, sex, national origin, marital status, age, or physical or mental handicap. You must display posters (provided by the Agency) informing users of these requirements, and the Agency will monitor your compliance with these requirements during compliance reviews.

20. Closing Instructions:

The Office of General Counsel, our Regional Attorney, will be required to write closing instructions in connection with this loan. Conditions listed therein must be met by the District.

21. Compliance with Special Laws and Regulations:

The District will be required to conform to any and all state and local laws and regulations affecting this type project.

22. Treatment Plant and System Operator:

The District is reminded that the water treatment plant and water system operator must have an Operator's Certificate issued by the State.

23. Prior to Pre-Closing the Loan, the District Will Be Required to Adopt:

- A. Form RUS Bulletin 1780-27, "Loan Resolution (Public Bodies)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. RD Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loans."
- G. RUS Bulletin 1780-22, "Eligibility Certification."

24. Refinancing and Graduation Requirements:

The District is reminded that if at any time it shall appear to the Government that the District is able to refinance the amount of the RUS indebtedness then outstanding, in whole or in part, by obtaining a loan from commercial sources at reasonable rates and terms, upon the request of the Government, the District will apply for and accept such loan in sufficient amount to repay the Government.

25. Commercial Interim Financing:

The District will be required to use commercial interim financing for the project during construction for the RUS loan portion of the financing, if available at reasonable rates and terms.

Before the loan is closed, the District will be required to provide Rural Development with statements from the contractor, engineer and attorneys that they have been paid to date in accordance with their contract or other agreements and, in the case of the contractor, that he has paid his suppliers and sub-contractors.

26. Disbursement of Project Funds:

A construction account for the purpose of disbursement of project funds (RUS) will be established by the District prior to start of construction. The position of officials entrusted with the receipt and disbursement of RUS project funds will be covered by a "Fidelity Bond," with USDA Rural Development as Co-Obligee, in the amount of construction funds on hand at any one time during the construction phase.

For each "construction account" as established, if the amount of RUS loan and grant funds plus any applicant contributions or funds from other sources to be deposited into the account are expected to exceed \$250,000 at any time, the financial institution will secure the amount in excess of \$250,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a).

Agency funds will be disbursed into the construction account through an electronic transfer system. The borrower should complete Form SF-3881, "Electronic Funds Transfer Payment Enrollment Form," for each account where funds will be electronically received. The completed form(s) must be received by Rural Development at least thirty (30) days prior to the first advance of funds.

Monthly audits of the District's construction account records shall be made by Rural Development.

Borrowers receiving federal loan and/or grant funds by EFT will have funds directly deposited to a specified account at a financial institution with funds being available to the recipient on the date of payment.

Any applicant contribution will be the first funds expended, followed by other funding sources. Interim financing or Agency loan funds will be expended after all other funding sources unless an agreement is reached with all other funding sources on how funds are to be disbursed prior to start of construction or loan closing, whichever occurs first. Interim financing funds or Agency loan funds must be used prior to the use of Agency grant funds. The Grant funds must not be disbursed prior to loan funds except as specified in RUS Instruction 1780.45 (d). In the unlikely event the Agency mistakenly disburses funds, the funds will be remitted back to the Agency electronically.

During construction, the District shall disburse project funds in a manner consistent with subsection 1780.76 (e) of RUS Instruction 1780. Form RD 1924-18, "Partial Payment Estimate," or similar form approved by Rural Development, shall be used for the purpose of documenting periodic construction estimates, and shall be submitted to Rural Development for review and acceptance. Prior to disbursement of funds by the District, the District Council shall review and approve each payment estimate. All bills and vouchers must be approved by Rural Development prior to payment by the District. Form RD 440-11, "Estimate of Funds Needed for 30-Day Period Commencing _____," will be prepared by the District and submitted to Rural Development in order that a periodic advance of federal cash may be requested.

27. Disbursement of Grant Funds:

The RUS funds will be advanced as they are needed in the amount(s) necessary to cover the RUS proportionate share of obligations due and payable by the District.

Grant funds are to be deposited in an interest bearing account in accordance with 2 CFR part 200 and interest in excess of \$500 per year remitted to the Agency.

The funds should be disbursed by the recipient immediately upon receipt and there should be little interest accrual on the Federal funds. Recipients shall maintain advances of Federal funds in interest-bearing account, unless:

- a. The recipient receives less than \$120,000 in Federal awards per year.
- b. The best reasonably available interest-bearing account would not be expected to earn interest in excess of \$500 per year on Federal cash balances.
- c. The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.
- d. A foreign government or banking system prohibits or precludes interest-bearing accounts.

28. Project Budget:

Estimated expenditures are as follows:

Project Costs:

Development	\$3,648,000
Land and Rights	15,000
Legal and Administrative	30,000
Engineering Fees	483,000
Interest	30,000
Admin (CDBG)	50,000
Contingencies	<u>365,000</u>
TOTAL PROJECT COST	\$4,621,000

Project Funding:

RUS Loan	\$1,727,000
RUS Grant	1,152,800
ARC Grant	500,000
HUD-CDBG Grant	900,000
AML Grant	323,000
Coal Severance Grant	2,500
Coal Severance Grant 37 C-2017	<u>15,700</u>
TOTAL FUNDING	\$4,621,000

Any changes in funding sources following obligation of Agency funds must be reported to the processing official. Project feasibility and funding will be reassessed if there is a significant change in project costs after bids are received. If actual project costs exceed the project cost estimates, an additional contribution by the Owner may be necessary. Prior to advertisement for construction bids, you must provide evidence of applicant contributions and approval of other funding sources.

This evidence should include a copy of the commitment letter. Agency funds will not be used to pre-finance funds committed to the project from other sources.

Obligated loan or grant funds not needed to complete the proposed project will be de-obligated prior to start of construction. Any reduction will be applied to grant funds first. An amended letter of conditions will be issued for any changes to the total project budget.

29. Commitment of Other Project Funds:

This Letter of Conditions is issued contingent upon a firm commitment being in effect prior to advertising for construction bids for the HUD-CDBG grant in the amount of \$900,000, for the ARC grant in the amount of \$500,000, for the AML grant in the amount of \$323,000, for the Coal Severance grant in the amount of \$2,500, and the Coal Severance grant 37 C-2017 in the amount of \$15,700.

30. Construction Completion Timeframe:

All projects are required to be completed and all funds disbursed within five years of obligation. If funds are not disbursed within five years of obligation, you must submit a written waiver request with adequate justification of extenuating circumstances beyond your control for an extension of time. Any additional requests for waivers beyond the initial extension will be submitted through the State Office to the Assistant Administrator for concurrence decision.

31. Use of Remaining Project Funds:

The applicant contribution shall be considered as the first funds expended. After providing for all authorized costs, any remaining project funds will be considered to be RUS/ARC/AML/CDBG/Coal Severance & Coal Severance 37 C-2017 grant funds and refunded in proportion to participation in the project. If the amount of unused project funds exceeds the grants, that part would be RUS loan funds.

32. Proposed Operating Budget:

You will be required to submit to Rural Development a copy of your proposed annual operating budget that supports the proposed loan repayment prior to this agency giving you written authorization to proceed with the bidding phase. The operating budget should be based on a typical year cash flow, subject to completion of this project in the first full year of operation. Form RD 442-7, "Operating Budget," or similar form may be utilized for this purpose.

33. Rates and Charges:

Rates and charges for facilities and services rendered by the District must be at least adequate to meet cost of maintaining, repairing and operating the water system and meeting required principal and interest payments and the required deposits to debt service and/or depreciation reserve.

Residential water rates will be at least:

First	2,000	gallons @ \$26.30 - Minimum Bill.
Next	3,000	gallons @ \$ 7.30 – per 1,000 gallons.
Next	5,000	gallons @ \$ 5.79 – per 1,000 gallons.
Next	15,000	gallons @ \$ 4.72 – per 1,000 gallons.
All Over	25,000	gallons @ \$ 4.11 – per 1,000 gallons.

Commercial water rates will be at least:

First	2,000	gallons @ \$39.45 - Minimum Bill.
Next	3,000	gallons @ \$11.19 – per 1,000 gallons.
Next	5,000	gallons @ \$ 9.41 – per 1,000 gallons.
Next	15,000	gallons @ \$ 7.91 – per 1,000 gallons.
All Over	25,000	gallons @ \$ 5.45 – per 1,000 gallons.

34. Water Purchase Contract:

The District will submit a Water Purchase Contract for approval by Rural Development before advertising for construction bids. If the contract is not on Form RD 442-30, "Water Purchase Contract," the contract will require approval by our Regional Attorney. The contract must meet the requirements of subsection 1780.62 of RUS Instruction 1780.

35. Vulnerability Assessment/Emergency Response Plan (VA/ERP):

The Agency requires all financed water and wastewater systems to have a VA/ERP in place. Borrowers with existing systems must provide a certification that a VA/ERP has been completed prior to advertising for bids. The documents are not submitted to the Agency for VA/ERP requirements throughout the life of the loan.

36. Floodplain Construction:

The District will be required to pass and adopt a Resolution or amend its By-Laws whereby the District will deny any water service to any future customer wishing to build on or develop property located within a designated floodplain.

If a customer or developer requests service for construction in a designated floodplain, the customer or developer must provide evidence and a justification for approval by the District and Rural Development officials that there are no other alternatives to construction or development within the designated floodplain. The community must be a participant in the National Flood Insurance Program (NFIP) and the customer or developer must obtain the required permits prior to the tap on restrictions being waived.

37. Water Withdrawal Permit:

The District will be required to obtain satisfactory evidence that a revised water withdrawal permit has been secured from the Division of Water. The permit must be obtained prior to the commencement of construction on the water project.

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

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

39. Mitigation Measures:

- A. The project shall be in compliance with all requirements noted in the Governor's Office for Local Development letter dated June 27, 2018, from Ms. Lee Nalley.
- B. The design and construction shall be in compliance with the requirements of the U.S. Fish and Wildlife Service by letter dated October 29, 2018, and signed by Virgil Lee Andrews, Jr., Field Supervisor.
- C. The line design and construction shall be accomplished in a way that will leave flood plains and farmland without effect after construction is complete. The Army Corps of Engineers Nationwide Permit No. 12 applies to all floodplain and wetland utility line construction.
- D. Any excavation by Contractor that uncovers a historical or archaeological artifact shall be immediately reported to Owner and a representative of Agency. Construction shall be temporarily halted until RD can consult with the State Historical Preservation Officer and issue further directions.
- E. The design and construction shall be in compliance with all local, state and federal environmental statutes, regulations and executive orders applicable to the project.
- F. Best Management Practices shall be incorporated into the project design, construction, and maintenance.

40. System for Award Management:

You will be required to maintain a Dun and Bradstreet Data Universal Numbering System (DUNS) number and maintain an active registration in the System for Award Management (SAM) database. Renewal can be done on-line at: <http://sam.gov>.

This registration must be renewed and revalidated every twelve (12) months for as long as there are Agency funds to be expended.

To ensure the information is current, accurate and complete, and to prevent the SAM account expiration, the review and updates must be performed within 365 days of the activation date, commonly referred to as the expiration date. The registration process may take up to 10 business days. (See 2 CFR Part 25 and the "Help" section at <http://sam.gov>).

41. Prepayment and Extra Payments:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of borrower, with no penalty.

Security instruments, including bonding documents, must contain the following language regarding extra payments, unless prohibited by State statute:

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the borrower. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the Agency debt, shall, after payment of interest, be applied to the installments last to become due under this note and shall not affect the obligation of borrower to pay the remaining installments as scheduled in your security instruments.

42. Security/Operational Inspections:

The Agency will inspect the facility and conduct a review of your operations and records management system and conflict of interest policy every three years for the life of the loan. You must participate in these inspections and provide the required information.

43. American Iron & Steel:

Section 746 of Title VII of the Consolidated Appropriations Act of 2017 (Division A - Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 2017) applies a new American Iron and Steel requirement:

- (1) No Federal funds made available for this fiscal year for the rural water, waste water, waste disposal, and solid waste management programs authorized by the Consolidated Farm and Rural Development Act (7 U.S.C. 1926 et seq.) shall be used for a project for the construction, alteration, maintenance, or repair of a public water or wastewater system unless all of the iron and steel products used in the project are produced in the United States.
- (2) The term "iron and steel products" means the following products made primarily of iron or steel: lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.
- (3) The requirement shall not apply in any case or category of cases in which the Secretary of Agriculture (in this section referred to as the "Secretary") or the designee of the Secretary finds that— a. applying the requirement would be inconsistent with the public interest; b. iron and steel products are not produced in the United States in sufficient and reasonably available quantities or of a satisfactory quality; or c. inclusion of iron and steel products produced in the United States will increase the cost of the overall project by more than 25 percent.

44. Final Approval Conditions:

Final approval of this assistance will depend on your willingness, with the assistance of all your co-workers, to meet the conditions of this letter in an orderly and systematic manner. Then too, final approval will depend on funds being available.

If you desire to proceed with your application, the Area Director will allot a reasonable portion of time to provide guidance in application processing.

Sincerely,



HILDA GAY LEGG
State Director

Enclosures

- cc: Area Director – London, Kentucky
- Kentucky River ADD – Hazard, Kentucky
- Leroy Lewis – Hyden, Kentucky
- Randy Jones – Louisville, Kentucky
- Mike Maggard – Lexington, Kentucky
- PSC – ATTN: Talina Mathews – Frankfort, Kentucky

EXHIBIT 13

Preliminary

\$2,935,000

Hyden Leslie Water District

Loan through the Kentucky Rural Water Finance Corporation

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
01/23/2020	-	-	-	-	-
08/01/2020	-	-	34,486.25	34,486.25	-
02/01/2021	-	-	33,018.75	33,018.75	67,505.00
08/01/2021	-	-	33,018.75	33,018.75	-
02/01/2022	2,935,000.00	2.250%	33,018.75	2,968,018.75	3,001,037.50
Total	\$2,935,000.00	-	\$133,542.50	\$3,068,542.50	-

Yield Statistics

Bond Year Dollars	\$5,935.22
Average Life	2.022 Years
Average Coupon	2.2500000%
Net Interest Cost (NIC)	2.4972527%
True Interest Cost (TIC)	2.5049488%
Bond Yield for Arbitrage Purposes	2.2498529%
All Inclusive Cost (AIC)	3.3845195%

IRS Form 8038

Net Interest Cost	2.2500000%
Weighted Average Maturity	2.022 Years

Preliminary

\$2,935,000

Hyden Leslie Water District

Loan through the Kentucky Rural Water Finance Corporation

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	CIF	Net New D/S
02/01/2020	-	-	-	-	-	-
02/01/2021	-	-	67,505.00	67,505.00	(67,505.00)	-
02/01/2022	2,935,000.00	2.250%	66,037.50	3,001,037.50	(66,037.50)	2,935,000.00
Total	\$2,935,000.00	-	\$133,542.50	\$3,068,542.50	(133,542.50)	\$2,935,000.00

EXHIBIT 14

Preliminary

\$2,935,000

Hyden Leslie Water District

Loan through the Kentucky Rural Water Finance Corporation

Sources & Uses

Dated 01/23/2020 | Delivered 01/23/2020

Sources Of Funds

Par Amount of Bonds	\$2,935,000.00
---------------------	----------------

Total Sources	\$2,935,000.00
----------------------	-----------------------

Uses Of Funds

Total Underwriter's Discount (0.500%)	14,675.00
---------------------------------------	-----------

Costs of Issuance	49,895.00
-------------------	-----------

Deposit to Capitalized Interest (CIF) Fund	133,542.50
--------------------------------------------	------------

Deposit to Project Construction Fund	2,735,000.00
--------------------------------------	--------------

Rounding Amount	1,887.50
-----------------	----------

Total Uses	\$2,935,000.00
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EXHIBIT 15

Preliminary

\$2,735,000

Hyden-Leslie Water District

Loan through the

Kentucky Rural Water Finance Corporation

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Expenses	CIF	Net New D/S	Fiscal Total
01/29/2019	-	-	-	-	-	-	-	-
08/01/2019	-	-	55,307.78	55,307.78	-	(55,307.78)	-	-
02/01/2020	2,735,000.00	4.000%	54,700.00	2,789,700.00	450.00	(54,700.00)	2,735,450.00	-
12/31/2020	-	-	-	-	-	-	-	2,735,450.00
Total	\$2,735,000.00	-	\$110,007.78	\$2,845,007.78	\$450.00	(110,007.78)	\$2,735,450.00	-

EXHIBIT 16

Page 1

AMENDED
NOTIFICATION OF INTENT TO FINANCE
AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

For DLG staff use only:

File # _____
Received _____

Completion and delivery of this form to the address below shall satisfy the requirements of KRS 65.117, which prohibits any city, county, urban-county, consolidated local government, charter county, special district, or taxing district from entering into any financing obligation of any nature, except leases under \$200,000, without first notifying the state local debt officer in writing. This form shall also serve as application for approval of debt issuance when applicable. An electronic version of the form is available at www.dlg.ky.gov.

✓ **Type of debt to be issued (must check one):** **SLDO Approval Required** **Complete Sections**

<input checked="" type="checkbox"/> Short Term Borrowing - KRS 65.7701 et seq.	No	A, B, C
<input type="checkbox"/> Lease from \$200,000 - \$500,000 - KRS 65.940 et seq.	No	A, B, D
<input type="checkbox"/> Lease exceeding \$500,000 - KRS 65.940 et seq.	Yes (Counties only)	A, B, D
<input type="checkbox"/> General Obligation Bond - KRS Chapter 66	Yes (Counties only)	A, B, E
<input type="checkbox"/> Public Project Rev. Bond - KRS Chapter 58	No	A, B, E
<input type="checkbox"/> Public Project Rev. Bond w/Lease - KRS 66.310(2)	Yes (Counties only)	A, B, D, E
<input type="checkbox"/> Industrial Revenue Bond - KRS Chapter 103	Yes (All Borrowers)	A, B, F
<input type="checkbox"/> Other Bonds (True Revenue, Utility Assessment, TIF)	No	A, B, E

Section A - Borrower Information

Agency Name	Hyden-Leslie County Water District		
Governing Body	Board of Commissioners		
Street Address	356 Wendover Road		
P.O. Box #	906	City	Hyden
County	Leslie	Zip	41749
Authorized Official	Larry J. Turner, General Manager		

Section B - Terms of Financial Obligation

Please provide all relevant information. Fields in **bold** are mandatory.

Principle Amount:	\$2735000.00	Date of Issue:	02/01/2020
Maturity Date(s):	02/01/2021	Payment Schedule: (must attach schedule)	
Term:	Two Years	Number of Renewal Periods:	0
Interest Rate(s):	2.25	Type of Interest (fixed or variable):	Fixed
Retirement Method:	Lump Sum Payment		
Lender's Name:	Kentucky Rural Water Finance Corporation		
Lender's Address:	1151 Old Porter Pike, Bowling Green, Kentucky 42103		
Right of Termination:	None		
Termination Penalties:	None		
Prepayment Provisions:	Prepayments not permitted during the first six months following execution of Loan Agreement		
Trustee or Paying Agent:	Regions Bank		
AOC Funded Percentage:	0.00		

Page 2

**NOTIFICATION OF INTENT TO FINANCE
AND APPLICATION FOR DEBT APPROVAL**

Form # SLDO-1
Revised 1/1/2011

Section C - Note (Loan) Information/Documentation

Purpose - Briefly explain the documented need that necessitates this note (loan) and the public purpose it is intended to address. (Attach additional information if necessary):

Proceeds from the loan will be used to retire 2019 Assistance Agreement with KRWFC. Original loan proceeds were used to finance the construction of various waterworks facilities in 2013-2014.

Pledge of Taxes/Description:

None

Pledge of Revenue/Description:

Revenues from Waterworks operations will be pledged as security for payment.

Pledge of Project Revenues (Attach documentation which substantiates the revenue projections):

Have bids been sought by the local governments to determine the financial and programmatic competitiveness of the note (loan) proposal? Yes No

If No, explain what steps were taken to ensure adequate competition.

Few commercial entities will lend to a water district. Our research indicated that non-profit Kentucky Rural Water Finance Corp. had the lowest rates available to Water Districts other than Rural Development or KIA.

Required Attachments

1. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the note and statement as to taxes and revenues to be collected during the term of the note.

Section D - Lease Information/Documentation

Describe the real or personal property to be acquired or constructed:

N/A

Type of Lease : General Obligation Revenue

Is Lease Annually Renewable? Yes No

Does Agency seek approval without a hearing? Yes No Justification: Revenue Refunding

If yes, must attach certification from counsel regarding county obligation.

Does this lease refund a prior lease? Yes No

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Required Attachments (If lease requires SLDO approval)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing (if hearing is required) and newspaper advertisement tear sheet
3. Copy of lease
4. Executed copy of ordinance/resolution of fiscal court authorizing the lease
5. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the lease and statement as to taxes and revenues to be collected during the term of the lease.

Page 3

NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

Section E - Bond Information/Documentation

Please provide all relevant information. Fields in **bold** are mandatory

Describe the purpose of the bond:

N/A

Bond Counsel:

Counsel Address:

Financial Advisor:

Advisor Address:

Bond Series:

Call Date:

Does this bond refund a prior bond? Yes No

If yes, please state the name, date and principal amount of original issue(s) being refunded:


Required Attachments (If SLDO Approval is Required)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing and newspaper advertisement tear sheet
3. Executed copy of ordinance/resolution of fiscal court authorizing financial plan for the issuance of the bonds
4. Proposed plan of financing
5. Preliminary official statement (if applicable)
6. Sources and uses table

Additional Required Attachments for KRS Chapter 103 Bonds

1. Documentation in an appropriate form substantiating the project's eligibility under KRS 103.2101(1)(a)-(e).
2. If the project requires approval of the reduction in property taxes, attach any documentation provided to agency responsible for approval.

By signing below, the Authorized Official certifies that the foregoing is true and accurate to the best of his or her knowledge.

Name (please print)Larry J. Turner	Date: 12/23/2019
Title: General Manager	Signature: 

Mail to:
Department for Local Government
Attn: State Local Debt Officer
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601

Fax to: 502-573-3712

EXHIBIT 17

Payment	Payment Date	Beginning Balance	Scheduled Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	2/1/2021	\$ 2,735,000.00	\$ 49,144.37	\$ 42,306.87	\$ 6,837.50	\$ 2,692,693.13	\$ 6,837.50
2	8/1/2021	\$ 2,692,693.13	\$ 49,144.37	\$ 42,412.64	\$ 6,731.73	\$ 2,650,280.49	\$ 13,569.23
3	2/1/2022	\$ 2,650,280.49	\$ 49,144.37	\$ 42,518.67	\$ 6,625.70	\$ 2,607,761.83	\$ 20,194.93
4	8/1/2022	\$ 2,607,761.83	\$ 49,144.37	\$ 42,624.96	\$ 6,519.40	\$ 2,565,136.86	\$ 26,714.34
5	2/1/2023	\$ 2,565,136.86	\$ 49,144.37	\$ 42,731.53	\$ 6,412.84	\$ 2,522,405.34	\$ 33,127.18
6	8/1/2023	\$ 2,522,405.34	\$ 49,144.37	\$ 42,838.36	\$ 6,306.01	\$ 2,479,566.98	\$ 39,433.19
7	2/1/2024	\$ 2,479,566.98	\$ 49,144.37	\$ 42,945.45	\$ 6,198.92	\$ 2,436,621.53	\$ 45,632.11
8	8/1/2024	\$ 2,436,621.53	\$ 49,144.37	\$ 43,052.82	\$ 6,091.55	\$ 2,393,568.71	\$ 51,723.67
9	2/1/2025	\$ 2,393,568.71	\$ 49,144.37	\$ 43,160.45	\$ 5,983.92	\$ 2,350,408.27	\$ 57,707.59
10	8/1/2025	\$ 2,350,408.27	\$ 49,144.37	\$ 43,268.35	\$ 5,876.02	\$ 2,307,139.92	\$ 63,583.61
11	2/1/2026	\$ 2,307,139.92	\$ 49,144.37	\$ 43,376.52	\$ 5,767.85	\$ 2,263,763.40	\$ 69,351.46
12	8/1/2026	\$ 2,263,763.40	\$ 49,144.37	\$ 43,484.96	\$ 5,659.41	\$ 2,220,278.44	\$ 75,010.87
13	2/1/2027	\$ 2,220,278.44	\$ 49,144.37	\$ 43,593.67	\$ 5,550.70	\$ 2,176,684.77	\$ 80,561.56
14	8/1/2027	\$ 2,176,684.77	\$ 49,144.37	\$ 43,702.66	\$ 5,441.71	\$ 2,132,982.11	\$ 86,003.27
15	2/1/2028	\$ 2,132,982.11	\$ 49,144.37	\$ 43,811.91	\$ 5,332.46	\$ 2,089,170.19	\$ 91,335.73
16	8/1/2028	\$ 2,089,170.19	\$ 49,144.37	\$ 43,921.44	\$ 5,222.93	\$ 2,045,248.75	\$ 96,558.65
17	2/1/2029	\$ 2,045,248.75	\$ 49,144.37	\$ 44,031.25	\$ 5,113.12	\$ 2,001,217.50	\$ 101,671.78
18	8/1/2029	\$ 2,001,217.50	\$ 49,144.37	\$ 44,141.33	\$ 5,003.04	\$ 1,957,076.18	\$ 106,674.82
19	2/1/2030	\$ 1,957,076.18	\$ 49,144.37	\$ 44,251.68	\$ 4,892.69	\$ 1,912,824.50	\$ 111,567.51
20	8/1/2030	\$ 1,912,824.50	\$ 49,144.37	\$ 44,362.31	\$ 4,782.06	\$ 1,868,462.19	\$ 116,349.57
21	2/1/2031	\$ 1,868,462.19	\$ 49,144.37	\$ 44,473.21	\$ 4,671.16	\$ 1,823,988.98	\$ 121,020.73
22	8/1/2031	\$ 1,823,988.98	\$ 49,144.37	\$ 44,584.40	\$ 4,559.97	\$ 1,779,404.58	\$ 125,580.70
23	2/1/2032	\$ 1,779,404.58	\$ 49,144.37	\$ 44,695.86	\$ 4,448.51	\$ 1,734,708.73	\$ 130,029.21
24	8/1/2032	\$ 1,734,708.73	\$ 49,144.37	\$ 44,807.60	\$ 4,336.77	\$ 1,689,901.13	\$ 134,365.98
25	2/1/2033	\$ 1,689,901.13	\$ 49,144.37	\$ 44,919.62	\$ 4,224.75	\$ 1,644,981.51	\$ 138,590.74
26	8/1/2033	\$ 1,644,981.51	\$ 49,144.37	\$ 45,031.92	\$ 4,112.45	\$ 1,599,949.60	\$ 142,703.19
27	2/1/2034	\$ 1,599,949.60	\$ 49,144.37	\$ 45,144.49	\$ 3,999.87	\$ 1,554,805.10	\$ 146,703.06
28	8/1/2034	\$ 1,554,805.10	\$ 49,144.37	\$ 45,257.36	\$ 3,887.01	\$ 1,509,547.75	\$ 150,590.08
29	2/1/2035	\$ 1,509,547.75	\$ 49,144.37	\$ 45,370.50	\$ 3,773.87	\$ 1,464,177.25	\$ 154,363.95
30	8/1/2035	\$ 1,464,177.25	\$ 49,144.37	\$ 45,483.93	\$ 3,660.44	\$ 1,418,693.32	\$ 158,024.39
31	2/1/2036	\$ 1,418,693.32	\$ 49,144.37	\$ 45,597.64	\$ 3,546.73	\$ 1,373,095.68	\$ 161,571.12
32	8/1/2036	\$ 1,373,095.68	\$ 49,144.37	\$ 45,711.63	\$ 3,432.74	\$ 1,327,384.05	\$ 165,003.86
33	2/1/2037	\$ 1,327,384.05	\$ 49,144.37	\$ 45,825.91	\$ 3,318.46	\$ 1,281,558.15	\$ 168,322.32
34	8/1/2037	\$ 1,281,558.15	\$ 49,144.37	\$ 45,940.47	\$ 3,203.90	\$ 1,235,617.67	\$ 171,526.22
35	2/1/2038	\$ 1,235,617.67	\$ 49,144.37	\$ 46,055.32	\$ 3,089.04	\$ 1,189,562.35	\$ 174,615.26
36	8/1/2038	\$ 1,189,562.35	\$ 49,144.37	\$ 46,170.46	\$ 2,973.91	\$ 1,143,391.88	\$ 177,589.17
37	2/1/2039	\$ 1,143,391.88	\$ 49,144.37	\$ 46,285.89	\$ 2,858.48	\$ 1,097,106.00	\$ 180,447.65
38	8/1/2039	\$ 1,097,106.00	\$ 49,144.37	\$ 46,401.60	\$ 2,742.76	\$ 1,050,704.39	\$ 183,190.41
39	2/1/2040	\$ 1,050,704.39	\$ 49,144.37	\$ 46,517.61	\$ 2,626.76	\$ 1,004,186.78	\$ 185,817.17
40	8/1/2040	\$ 1,004,186.78	\$ 49,144.37	\$ 46,633.90	\$ 2,510.47	\$ 957,552.88	\$ 188,327.64
41	2/1/2041	\$ 957,552.88	\$ 49,144.37	\$ 46,750.49	\$ 2,393.88	\$ 910,802.39	\$ 190,721.52
42	8/1/2041	\$ 910,802.39	\$ 49,144.37	\$ 46,867.36	\$ 2,277.01	\$ 863,935.03	\$ 192,998.53
43	2/1/2042	\$ 863,935.03	\$ 49,144.37	\$ 46,984.53	\$ 2,159.84	\$ 816,950.50	\$ 195,158.37
44	8/1/2042	\$ 816,950.50	\$ 49,144.37	\$ 47,101.99	\$ 2,042.38	\$ 769,848.51	\$ 197,200.74
45	2/1/2043	\$ 769,848.51	\$ 49,144.37	\$ 47,219.75	\$ 1,924.62	\$ 722,628.76	\$ 199,125.36
46	8/1/2043	\$ 722,628.76	\$ 49,144.37	\$ 47,337.80	\$ 1,806.57	\$ 675,290.96	\$ 200,931.94
47	2/1/2044	\$ 675,290.96	\$ 49,144.37	\$ 47,456.14	\$ 1,688.23	\$ 627,834.82	\$ 202,620.16
48	8/1/2044	\$ 627,834.82	\$ 49,144.37	\$ 47,574.78	\$ 1,569.59	\$ 580,260.04	\$ 204,189.75
49	2/1/2045	\$ 580,260.04	\$ 49,144.37	\$ 47,693.72	\$ 1,450.65	\$ 532,566.32	\$ 205,640.40
50	8/1/2045	\$ 532,566.32	\$ 49,144.37	\$ 47,812.95	\$ 1,331.42	\$ 484,753.37	\$ 206,971.82
51	2/1/2046	\$ 484,753.37	\$ 49,144.37	\$ 47,932.49	\$ 1,211.88	\$ 436,820.88	\$ 208,183.70
52	8/1/2046	\$ 436,820.88	\$ 49,144.37	\$ 48,052.32	\$ 1,092.05	\$ 388,768.56	\$ 209,275.75
53	2/1/2047	\$ 388,768.56	\$ 49,144.37	\$ 48,172.45	\$ 971.92	\$ 340,596.12	\$ 210,247.67
54	8/1/2047	\$ 340,596.12	\$ 49,144.37	\$ 48,292.88	\$ 851.49	\$ 292,303.24	\$ 211,099.16
55	2/1/2048	\$ 292,303.24	\$ 49,144.37	\$ 48,413.61	\$ 730.76	\$ 243,889.63	\$ 211,829.92
56	8/1/2048	\$ 243,889.63	\$ 49,144.37	\$ 48,534.64	\$ 609.72	\$ 195,354.98	\$ 212,439.65
57	2/1/2049	\$ 195,354.98	\$ 49,144.37	\$ 48,655.98	\$ 488.39	\$ 146,699.00	\$ 212,928.03
58	8/1/2049	\$ 146,699.00	\$ 49,144.37	\$ 48,777.62	\$ 366.75	\$ 97,921.38	\$ 213,294.78
59	2/1/2050	\$ 97,921.38	\$ 49,144.37	\$ 48,899.57	\$ 244.80	\$ 49,021.81	\$ 213,539.58
60	8/1/2050	\$ 49,021.81	\$ 49,144.37	\$ 48,899.26	\$ 122.55	\$ -	\$ 213,662.14

EXHIBIT 18

Page 1

NOTIFICATION OF INTENT TO FINANCE AND APPLICATION FOR DEBT APPROVAL

Form # SLDO-1
Revised 1/1/2011

For DLG staff use only:

File # _____
Received _____

Completion and delivery of this form to the address below shall satisfy the requirements of KRS 65.117, which prohibits any city, county, urban-county, consolidated local government, charter county, special district, or taxing district from entering into any financing obligation of any nature, except leases under \$200,000, without first notifying the state local debt officer in writing. This form shall also serve as application for approval of debt issuance when applicable. An electronic version of the form is available at www.dlg.ky.gov.

✓ **Type of debt to be issued (must check one):** **SLDO Approval Required** **Complete Sections**

<input checked="" type="checkbox"/> Short Term Borrowing - KRS 65.7701 et seq.	No	A, B, C
<input type="checkbox"/> Lease from \$200,000 - \$500,000 - KRS 65.940 et seq.	No	A, B, D
<input type="checkbox"/> Lease exceeding \$500,000 - KRS 65.940 et seq.	Yes (Counties only)	A, B, D
<input type="checkbox"/> General Obligation Bond - KRS Chapter 66	Yes (Counties only)	A, B, E
<input type="checkbox"/> Public Project Rev. Bond - KRS Chapter 58	No	A, B, E
<input type="checkbox"/> Public Project Rev. Bond w/Lease - KRS 66.310(2)	Yes (Counties only)	A, B, D, E
<input type="checkbox"/> Industrial Revenue Bond - KRS Chapter 103	Yes (All Borrowers)	A, B, F
<input type="checkbox"/> Other Bonds (True Revenue, Utility Assessment, TIF)	No	A, B, E

X Assistance Agreement with Kentucky Infrastructure Authority

Section A - Borrower Information

Agency Name	Hyden-Leslie County Water District		
Governing Body	Board of Commissioners		
Street Address	356 Wendover Road		
P.O. Box #	906	City	Hyden
County	Leslie	Zip	41749
Authorized Official	Larry J. Turner, General Manager		

Section B - Terms of Financial Obligation

Please provide all relevant information. Fields in **bold** are mandatory.

Principle Amount:	\$2735000.00	Date of Issue:	08/01/2020 (Expected)
Maturity Date(s):	08/01/2050	Payment Schedule:	(must attach schedule)
Term:	30 Years	Number of Renewal Periods:	0
Interest Rate(s):	0.5	Type of Interest (fixed or variable):	Fixed
Retirement Method:	Monthly principal and interest payments		
Lender's Name:	Kentucky Infrastructure Authority		
Lender's Address:	100 Airport Road, 3rd Floor, Frankfort, KY 40601		
Right of Termination:	None		
Termination Penalties:	None		
Prepayment Provisions:	None		
Trustee or Paying Agent:	N/A		
AOC Funded Percentage:	0.00		

Page 2

**NOTIFICATION OF INTENT TO FINANCE
AND APPLICATION FOR DEBT APPROVAL**

Form # SLDO-1
Revised 1/1/2011

Section C - Note (Loan) Information/Documentation

Purpose - Briefly explain the documented need that necessitates this note (loan) and the public purpose it is intended to address. (Attach additional information if necessary):

Proceeds from the loan will be used to retire 2020 Assistance Agreement with Kentucky Rural Water Finance Corp.

Original loan proceeds were used to finance the construction of various waterworks facilities in 2013-2014.

Pledge of Taxes/Description:

None

Pledge of Revenue/Description:

Revenues from Waterworks operations will be pledged as security for payment.

Pledge of Project Revenues (Attach documentation which substantiates the revenue projections):

Have bids been sought by the local governments to determine the financial and programmatic competitiveness of the note (loan) proposal? Yes No

If No, explain what steps were taken to ensure adequate competition.

KIA is state lending agency and had the lowest interest rates available.

Required Attachments

1. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the note and statement as to taxes and revenues to be collected during the term of the note.

Section D - Lease Information/Documentation

Describe the real or personal property to be acquired or constructed:

N/A

Type of Lease : General Obligation Revenue

Is Lease Annually Renewable? Yes No

Does Agency seek approval without a hearing? Yes No Justification: Revenue Refunding

If yes, must attach certification from counsel regarding county obligation.

Does this lease refund a prior lease? Yes No

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Required Attachments (If lease requires SLDO approval)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing (if hearing is required) and newspaper advertisement tear sheet
3. Copy of lease
4. Executed copy of ordinance/resolution of fiscal court authorizing the lease
5. Certification from local government attesting to the ability to meet additional financial commitments necessitated by the lease and statement as to taxes and revenues to be collected during the term of the lease.

Page 3

**NOTIFICATION OF INTENT TO FINANCE
AND APPLICATION FOR DEBT APPROVAL**

Form # SLDO-1
Revised 1/1/2011

Section E - Bond Information/Documentation

Please provide all relevant information. Fields in **bold** are mandatory

Describe the purpose of the bond:

Not applicable. No bonds will be issued.

Bond Counsel:

Counsel Address:

Financial Advisor:

Advisor Address:

Bond Series:

Call Date:

Does this bond refund a prior bond? Yes No

If yes, please state the name, date and principal amount of original issue(s) being refunded:

Required Attachments (If SLDO Approval is Required)

1. Minutes from the local public hearing
2. Affidavit of publication of SLDO hearing and newspaper advertisement tear sheet
3. Executed copy of ordinance/resolution of fiscal court authorizing financial plan for the issuance of the bonds
4. Proposed plan of financing
5. Preliminary official statement (if applicable)
6. Sources and uses table

Additional Required Attachments for KRS Chapter 103 Bonds

1. Documentation in an appropriate form substantiating the project's eligibility under KRS 103.2101(1)(a)-(e).
2. If the project requires approval of the reduction in property taxes, attach any documentation provided to agency responsible for approval.

By signing below, the Authorized Official certifies that the foregoing is true and accurate to the best of his or her knowledge.

Name (please print)	Larry J. Turner	Date:	11/27/2019
Title:	General Manager	Signature:	

Mail to:
Department for Local Government
Attn: State Local Debt Officer
1024 Capital Center Drive, Suite 340
Frankfort, KY 40601

Fax to: 502-573-3712