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ADMITTED IN KY AND WV

April 8, 2022

Public Service Commission
ATTN: Linda Bridwell, Executive Director
P.O. Box 615
Frankfort, KY 40602

Via Email: PSCED@ky.gov
& USPS Certified Mail, RRR

RE: Martin County Water District
PSC Case No. 2020-00154

Dear Ms. Bridwell:

This letter is for the purposes of keeping the Public Service Commission informed as to events taking place with the Martin County Water District.

First, the District reports that the situation continues to improve with the assistance of Alliance Water Resources, and the Commissioners now appreciate the wisdom of the Public Service Commission ordering management company operations.

In that end, the finances of the District are being managed, and with the recent rate adjustment, it is expected that the District will have the ability to operate in a fiscally responsible and businesslike manner.

Part of that management is dealing with significant past due obligations to vendors. The District has been working with the Kentucky Rural Water Finance Committee to secure a short term loan to pay off all outstanding unsecured vendor debt. Fortunately, the District has been approved for a short-term loan that will mature on February 1, 2024. We believe we are in compliance with KRS 278.300(8) by providing notice of this short-term loan.

This will relieve the District of significant past due debt, permit it to pay creditors who have been extremely patient, and creditors who have not been so patient, avoid additional threatened litigation, and bring financial stability to the District while we work to a long term solution.

Public Service Commission
April 8, 2022
Page Two

It is expected that well before the maturity of this loan, the District will prepare and bring a long term debt solution to the Public Service Commission for review and approval, consistent with KRS 278.300 *et seq.*

The District is aware there are still restrictions on the debt service surcharge, and it is anticipated that the District will bank the debt service surcharge, contingent on Alliance Water Resources being first made whole, and utilize these funds to reduce the necessary long term loan.

If our understanding of KRS 278.300(8) is incorrect or inconsistent with the position I have outlined herein, please let us know right away.

Finally, I have enclosed the information relative to the bonds which have been sold to finance the short-term debt as well as the assistance agreement between Kentucky Rural Water Finance Corporation and the Martin County Water District that the District anticipates signing.

Very truly yours,



BRIAN CUMBO

BC/ld

Enclosure

cc: Martin County Water District
Hon. Mary Varson Cromer

**KENTUCKY RURAL WATER FINANCE CORPORATION
FLEXIBLE TERM FINANCE PROGRAM
PUBLIC PROJECTS REFUNDING REVENUE BONDS, SERIES 2022 B**

Schedule of Events

March 2022						
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

April 2022						
S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

DATE	EVENT
March 16	<ul style="list-style-type: none"> • Rating Package submitted • Term Sheet and appendices provided to Rubin & Hays
March 21	<ul style="list-style-type: none"> • First draft of Preliminary Official Statement and Legal documents sent to distribution list for review and comment
March 29	<ul style="list-style-type: none"> • Rating Released
March 31	<ul style="list-style-type: none"> • Posting of documents (to satisfy advertising requirement)
April 7	<ul style="list-style-type: none"> • Bond Sale at 11:00 pm (ET) • Bond Resolution sent to the Executive Committee for approval • Final debt service schedules sent out
Week of April 11	<ul style="list-style-type: none"> • Closing documents sent to the President and Secretary for final execution • Loan assistance agreements sent to participants for final execution
April 20	<ul style="list-style-type: none"> • Closing of bond issue and distribution of proceeds

\$1,110,000

Kentucky Rural Water Finance Corporation
Public Projects Refundign Revenue Bonds, Series 2022 B

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2024	Serial Coupon	3.250%	2.880%	1,110,000.00	100.634%	1,117,037.40
Total	-	-	-	\$1,110,000.00	-	\$1,117,037.40

Bid Information

Par Amount of Bonds	\$1,110,000.00
Reoffering Premium or (Discount)	7,037.40
Gross Production	\$1,117,037.40
Total Underwriter's Discount (0.407%)	\$(4,520.00)
Bid (100.227%)	1,112,517.40
Total Purchase Price	\$1,112,517.40
Bond Year Dollars	\$1,976.42
Average Life	1.781 Years
Average Coupon	3.2499999%
Net Interest Cost (NIC)	3.1226280%
True Interest Cost (TIC)	3.1198535%

Series 2022 B | SINGLE PURPOSE | 4/ 7/2022 | 11:25 AM

Raymond James

\$1,110,000

Kentucky Rural Water Finance Corporation
Public Projects Refundign Revenue Bonds, Series 2022 B

Sources & Uses

Dated 04/20/2022 | Delivered 04/20/2022

Sources Of Funds

Par Amount of Bonds	\$1,110,000.00
Reoffering Premium	7,037.40

Total Sources **\$1,117,037.40**

Uses Of Funds

Total Underwriter's Discount (0.407%)	4,520.00
Costs of Issuance	45,000.00
Deposit to Capitalized Interest (CIF) Fund	64,233.54
Deposit to Project Construction Fund	1,000,000.00
Rounding Amount	3,283.86

Total Uses **\$1,117,037.40**

\$1,110,000

Kentucky Rural Water Finance Corporation
Public Projects Refundign Revenue Bonds, Series 2022 B

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/20/2022	-	-	-	-	-
08/01/2022	-	-	10,121.04	10,121.04	-
12/31/2022	-	-	-	-	10,121.04
02/01/2023	-	-	18,037.50	18,037.50	-
08/01/2023	-	-	18,037.50	18,037.50	-
12/31/2023	-	-	-	-	36,075.00
02/01/2024	1,110,000.00	3.250%	18,037.50	1,128,037.50	-
12/31/2024	-	-	-	-	1,128,037.50
Total	\$1,110,000.00	-	\$64,233.54	\$1,174,233.54	-

Yield Statistics

Bond Year Dollars	\$1,976.42
Average Life	1.781 Years
Average Coupon	3.2499999%
Net Interest Cost (NIC)	3.1226280%
True Interest Cost (TIC)	3.1198535%
Bond Yield for Arbitrage Purposes	2.8838002%
All Inclusive Cost (AIC)	5.5864428%

IRS Form 8038

Net Interest Cost	2.8756993%
Weighted Average Maturity	1.781 Years

\$1,110,000

Kentucky Rural Water Finance Corporation
Public Projects Refundign Revenue Bonds, Series 2022 B

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Trustee	CIF	Net New D/S	Fiscal Total
04/20/2022	-	-	-	-	-	-	-	-
08/01/2022	-	-	10,121.04	10,121.04	-	(10,121.04)	-	-
02/01/2023	-	-	18,037.50	18,037.50	450.00	(18,037.50)	450.00	-
08/01/2023	-	-	18,037.50	18,037.50	-	(18,037.50)	-	-
12/31/2023	-	-	-	-	-	-	-	450.00
02/01/2024	1,110,000.00	3.250%	18,037.50	1,128,037.50	450.00	(18,037.50)	1,110,450.00	-
12/31/2024	-	-	-	-	-	-	-	1,110,450.00
Total	\$1,110,000.00	-	\$64,233.54	\$1,174,233.54	\$900.00	(64,233.54)	\$1,110,900.00	-

ASSISTANCE AGREEMENT
BETWEEN
KENTUCKY RURAL WATER FINANCE CORPORATION
AND
MARTIN COUNTY WATER DISTRICT
DATED
FEBRUARY __, 2022
IN THE AMOUNT OF \$1,120,000

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 February __, 2022 (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 Martin County Water District, 387 East Main Street, Suite 140, Inez, Kentucky 41224 (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 Taxable Revenue Bonds (Flexible Term Program), Series 2022C (the “Series 2022C Bonds”) in the aggregate principal amount of \$1,120,000, pursuant to a Supplemental Trust Indenture No. __, dated as of February __, 2022 by and between the Issuer and the Trustee, which Series 2022C 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 a waterworks system (the “System”); and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to finance its operations, maintenance of and improvements 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 \$1,120,000, to provide funds for the Project; and

WHEREAS, under the provisions of Chapters 58 and 82 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 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 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.

"*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.

“*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, Operation and Maintenance 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 Martin County Water District, 387 East Main Street, Suite 140, Inez, Kentucky 41224.

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

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

“*Governmental Agency Manager*” refers to the Alliance Water Resources Inc.,

_____, _____.

“*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. __, dated February __, 2022, 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, 2022, and continuing through and including February 1, 2024 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 \$1,120,000, maturing February 1, 2024, for the purpose of defraying the cost of the Project.

“*Operation and Maintenance Fund*” refers to the “Martin County Water District Waterworks Operation and Maintenance Fund”, which will be maintained for the benefit of the System.

“*Outstanding Bonds*” refers collectively to 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 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.

"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 of the operations, maintenance of and improvements to the System.

“*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.

“*Revenue Fund*” refers to the “Martin County Water District Revenue Fund”, which will be maintained for the benefit of the System.

“*Sinking Fund*” refers to the Martin County Water District Sinking Fund, described in Section 8 hereof.

“*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 Governing Body.

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

“*U.S. Obligations*” refers to bonds, notes, or Treasury Bills that 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 municipal waterworks system are hereby in all respects ratified and confirmed; and so long as the Loan herein authorized or permitted to be issued remains 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 to 58.140, inclusive of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of \$1,120,000 from the Program, for the purpose of providing funds for the Project.

The Loan shall mature on February 1, 2024, 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

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 Sinking Fund, the amounts set forth as sinking fund payments on Exhibit A attached hereto.

Notwithstanding anything herein to the contrary, to the extent funds are on deposit with the Trustee for accrued or capitalized interest, the moneys may be transferred from the Governmental Agency Account to pay interest due on the Loan on an Interest Payment Date.

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. Redemption.

(a) *Optional Redemption.* Subject to the prior written approval of the Compliance Group, principal payments on the Loan are subject to redemption, in whole or in part, by the Governmental Agency prior to their stated maturity, at any time falling on or after February 1, 2023 at a redemption price equal to 100% of the principal amount of the principal payments called for redemption, plus unpaid interest accrued to the date of redemption.

In the event that the Governmental Agency desires to optionally redeem a portion of its Loan, such redemption shall be in a denomination equal to \$5,000 or any integral multiple thereof.

(b) *Notice of Redemption.* The Governmental Agency shall give the Issuer and the Trustee notice of any redemption by sending at least one such notice by first class United States mail not less than 45 and not more than 90 days prior to the date fixed for redemption.

All of said Loan as to which the Governmental Agency reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date.

Section 5. Loan Shall be Payable out of Gross Revenues.

The Loan shall be secured by and payable from the gross revenues of the System.

Section 6. 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 7. 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. 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 8. Flow of Funds.

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 deposit in the Revenue Fund, promptly as received from time to time, all revenues of the System, as the System may be extended and improved from time to time. The moneys in the Revenue Fund will be used, disbursed and applied by the Governmental Agency only for the purpose and in the manner and order of priorities specified by this Assistance Agreement all as permitted by the Act, and in accordance with previous contractual commitments

B. Sinking Fund. There shall be set aside and transferred on or before the 20th day of each month from the Revenue Fund, as a first charge thereon, and deposited in the

Sinking Fund sums sufficient to pay when due the principal and interest requirements on the Loan. 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 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 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 Loan, as same falls 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.

C. 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.

D. 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 a depreciation 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 the Loan.

Section 9. 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.

Secondly, there shall be set aside from the proceeds and deposited to the Sinking Fund, the amount of \$ _____, for the purpose of paying the interest due on the Loan as the same becomes due on an Interest Payment Date.

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 “Martin 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 costs of the Project.

Pending disbursement for the costs of the Project, the proceeds of the Loan 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**) submitted by the Governmental Agency and delivered to the Trustee that has been signed by the Governmental Agency Manager and approved by the Program Administrator, and to the extent requested by the Program Administrator, the following documentation:

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

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

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

Upon the Program Administrator’s receipt of the Requisition Certificate and such additional documentation as it may require, the Program Administrator may direct the Trustee to remit the amount requested to the Governmental Agency as a draw upon the Loan. If directed by the Program Administrator, the Governmental Agency shall establish with the Trustee, an electronic fund transfer system, which may be an ACH Payment Method.

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.

Any balance remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions, upon orders of the Governing Agency Manager, be transferred to the Sinking Fund, to be used for the purposes thereof.

Section 10. Rates and Charges for Services of the System.

While the Loan is outstanding, 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 Loan and the accruing interest on the Loan as may be outstanding under the provisions of this Assistance Agreement, 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 the Program Administrator, with the approval of the Governmental Agency Manager and the Compliance Group, approving such reduction in rates.

Section 11. 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 12. 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 shall be made in any manner except as herein or therein provided until such time as the Loan has 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 13. 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 14. 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 15. Covenants of Governmental Agency.

In addition to the other representations and covenants of the Governmental Agency contained herein, the Governmental Agency hereby covenants as follows:

(a) the Governmental Agency shall operate and maintain the System in accordance with the laws and regulations of the Commonwealth, and all real estate and interest in real estate and all personal property constituting the System heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency and constitute a part of the System;

(b) the Governmental Agency covenants and agrees to maintain adequate records relating to the operation of the System and shall permit the Program Administrator, the Issuer and their duly authorized agents, free access to the System and to make available for audit and inspection, at any reasonable time by the Program Administrator, the Issuer or their duly authorized agents, all property, equipment, books, contracts, records and other papers relating to the operation of the System;

(c) in the event of any damage to or loss of any portion of the System by fire, storm or other casualty whatever, the Governmental Agency shall promptly notify the Program Administrator and the Issuer;

(d) the Governmental Agency shall promptly notify the Program Administrator and the Issuer of any litigation or threatened litigation that may affect the Governmental Agency or the System;

(e) the Governmental Agency shall not change or replace the Governmental Agency Manager without the prior written consent of the Program Administrator;

(f) so long as this Loan remains outstanding, the Governmental Agency Manager shall not resign without the prior written consent of the Program Administrator;

(g) replacements or changes to the Governing Body require the prior written approval of the Program Administrator;

(i) the Governmental Agency shall provide quarterly unaudited financial statements to Program Administrator within 30 days of the end of each quarter;

(j) the Governmental Agency shall not borrow any moneys or issue any debt obligations without the prior written consent of the Program Administrator and the Compliance Group; and

(k) The Governmental Agency covenants and agrees that, until satisfaction in full of its obligations hereunder, it will not, without the prior written consent of the Program Administrator, which consent shall not be unreasonably withheld, sell, mortgage, or in any manner dispose of, or surrender control or otherwise dispose of any of the facilities of the System or any part thereof (except that the Governmental Agency may retire obsolete and worn out facilities, and sell same, if appropriate).

Section 16. 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 \$1,120,000 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 \$1,120,000 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 17. 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 18. 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, 2021) 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 19. 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 20. 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 21. 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 22. 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 23. 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 24. 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 Martin County Water District has caused this Assistance Agreement to be signed in corporate name and by its Chairman and attested by its Secretary all as of the day and year first above written.

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

Secretary/Treasurer

MARTIN COUNTY WATER DISTRICT

By _____
Chairman

Attest:

Secretary

EXHIBIT A

Debt Service Schedule

**EXHIBIT B
REQUISITION CERTIFICATE**

Request No. _____

Dated _____

To: Regions Bank
Corporate Trust Department
150 Fourth Avenue North, Suite 900, Nashville Tennessee 37219
Fax Number: (615) 770-4350

From: Martin County Water District (“Governmental Agency”)
Contact Person: Mr. James Anthony Sneed
VP, Director of Operations
Alliance Water Resources Inc.

Re: Loan in the amount of \$1,120,000, dated February __, 2022, to the Martin County Water District from the Kentucky Rural Water Finance Corporation Public Projects Taxable Revenue Bonds (Flexible Term Program), Series 2022C.

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;

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,

MARTIN COUNTY WATER DISTRICT

By: Alliance Water Resources, Inc.,
as Manager

By _____

Title _____

Approved:

Kentucky Rural Water Association, Inc.
Program Administrator

By _____

Title _____