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**ASSISTANCE AGREEMENT**  
**BETWEEN**  
**KENTUCKY RURAL WATER FINANCE CORPORATION**  
**AND**  
**SOUTH EASTERN WATER ASSOCIATION, INC.**  
**DATED**  
**MARCH 10, 2015**  
**IN THE AMOUNT OF \$2,980,000**

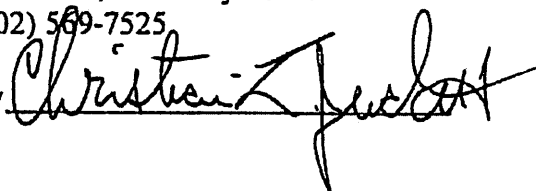
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## **ASSISTANCE AGREEMENT**

This Assistance Agreement made and entered into as of March 10, 2015 (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 South Eastern Water Association, Inc., a non-profit corporation organized and existing as a water association under the laws of the Commonwealth of Kentucky, 147 East Somerset Church Road, Somerset, Kentucky 42503 (the "Borrower"):

### **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 its Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001, dated April 4, 2001, in the aggregate principal amount of \$46,000,000 (the "Series 2001 Bonds") pursuant to a Trust Indenture dated as of April 4, 2001 (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 Refunding Revenue Bonds (Flexible Term Program), Series 2015C (the "Series 2015C Bonds") in the aggregate principal amount of \$5,290,000, pursuant to a Supplemental Trust Indenture No. 61, dated as of March 10, 2015 by and between the Issuer and the Trustee, which Series 2015C 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 Borrower has outstanding its:

1. South Eastern Water Association Promissory Note, dated September 14, 1995, in the original principal amount of \$557,413.09, bearing interest at the rate of 5.00% per annum
2. South Eastern Water Association Promissory Note (Series A), dated February 12, 1997, in the original principal amount of \$1,036,442.44, bearing interest at the rate of 5.00% per annum
3. South Eastern Water Association Promissory Note (Series B), dated February 12, 1997, in the original principal amount of \$752,084.94, bearing interest at the rate of 5.00% per annum
4. South Eastern Water Association Promissory Note, dated July 10, 2001, in the original principal amount of \$1,479,000, bearing interest at the rate of 4.875% per annum

(collectively, the "Refunded Notes"), which notes were issued by the Borrower to make improvements and extensions to the Borrower's water system (the "System"); and

WHEREAS, the Borrower has determined that it is necessary and desirable and in the public interest to currently refund the Refunded Notes, in order to effect substantial debt service savings (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 Borrower has designated the Issuer as its instrumentality and agency; and

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

WHEREAS, it is deemed necessary and advisable for the best interests of the Borrower that it enter into this Assistance Agreement with the Issuer in order to borrow funds (the "Loan") in the amount of \$2,980,000 [the "Obligations"], for the purpose of providing funds for the Project, and to reaffirm the conditions and restrictions under which similar notes or obligations may be subsequently issued ranking on a parity therewith; and

WHEREAS, under the provisions of Chapter 273 of the Kentucky Revised Statutes the Borrower 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 Borrower 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 Borrower herein contained; and

WHEREAS, the Issuer and the Borrower 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 273 of the Kentucky Revised Statutes.

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

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

**"Borrower"** refers to the South Eastern Water Association, Inc., 147 East Somerset Church Road, Somerset, Kentucky 42503.

**"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 Borrower 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 water and sewer engineering.

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

**"Funds"** refers to the Revenue Fund, the Sinking Fund, the Operation and Maintenance Fund, and the Borrower Account.

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

**"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. 61, dated March 10, 2015, by and between the Issuer and the Trustee.

**"Interest Payment Date"** shall mean the 1<sup>st</sup> day of each month, commencing May 1, 2015 and continuing through and including January 1, 2041 or until the Loan has been paid in full.

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

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

**"Obligations"** refers to the Loan authorized by this Assistance Agreement in the principal amount of \$2,980,000, maturing January 1, 2041.

**"Operation and Maintenance Fund"** refers to the South Eastern Water Association, Inc. Operation and Maintenance Fund, described in Section 8 hereof.

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

**"Parity Notes"** means notes issued in the future, which will, pursuant to the provisions of this Assistance Agreement, rank on a basis of parity with the Obligations and shall not be deemed to include, nor to prohibit the issuance of, notes ranking inferior in security to 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.

*"President"* refers to the President of the Governing Body of the Borrower.

*"Prior Notes"* refers collectively to the Notes:

1. Southeastern Water Association Promissory Note, dated October 17, 1991, in the original principal amount of \$376,000, bearing interest at the rate of 5.00% per annum
2. Southeastern Water Association Promissory Note, dated September 14, 1995, in the original principal amount of \$136,000, bearing interest at the rate of 4.50% per annum
3. Southeastern Water Association Promissory Note, dated September 14, 1995, in the original principal amount of \$237,000, bearing interest at the rate of 4.50% per annum
4. Southeastern Water Association Promissory Note, dated February 12, 1997, in the original principal amount of \$165,100, bearing interest at the rate of 4.50% per annum
5. Southeastern Water Association Promissory Note, dated February 12, 1997, in the original principal amount of \$250,000, bearing interest at the rate of 4.50% per annum
6. Southeastern Water Association Promissory Note, dated September 17, 2004, in the original principal amount of \$1,833,000, bearing interest at the rate of 4.50% per annum
7. Southeastern Water Association Promissory Note, dated November 8, 2006, in the original principal amount of \$2,754,000, bearing interest at the rate of 4.375% per annum
8. Southeastern Water Association Promissory Note, dated February 2, 2011, in the original principal amount of \$3,995,000, bearing interest at the rate of 2.375% per annum

"*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 currently refund the outstanding Refunded Notes, with the proceeds of the Obligations.

"*Refunded Notes*" refers to the outstanding:

1. South Eastern Water Association Promissory Note, dated September 14, 1995, in the original principal amount of \$557,413.09, bearing interest at the rate of 5.00% per annum
2. South Eastern Water Association Promissory Note (Series A), dated February 12, 1997, in the original principal amount of \$1,036,442.44, bearing interest at the rate of 5.00% per annum
3. South Eastern Water Association Promissory Note (Series B), dated February 12, 1997, in the original principal amount of \$752,084.94, bearing interest at the rate of 5.00% per annum
4. South Eastern Water Association Promissory Note, dated July 10, 2001, in the original principal amount of \$1,479,000, bearing interest at the rate of 4.875% per annum

"*Revenue Fund*" refers to the South Eastern Water Association, Inc. Revenue Fund, described in Section 8 hereof.



*"Secretary"* refers to the Secretary of the Governing Body.

*"Sinking Fund"* refers to the South Eastern Water Association, Inc. Water Sinking Fund, described in Section 8 hereof.

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

*"Treasurer"* refers to the Treasurer of the Borrower.

*"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 Water System.** That all proceedings heretofore taken for the establishment of and the supplying of water service in and to said Borrower as a water 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.

**Section 3. Authorization of Obligations; Place of Payment; Manner of Execution.** That pursuant to the Constitution and laws of Kentucky, and particularly Chapter 273 of the Kentucky Revised Statutes, the Borrower hereby authorizes the borrowing of \$2,980,000 from the Program, for the purpose of providing funds for the Project.

Said Obligations shall mature in such principal amounts, and shall bear interest 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. Such payment shall be made by the Borrower 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 Borrower. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Borrower 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.

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 Borrower (the "Reserve Withdrawal"), the Borrower 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, the Obligations maturing on or after January 1, 2026 are subject to optional redemption, in whole or in part, by the Borrower prior to their stated maturity, at any time falling on or after January 1, 2025 at a redemption price equal to 100% of the principal amount of the Obligations called for redemption, plus unpaid interest accrued to the date of redemption.

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

(b) *Notice of Redemption.* The Borrower 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 Obligations as to which the Borrower 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. Recognition of Prior Notes.** The Borrower hereby expressly recognizes and acknowledges that the Borrower has previously created for the benefit and protection of the owners of the Prior Notes, a certain lien and pledge and certain security rights relating to the System, all as set forth in the Prior Notes.

**Section 6. Obligations Payable Out of Gross Revenues on a Parity with Prior Notes.** All of the Obligations and Prior Notes, together with the interest thereon and such additional notes ranking on a parity therewith heretofore issued and outstanding and that may be hereafter issued and outstanding from time to time under the conditions and restrictions hereinafter set forth, shall be payable out of the Sinking Fund and as hereinafter more specifically provided and shall be a valid claim of the holder thereof only against said fund and the fixed portion or amount of the income and gross revenues of the System of said Borrower pledged to said fund.

**Section 7. Parity Coverage Requirements of the Prior Notes.** It is hereby declared that prior to the issuance of any of the Obligations hereby authorized, there will be procured and

filed with the Secretary of the Borrower any and all statements or certifications for the purpose of having both principal and interest on the Prior Notes and the Obligations hereby authorized payable on a parity from the income and revenues of said System with said outstanding Prior Notes.

**Section 8. Flow of Funds.** The income and revenues of the System shall be collected, segregated, accounted for and distributed as follows:

**A. Revenue Fund.** The Borrower covenants and agrees that it will 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 be used, disbursed and applied by the Borrower 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 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 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, 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 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 and Prior Notes.

If the Borrower 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 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.

**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 Borrower'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 the 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 Outstanding Notes.

Provided, however, the Borrower 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; 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 Borrower under any Prior Notes for payment of any amounts due from the Borrower under this Assistance Agreement.

**Section 9. Disposition of Proceeds of the Obligations; Borrower 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 Borrower 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 Borrower 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 President, including but not limited to the Borrower's pro rata share of the Program's fees and expenses.

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

(b) *Borrower Account.* It is hereby acknowledged that a fund entitled "South Eastern Water Association, Inc. Borrower Account" (the "Borrower Account") has been created and maintained by the Trustee pursuant to the Indenture; and such amount on deposit in said Borrower Account shall be transferred to the Rural Development (the "RD") of the Department of Agriculture of the United States of America, the holder of the Refunded Notes, as may be required:

(1) To pay the interest on the Refunded Notes to and including March 12, 2015; and

(2) To redeem on March 12, 2015 at a price equal to 100% of principal amount the Refunded Notes that as of that date have not been redeemed, retired or otherwise paid, thereby defeasing the pledge of revenues and the property securing the Refunded Notes.

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

The Trustee shall be obligated to send written notice to the Borrower 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 Borrower with respect to investment of moneys held in the Borrower 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 Borrower Account except for proper and authorized expenses relating to the Project as approved by the Borrower.

After completion of the Project, any balance then remaining on deposit in the Borrower 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 Sinking Fund, to be used for the purposes thereof.

**Section 10. Parity Notes.** The Obligations 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, regardless of the fact they may be actually issued and delivered at different times, and provided further that the lien and security of and for any notes or obligations hereafter issued that are payable from the income and revenues of the System, shall, except as set out herein, be subject to the priority of the Prior Notes and the Obligations as may from time to time be outstanding; provided the Borrower has reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional notes from time to time payable from the income and revenues of the System ranking on a parity with the Obligations, but only under the conditions specified hereinafter, taking into account the issuance of the Obligations.

The Borrower reserves the right to finance future extensions, additions, and/or improvements to the System by the issuance of one or more additional series of notes to be secured by a parity lien on and ratably payable from, the revenues of the System pledged to the Prior Notes and the Obligations, provided;

(a) The facilities to be constructed from the proceeds of the additional Parity Notes are made a part of the System and their revenues are pledged as additional security for the additional Parity Notes and for the Outstanding Notes.

(b) The Borrower is in compliance with all covenants and undertakings in connection with all of the Outstanding Notes.

(c) The annual net revenues (defined as gross revenues less operating expenses), of the then existing System for the Fiscal Year preceding the year in which such Parity Notes are to be issued, adjusted as hereinafter provided, shall be certified by an independent Certified Public Accountant to be equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Notes payable from the

revenues of the System, plus the anticipated debt service requirements of any Parity Notes then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Notes to be issued shall, regardless of whether such additional Parity Notes are to be serial or term notes, be determined on the basis of the principal of and interest on such Parity Notes being payable in approximately equal annual installments.

(d) The annual net revenues referred to above may be adjusted for the purpose of the foregoing computations to reflect:

(1) any revisions in the System's schedule of rates or charges being imposed on or before the issuance of any such additional Parity Notes, and

(2) any increase in the annual net revenues to be realized from the proposed extensions, additions and improvements being financed (in whole or in part) by such additional Parity Notes;

provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer.

(e) The Borrower hereby covenants and agrees that in the event any additional Parity Notes are issued, the Borrower shall:

(1) Adjust the monthly amount to be deposited into the Sinking Fund on the same basis as that prescribed in the provisions establishing such Sinking Fund, to reflect the annual debt service requirements of the additional Parity Notes; and

(2) Adjust the minimum annual amount to be deposited monthly into any depreciation fund on the same basis as that prescribed in the provisions establishing such depreciation fund, taking into account the future debt service requirements of all Notes that will then be outstanding against the System.

(f) The Borrower reserves the right to issue Parity Notes to refund or refinance any part or all of the Prior Notes and the Obligations, provided that prior to the issuance of such Parity Notes for that purpose, there shall have been procured and filed with the Secretary of the Borrower a statement by a Certified Public Accountant, as defined herein, reciting the opinion based upon necessary investigation that:

(1) after the issuance of the Parity Notes, the annual net revenues, as adjusted and defined above, of the then existing system for the fiscal year preceding the date of issuance of the Parity Notes, after taking into account the revised debt service requirements resulting from the issuance of the Parity Notes and from the elimination of the Outstanding Notes being refunded or refinanced thereby, are equal to not less than 120% of the average annual debt service requirements then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the Outstanding Notes payable from the revenues of the System, calculated in the manner specified above; or

(2) in the alternative, that the average annual debt service requirements for the Prior Notes, the Obligations, any previously issued Parity Notes and the proposed Parity Notes, in any year of maturities thereof after the redemption of the Outstanding Notes scheduled to be refunded through the issuance of the proposed Parity Notes, shall not exceed the average annual debt service requirements applicable to the then outstanding Prior Notes, the Obligations and any previously issued Parity Notes for any year prior to the issuance of the proposed Parity Notes and the redemption of the Outstanding Notes to be refunded.

**Section 11. 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 Borrower 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 Notes and the accruing interest on all Outstanding Notes 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 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 Borrower covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Secretary a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (as defined in Section 10 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 notes payable from the revenues of the System, calculated in the manner specified in Section 10 hereof.

The Borrower 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 Notes 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 10 hereof; and the Borrower 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 Borrower 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 12. 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 Notes and any Parity Notes 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 13. Defeasance and/or Refunding of Obligations.** The Borrower 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 Borrower 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 14. Contractual Nature of Assistance Agreement.** The provisions of this Assistance Agreement shall constitute a contract between the Borrower 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 shall be made in any manner except as herein or therein provided until such time as all of the Notes 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 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 Borrower for destruction, if so requested by the Borrower) 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 Borrower, 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 Borrower 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 Secretary and notifying the Issuer. Thereupon, the Issuer shall notify the Borrower 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 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 notes 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 notes shall be issued and delivered.

**Section 17. Insurance.**

(a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the Borrower 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 Borrower 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 Borrower 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 Borrower 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 Borrower'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 Borrower owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Obligations, the Borrower 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 Borrower 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 Borrower.

**Section 18. Changes in Use or User of System.** The Borrower represents that (a) no part of the System will be sold, or otherwise disposed of without the prior written consent of the Issuer; (b) it will not permit any use of its System by any person or entity other than itself without the prior written consent of the Issuer; (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 Obligations 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 Borrower, (ii) the Borrower expected at the date of this 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 19. Security Instruments.** In order to secure the payment of the principal and interest of the Obligations, the President and Secretary of the Borrower are hereby authorized and directed to execute and deliver good and sufficient lien instruments, where necessary, encumbering the properties and assets both real and personal constituting the System, as completed or as the same may be thereafter extended, including an assignment and pledge of revenues and such other instruments as may be prescribed by the Issuer.

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

(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 Borrower 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 Borrower 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 Borrower, 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 Borrower 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 Borrower 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, 2015) 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 180 days after the end of each fiscal year.

**Section 22. Supplemental Assistance Agreement.** The Borrower 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 notes, other conditions, limitations and restrictions thereafter to be observed;

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

(e) to effect the issuance of additional Parity Notes; 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.

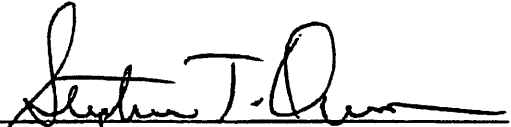
**Section 26. Signatures of Officers.** If any of the officers whose signatures or facsimile signatures appear on this Assistance Agreement or any other document evidencing the Obligations cease to be such officers before delivery of the Obligations, such signatures shall nevertheless be valid for all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

**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 South Eastern Water Association, Inc. 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

SOUTH EASTERN WATER  
ASSOCIATION, INC.

By \_\_\_\_\_  
President

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 South Eastern Water Association, Inc. 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

SOUTH EASTERN WATER ASSOCIATION, INC.

By \_\_\_\_\_  
President

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 South Eastern Water Association, Inc. 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 W. H. Phelps  
President

Attest:

By \_\_\_\_\_  
Secretary/Treasurer

SOUTH EASTERN WATER  
ASSOCIATION, INC.

By W. H. Phelps  
President

Attest:

By \_\_\_\_\_  
Secretary

**EXHIBIT A**

**Debt Service Schedule**