

Rubin & Hays

ATTORNEYS AT LAW

Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202-1410
Telephone (502) 569-7525 Telefax (502) 569-7555 www.rubinhays.com

CHARLES S. MUSSON
W. RANDALL JONES
CHRISTIAN L. JUCKETT

November 16, 2015

RECEIVED

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PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: Nicholas County Water District **PSC Case No. 2015-00094**

Dear Mr. Derouen:

In accordance with paragraphs No. 2 and 3 of the PSC Order dated April 29, 2015 relating to the above case, enclosed please find the final refunding schedules which include the actual gross and net present value savings and the final loan debt service, including the final principal amount and the interest rates. The Kentucky Rural Water Finance Corporation loan to the District was dated May 12, 2015.

Thank you for your assistance and if you need any additional information or documentation, please let us know.

Sincerely,

Rubin & Hays

By 
W. Randall Jones

WRJ;jlm
Enclosures

\$1,775,000

Kentucky Rural Water Finance Corporation
Public Projects Refunding Revenue Bonds, Series 2015 E
Nicholas County Water District

Sources & Uses

Dated 05/12/2015 | Delivered 05/12/2015

Sources Of Funds

Par Amount of Bonds	\$1,775,000.00
Reoffering Premium	27,490.50
Transfers from Prior Issue Debt Service Funds	43,060.54

Total Sources **\$1,845,551.04**

Uses Of Funds

Total Underwriter's Discount (1.597%)	28,346.75
Costs of Issuance	31,625.00
Deposit to Current Refunding Fund	1,784,385.76
Rounding Amount	1,193.53

Total Uses **\$1,845,551.04**

\$1,775,000

Kentucky Rural Water Finance Corporation
Public Projects Refunding Revenue Bonds, Series 2015 E
Nicholas County Water District

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/31/2015	-	-	40,240.81	40,240.81
12/31/2016	122,693.89	122,693.89	128,058.37	5,364.48
12/31/2017	122,525.00	122,525.00	127,763.44	5,238.44
12/31/2018	120,665.00	120,665.00	127,473.44	6,808.44
12/31/2019	123,102.50	123,102.50	128,063.62	4,961.12
12/31/2020	121,087.50	121,087.50	127,530.25	6,442.75
12/31/2021	123,970.00	123,970.00	128,366.13	4,396.13
12/31/2022	121,100.00	121,100.00	127,082.19	5,982.19
12/31/2023	123,127.50	123,127.50	128,652.19	5,524.69
12/31/2024	120,052.50	120,052.50	127,080.19	7,027.69
12/31/2025	122,275.00	122,275.00	128,851.19	6,576.19
12/31/2026	119,795.00	119,795.00	127,942.69	8,147.69
12/31/2027	122,184.38	122,184.38	127,892.19	5,707.81
12/31/2028	119,390.01	119,390.01	128,651.25	9,261.24
12/31/2029	121,346.26	121,346.26	128,806.37	7,460.11
12/31/2030	123,016.26	123,016.26	127,691.00	4,674.74
12/31/2031	119,536.88	119,536.88	128,385.19	8,848.31
12/31/2032	120,905.00	120,905.00	126,501.69	5,596.69
12/31/2033	122,021.25	122,021.25	128,303.32	6,282.07
12/31/2034	117,978.75	117,978.75	125,986.32	8,007.57
12/31/2035	55,091.25	55,091.25	64,989.38	9,898.13
12/31/2036	58,200.00	58,200.00	64,730.07	6,530.07
12/31/2037	56,150.00	56,150.00	64,476.19	8,326.19
12/31/2038	44,305.00	44,305.00	50,929.25	6,624.25
12/31/2039	42,665.00	42,665.00	51,089.25	8,424.25
12/31/2040	45,922.50	45,922.50	51,641.81	5,719.31
12/31/2041	-	-	5,419.25	5,419.25
Total	\$2,609,106.43	\$2,609,106.43	\$2,822,597.04	\$213,490.61

PV Analysis Summary (Net to Net)

Net FV Cashflow Savings	213,490.61
Gross PV Debt Service Savings	150,033.02
Net PV Cashflow Savings @ 3.922%(AIC)	150,033.02
Transfers from Prior Issue Debt Service Fund	(43,060.54)
Contingency or Rounding Amount	1,193.53
Net Present Value Benefit	\$108,166.01
Net PV Benefit / \$1,754,800 Refunded Principal	6.179%
Net Future Value Benefit	\$171,623.60
Net PV Benefit / \$1,775,000 Refunding Principal	6.108%
Average Annual Cash Flow Savings	8,211.18

Refunding Bond Information

Refunding Dated Date	5/12/2015
Refunding Delivery Date	5/12/2015

Raymond James

\$1,775,000

Kentucky Rural Water Finance Corporation
Public Projects Refunding Revenue Bonds, Series 2015 E
Nicholas County Water District

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
05/12/2015	-	-	-	-	-
02/01/2016	45,000.00	2.100%	46,116.39	91,116.39	-
08/01/2016	-	-	31,577.50	31,577.50	-
12/31/2016	-	-	-	-	122,693.89
02/01/2017	60,000.00	2.100%	31,577.50	91,577.50	-
08/01/2017	-	-	30,947.50	30,947.50	-
12/31/2017	-	-	-	-	122,525.00
02/01/2018	60,000.00	4.100%	30,947.50	90,947.50	-
08/01/2018	-	-	29,717.50	29,717.50	-
12/31/2018	-	-	-	-	120,665.00
02/01/2019	65,000.00	4.100%	29,717.50	94,717.50	-
08/01/2019	-	-	28,385.00	28,385.00	-
12/31/2019	-	-	-	-	123,102.50
02/01/2020	65,000.00	2.100%	28,385.00	93,385.00	-
08/01/2020	-	-	27,702.50	27,702.50	-
12/31/2020	-	-	-	-	121,087.50
02/01/2021	70,000.00	4.100%	27,702.50	97,702.50	-
08/01/2021	-	-	26,267.50	26,267.50	-
12/31/2021	-	-	-	-	123,970.00
02/01/2022	70,000.00	4.100%	26,267.50	96,267.50	-
08/01/2022	-	-	24,832.50	24,832.50	-
12/31/2022	-	-	-	-	121,100.00
02/01/2023	75,000.00	4.100%	24,832.50	99,832.50	-
08/01/2023	-	-	23,295.00	23,295.00	-
12/31/2023	-	-	-	-	123,127.50
02/01/2024	75,000.00	4.100%	23,295.00	98,295.00	-
08/01/2024	-	-	21,757.50	21,757.50	-
12/31/2024	-	-	-	-	120,052.50
02/01/2025	80,000.00	3.100%	21,757.50	101,757.50	-
08/01/2025	-	-	20,517.50	20,517.50	-
12/31/2025	-	-	-	-	122,275.00
02/01/2026	80,000.00	3.100%	20,517.50	100,517.50	-
08/01/2026	-	-	19,277.50	19,277.50	-
12/31/2026	-	-	-	-	119,795.00
02/01/2027	85,000.00	3.225%	19,277.50	104,277.50	-
08/01/2027	-	-	17,906.88	17,906.88	-
12/31/2027	-	-	-	-	122,184.38
02/01/2028	85,000.00	3.350%	17,906.88	102,906.88	-
08/01/2028	-	-	16,483.13	16,483.13	-
12/31/2028	-	-	-	-	119,390.01
02/01/2029	90,000.00	3.600%	16,483.13	106,483.13	-
08/01/2029	-	-	14,863.13	14,863.13	-
12/31/2029	-	-	-	-	121,346.26
02/01/2030	95,000.00	3.600%	14,863.13	109,863.13	-
08/01/2030	-	-	13,153.13	13,153.13	-
12/31/2030	-	-	-	-	123,016.26
02/01/2031	95,000.00	3.725%	13,153.13	108,153.13	-
08/01/2031	-	-	11,383.75	11,383.75	-
12/31/2031	-	-	-	-	119,536.88
02/01/2032	100,000.00	3.725%	11,383.75	111,383.75	-
08/01/2032	-	-	9,521.25	9,521.25	-
12/31/2032	-	-	-	-	120,905.00
02/01/2033	105,000.00	3.850%	9,521.25	114,521.25	-
08/01/2033	-	-	7,500.00	7,500.00	-
12/31/2033	-	-	-	-	122,021.25
02/01/2034	105,000.00	3.850%	7,500.00	112,500.00	-
08/01/2034	-	-	5,478.75	5,478.75	-
12/31/2034	-	-	-	-	117,978.75
02/01/2035	45,000.00	3.850%	5,478.75	50,478.75	-
08/01/2035	-	-	4,612.50	4,612.50	-
12/31/2035	-	-	-	-	55,091.25
02/01/2036	50,000.00	4.100%	4,612.50	54,612.50	-
08/01/2036	-	-	3,587.50	3,587.50	-
12/31/2036	-	-	-	-	58,200.00
02/01/2037	50,000.00	4.100%	3,587.50	53,587.50	-
08/01/2037	-	-	2,562.50	2,562.50	-
12/31/2037	-	-	-	-	56,150.00
02/01/2038	40,000.00	4.100%	2,562.50	42,562.50	-
08/01/2038	-	-	1,742.50	1,742.50	-
12/31/2038	-	-	-	-	44,305.00
02/01/2039	40,000.00	4.100%	1,742.50	41,742.50	-
08/01/2039	-	-	922.50	922.50	-
12/31/2039	-	-	-	-	42,665.00
02/01/2040	45,000.00	4.100%	922.50	45,922.50	-
12/31/2040	-	-	-	-	45,922.50
Total	\$1,775,000.00	-	\$834,106.43	\$2,609,106.43	-

Yield Statistics

Bond Year Dollars	\$22,267.01
Average Life	12.545 Years
Average Coupon	3.7459285%
Net Interest Cost (NIC)	3.7499581%
True Interest Cost (TIC)	3.7319540%
Bond Yield for Arbitrage Purposes	3.5462370%
All Inclusive Cost (AIC)	3.9219341%
IRS Form 8038	
Net Interest Cost	3.6137452%
Weighted Average Maturity	12.386 Years

Raymond James

\$1,775,000

Kentucky Rural Water Finance Corporation
Public Projects Refunding Revenue Bonds, Series 2015 E
Nicholas County Water District

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
02/01/2016	Serial Coupon	2.100%	0.950%	45,000.00	100.821%	45,369.45
02/01/2017	Serial Coupon	2.100%	1.400%	60,000.00	101.184%	60,710.40
02/01/2018	Serial Coupon	4.100%	1.600%	60,000.00	106.624%	63,974.40
02/01/2019	Serial Coupon	4.100%	1.850%	65,000.00	108.049%	70,231.85
02/01/2020	Serial Coupon	2.100%	2.100%	65,000.00	100.000%	65,000.00
02/01/2021	Serial Coupon	4.100%	2.300%	70,000.00	109.592%	76,714.40
02/01/2022	Serial Coupon	4.100%	2.500%	70,000.00	109.837%	76,885.90
02/01/2023	Serial Coupon	4.100%	2.650%	75,000.00	110.059%	82,544.25
02/01/2024	Serial Coupon	4.100%	2.850%	75,000.00	109.586%	82,189.50
02/01/2025	Serial Coupon	3.100%	3.100%	80,000.00	100.000%	80,000.00
02/01/2026	Serial Coupon	3.100%	3.250%	80,000.00	98.648%	78,918.40
02/01/2027	Serial Coupon	3.225%	3.350%	85,000.00	98.793%	83,974.05
02/01/2028	Serial Coupon	3.350%	3.450%	85,000.00	98.973%	84,127.05
02/01/2030	Term 1 Coupon	3.600%	3.600%	185,000.00	100.000%	185,000.00
02/01/2032	Term 2 Coupon	3.725%	3.850%	195,000.00	98.465%	192,006.75
02/01/2035	Term 3 Coupon	3.850%	4.000%	255,000.00	97.962%	249,803.10
02/01/2045	Term 4 Coupon	4.100%	4.100%	225,000.00	100.000%	225,000.00
Total	-	-	-	\$1,775,000.00	-	\$1,802,449.50

Bid Information

Par Amount of Bonds	\$1,775,000.00
Reoffering Premium or (Discount)	27,490.50
Gross Production	\$1,802,490.50
Total Underwriter's Discount (1.597%)	\$(28,346.75)
Bid (99.949%)	1,774,143.75
Total Purchase Price	\$1,774,143.75
Bond Year Dollars	\$22,267.01
Average Life	12.545 Years
Average Coupon	3.7459285%
Net Interest Cost (NIC)	3.7499581%
True Interest Cost (TIC)	3.7319540%

Raymond James

ASSISTANCE AGREEMENT

BETWEEN

KENTUCKY RURAL WATER FINANCE CORPORATION

AND

NICHOLAS COUNTY WATER DISTRICT

DATED

MAY 12, 2015

IN THE AMOUNT OF \$1,960,000

This document was prepared by:

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

By

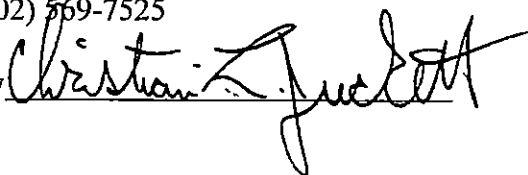


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EXHIBIT A – DEBT SERVICE SCHEDULE
EXHIBIT B – REQUISITION CERTIFICATE

ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of May 12, 2015 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit corporation and instrumentality of the various entities of the Commonwealth of Kentucky (the "Issuer") and the Nicholas County Water District, 1639 Old Paris Road, Carlisle, Kentucky 40311 (the "Governmental Agency"):

WITNESSETH

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

WHEREAS, pursuant to the Indenture, the Issuer has authorized the issuance of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2015E (the "Series 2015E Bonds") in the aggregate principal amount of \$8,910,000, pursuant to a Supplemental Trust Indenture No. 63, dated as of May 12, 2015 by and between the Issuer and the Trustee, which Series 2015E Bonds will rank on a parity with the Bonds and the proceeds of which will be used by certain Governmental Agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the governmental agencies and the Issuer; and

WHEREAS, the Governmental Agency has outstanding its (1) Nicholas County Water District Waterworks System Revenue Bonds, Series 1994A and Series 1994B, dated February 17, 1995, in the original authorized principal amount of \$1,092,000; (2) Nicholas County Water District Waterworks Revenue Bonds, Series 1998, dated February 10, 1998, in the original authorized principal amount of \$247,000; (3) Nicholas County Water District Waterworks Revenue Bonds, Series 2000, dated August 9, 2001, in the original authorized principal amount of \$858,000; and (4) Nicholas County Water District Waterworks Revenue Bonds, Series 2001, dated May 15, 2001, in the original authorized principal amount of \$95,000 (collectively, the "Refunded Bonds"), which bonds were issued by the Governmental Agency to make improvements and extensions to the Governmental Agency's waterworks system (the "System"), authorized by a Resolution adopted by the Board of Commissioners (the "Governing Body") on March 3, 1998; and

WHEREAS, the Board of Commissioners ("Governing Authority") of the District has determined that it is in the public interest to make improvements and extensions to the System (the "Improvements and Extensions"); and

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to currently refund the Refunded Bonds, in order to effect substantial debt service savings, and to finance the cost of the Improvements and Extensions, with appurtenances (collectively 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 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, in and by the Prior Bond Legislation (as hereinafter defined), the right and privilege was reserved by the Governmental Agency under conditions and restrictions set out in said Prior Bond Legislation, of issuing additional bonds from time to time, payable from the income and revenues of the System and ranking on a parity with the Governmental Agency's outstanding Second Lien Bonds (as hereinafter defined), for the purpose, among other things, of financing the costs of extensions, additions and improvements to the System and refinancing certain outstanding indebtedness, which conditions and restrictions are found to currently exist and prevail so as to permit the issuance of certain proposed additional bonds so as to rank, when issued, on a parity with the outstanding Second Lien Bonds; 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 \$1,960,000 [the "Obligations"], for the purpose of providing funds for the Project, and to reaffirm the conditions and restrictions under which similar bonds or obligations may be subsequently issued ranking on a parity therewith; and

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

WHEREAS, the Issuer is willing to cooperate with the Governmental Agency in making available the Loan pursuant to the Act and the Indenture to be applied to the Project upon the conditions hereinafter enumerated and the covenants by the Governmental Agency herein contained; and

WHEREAS, the Issuer and the Governmental Agency have determined to enter into this Assistance Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the construction and financing of the Project subject to the repayment of the Loan and the Obligations and the interest thereon;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

Section 1. Definitions.

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

“*Act*” refers to Chapters 58 and 74 of the Kentucky Revised Statutes.

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

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

“*Bond Legislation of 1979*” or “*1979 Bond Legislation*” refer to the Resolution authorizing the Series 1979 Bonds, duly adopted by the Governing Body of the Governmental Agency on August 15, 1979.

“*Bond Legislation of 1994*” or “*1994 Bond Legislation*” refer to the Resolution authorizing the Series 1994 Bonds, duly adopted by the Governing Body of the Governmental Agency on August 18, 1994.

“*Bond Legislation of 1998*” or “*1998 Bond Legislation*” refer to the Resolution authorizing the Series 1998 Bonds, duly adopted by the Governing Body of the Governmental Agency on October 29, 1997.

“*Bond Legislation of 2000*” or “*2000 Bond Legislation*” refer to the Resolution authorizing the Series 2000 Bonds, duly adopted by the Governing Body of the Governmental Agency on October 11, 2000.

“*Bond Legislation of 2001*” or “*2001 Bond Legislation*” refer to the Resolution authorizing the Series 2001 Bonds, duly adopted by the Governing Body of the Governmental Agency on May 9, 2001.

“*Bond Legislation of 2006*” or “*2006 Bond Legislation*” refer to the Resolution authorizing the Series 2006 Bonds, duly adopted by the Governing Body of the Governmental Agency on October 17, 2006.

“*Bond Legislation of 2014*” or “*2014 Bond Legislation*” refer to the Resolution authorizing the Series 2014 Bonds, duly adopted by the Governing Body of the Governmental Agency on September 23, 2014.

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

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

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

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

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

“*Depreciation Fund*” refers to the Nicholas County Water District Depreciation Reserve Fund, described in Section 402 of the Bond Legislation of 2014.

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

“*First Lien Bonds*” refers to the Series 1979 Bonds.

“*First Lien Sinking Fund*” refers to the Nicholas County Water District Waterworks First Lien Sinking Fund, described in Section 401 of the Bond Legislation of 2014 as the “Prior Sinking Fund”.

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

“*Funds*” refers to the Revenue Fund, the First Lien Sinking Fund, the Second Lien Sinking Fund, the Operation and Maintenance Fund, the Depreciation 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 Nicholas County Water District, 1639 Old Paris Road, Carlisle, Kentucky 40311.

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

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

“*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. 63, dated May 12, 2015, by and between the Issuer and the Trustee.

“*Interest Payment Date*” shall mean the 1st day of each month, commencing June 1, 2015 and continuing through and including January 1, 2040 or until the Loan has been paid in full.

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

“*Obligations*” refers to the Loan authorized by this Assistance Agreement in the principal amount of \$1,960,000.

“*Operation and Maintenance Fund*” refers to the Nicholas County Water District Operation and Maintenance Fund described in Section 401 of the Bond Legislation of 2014.

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

“*Parity Bonds*” means bonds 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, bonds ranking inferior in security to the Obligations.

“*Permitted Investments*” refers investments of funds on deposit in the various funds created herein and includes:

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

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

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

- v. Merchant Marine bonds;
- (c) Obligations of any corporation of the United States government, including but not limited to:
- i. Federal Home Loan Mortgage Corporation;
 - ii. Federal Farm Credit Banks;
 - iii. Bank for Cooperatives;
 - iv. Federal Intermediate Credit Banks;
 - v. Federal Land Banks;
 - vi. Federal Home Loan Banks;
 - vii. Federal National Mortgage Association; and
 - viii. Tennessee Valley Authority;
- (d) Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institutions which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by KRS Section 41.240(4);
- (e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated on one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (f) Banker's acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;
- (g) Commercial paper rated in the highest category by a nationally recognized rating agency;
- (h) Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities;
- (i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and
- (j) Shares of mutual funds, each of which shall have the following characteristics:
- i. The mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;
 - ii. The management company of the investment company shall have been in operation for at least five (5) years; and
 - iii. All of the securities in the mutual fund shall be eligible investments under this section.

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

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

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

“Prior Bond Legislation” refers collectively to the 1979 Bond Legislation, the 2006 Bond Legislation, and the 2014 Bond Legislation.

“Program” refers to the Issuer’s Public Projects Flexible Term Program designed to provide financing for the expansion, addition and improvements 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 Reserve Fund created and established pursuant to Section 4.2 of the Indenture.

“Project” refers to financing the cost to construct Phase X water system improvements, with appurtenances, and currently refund the outstanding Refunded Bonds, with the proceeds of the Obligations.

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

“Revenue Fund” refers to the Nicholas County Water District Water Works System Revenue Fund created in the Prior Bond Legislation and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

“Second Lien Bonds” refers to the Series 2006 Bonds and the Series 2014 Bonds.

“Second Lien Sinking Fund” refers to the Nicholas County Water District Waterworks Second Lien Sinking Fund, described in Section 401 of the Bond Legislation of 2014 as the “Current Sinking Fund”.

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

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

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

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

Section 2. Reaffirmation of Declaration of Waterworks System.

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

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

That pursuant to the Constitution and laws of Kentucky, and particularly the Act, the Governmental Agency hereby authorizes the borrowing of \$1,960,000 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 Governmental Agency from funds on deposit in the Second Lien Sinking Fund pursuant to the ACH Debit Direct Payment Method (the “ACH Debit Direct Payment Method”) as described and detailed in the ACH Debit Direct Payment Authorization Form (the “ACH Authorization Form”) in a form as provided by the Trustee to the Governmental Agency. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

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

In addition, in the event the Issuer is required to withdraw moneys from the Program Reserve Fund established pursuant to the Indenture to pay the principal of and interest on the Obligations and any other payments due under this Assistance Agreement on behalf of the Governmental Agency (the “Reserve Withdrawal”), the Governmental Agency shall pay to the

Trustee, each amount set forth as sinking fund payments on Exhibit A attached hereto, pursuant to the ACH Debit Direct Payment Method an amount equal to at least 1/12 of the Reserve Withdrawal, plus accrued interest thereon at the rate equal to the highest rate of interest paid by the investments making up the Program Reserve Fund until such Reserve Withdrawal has been replenished.

Section 4. 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 Governmental Agency 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 Governmental Agency 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 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 Obligations 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. Obligations Payable Out of Revenues on a Parity with Second Lien Bonds.

All of the Obligations and Second Lien Bonds, together with the interest thereon and such additional bonds 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 Second Lien Sinking Fund 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 revenues of the System of said Governmental Agency pledged to said fund.

Section 6. Compliance with Parity Coverage Requirements of the Prior Bond Legislation.

It is hereby declared that in accordance with the provisions of the Prior Bond Legislation, and prior to the issuance of any of the Obligations hereby authorized, there will be procured and filed with the Governmental Agency Clerk of said Governmental Agency any and all statements or certifications for the purpose of having both principal and interest on the Second Lien Bonds and the Obligations hereby authorized payable on a parity from the income and revenues of said System with said outstanding Second Lien Bonds.

Section 7. Flow of Funds.

All proceedings preliminary to and in connection with the issuance of the First Lien Bonds and Second Lien Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the First Lien Bonds and Second Lien Bonds; for the operation of said System on a revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; and for the enforcement and payment of the First Lien Bonds and Second Lien Bonds; and all other covenants for the benefit of the bondholders set out in the Prior Bond Legislation, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Outstanding Bonds, the same as if such provisions and proceedings were repeated in full herein; provided, further, that, hereafter, the income and revenues of the System shall be collected, segregated, accounted for, and distributed as follows:

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

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

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the First Lien Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any First Lien Bonds maturing on the next succeeding principal payment date.

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

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

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

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest payment to become due on the Second Lien Bonds and the Obligations then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of any Second Lien Bonds and the Obligations maturing on the next succeeding principal payment date.

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

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

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

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

E. Operation and Maintenance Fund. There shall next be transferred monthly from the Revenue Fund and deposited into said Operation and Maintenance Fund, sums sufficient to meet the current expenses of operating and maintaining the System. The balance maintained in said Operation and Maintenance Fund shall not be in excess of the amount

required to cover anticipated System expenditures for a two-month period pursuant to the Governmental Agency's annual budget.

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

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

Section 8. Disposition of Proceeds of the Obligations; Governmental Agency Account.

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

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

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

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

A portion of the proceeds on deposit in said Governmental Agency 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 Bonds:

(1) To pay the accrued interest on the Refunded Bonds to and including May 14, 2015; and

(2) To redeem on May 14, 2015 at a price equal to 100% of principal amount the Refunded Bonds 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 Bonds.

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 delivered to the Trustee which has been approved by the Engineers having charge of supervising the Project, and countersigned by the Governmental Agency Chief Executive, said Engineers to certify in each instance that the Requisition Certificate represents a sum actually earned by and due to the proposed payee under a contract with said Governmental Agency for work performed and/or materials furnished in connection with the Project, or represents a sum necessary to be expended for land and/or rights of way necessary to be acquired by the Governmental Agency in connection with said Project.

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

After completion of the Project, as certified by the Engineers, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Obligations from Federal income taxation, upon orders of the Governing Body, be applied to the next succeeding payment of principal of and interest on the Obligations.

Section 9. Arbitrage Limitations.

(a) The Governmental Agency covenants that neither the proceeds of the Obligations, nor "Non-Exempt Revenues" of the System, as defined below, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the

Obligations, if such investment would cause such Obligations to be treated as “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Obligations to be treated as “arbitrage bonds.”

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

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

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

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

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

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

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

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

(4) That it is anticipated that amounts on deposit in the Second Lien Sinking Fund will be used within 13 months from the date of deposit for the payment of debt

service on the outstanding Obligations and all Second Lien Bonds payable from said Second Lien Sinking Fund.

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

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

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

Section 10. Parity Bonds.

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 bonds 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 Second Lien Bonds and the Obligations as may from time to time be outstanding; provided the Governmental Agency has in said Prior Bond Legislation reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the Second Lien Bonds and with the Obligations, but only under the conditions specified in the Prior Bond Legislation, which conditions are hereinafter repeated, taking into account the issuance of the Obligations.

The Governmental Agency reserves the right to finance future extensions, additions, and/or improvements to the System by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from, the revenues of the System pledged to the Second Lien Bonds and the Obligations, provided;

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

(b) The Governmental Agency is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(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 Bonds 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 Bonds payable from the revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued shall, regardless of whether such additional Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds 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 time of the issuance of any such additional Parity Bonds, 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 Bonds;

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

(e) Reference is made to the necessity of obtaining the written consent of the United States Department of Agriculture Farmers Home Administration or its successor [the "FHA"] for the issuance of future bonds encumbering the System while the FHA holds any bonds payable from the revenues of the System.

The Governmental Agency hereby covenants and agrees that in the event any additional Parity Bonds are issued, the Governmental Agency shall:

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

(2) Adjust the minimum annual amount to be deposited monthly into the 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 Outstanding Bonds which will then be outstanding against the System.

The Governmental Agency reserves the right to issue Parity Bonds to refund or refinance any part or all of the Second Lien Bonds and the Obligations, provided that prior to the issuance of such Parity Bonds for that purpose, there shall have been procured and filed with the

Governmental Agency Clerk of the Governmental Agency a statement by a Certified Public Accountant, as defined herein, reciting the opinion based upon necessary investigation that:

(a) after the issuance of the Parity Bonds, 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 Bonds, after taking into account the revised debt service requirements resulting from the issuance of the Parity Bonds and from the elimination of the Outstanding Bonds 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 Bonds payable from the revenues of the System, calculated in the manner specified above; or

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

Section 11. Rates and Charges for Services of the System.

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

The Governmental Agency covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Governmental Agency Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the annual net revenues (defined as gross revenues less current expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in annual net revenues anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 10 hereof.

The Governmental Agency also covenants to cause a report to be filed with the Governing Body within four months after the end of each fiscal year by a Certified Public

Accountant, setting forth the precise debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year, calculated in the manner specified in Section 10 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the average annual debt service requirements, the Governmental Agency shall increase the rates by an amount sufficient, in the opinion of such Certified Public Accountant, to establish the existence of or immediate projection of, such minimum 120% coverage.

Section 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 Second Lien Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Assistance Agreement, regardless of the fact that they may be actually issued and delivered at different times.

Section 13. Defeasance and/or Refunding of Obligations.

The Governmental Agency reserves the right, at any time, to cause the pledge of the revenues securing the outstanding Obligations to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in direct obligations of or obligations guaranteed by the United States of America, including book entry obligations and trust receipts representing an ownership in direct obligations of the United States of America, 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 Permitted Investments shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Governmental Agency shall take all steps necessary to publish the required notice of the redemption of the outstanding Obligations and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

Section 14. Contractual Nature of Assistance Agreement.

The provisions of this Assistance Agreement shall constitute a contract between the Governmental Agency and the Issuer; and after the issuance of any of such Obligations, no change, variation or alteration of any kind in the provisions of this Assistance Agreement, nor of the Prior Bond Legislation, shall be made in any manner except as herein or therein provided

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

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

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

Section 16. Provisions in Conflict Repealed.

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

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

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

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

This Assistance Agreement is enacted in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Obligations from Kentucky ad valorem taxation and as to exemption of interest on the Obligations from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the Governmental Agency complies with covenants made by the Governmental Agency with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Governmental Agency with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Obligations. The Governmental Agency has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the

opinion that the Obligations are not “arbitrage bonds” within the meaning of Section 148 of the Code.

Section 18. Insurance.

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

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

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

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

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

Section 19. Event of Default; Remedies.

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

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

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

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

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

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

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

Section 20. Annual Reports.

The Governmental Agency hereby agrees to provide or cause to be provided to the Issuer and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the fiscal year ended December 31, 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 (December 31).

Section 21. Supplemental Assistance Agreement.

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

(a) to cure any ambiguity or formal defect or omission in this Assistance Agreement;

(b) to subject to the lien and pledge of this Assistance Agreement additional revenues, properties, or collateral which may legally be subjected;

(c) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;

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

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

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

Section 22. No Remedy Exclusive.

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

Section 23. Waivers.

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

Section 24. Agreement to Pay Attorneys' Fees and Expenses.

In the event that either party hereto shall become in default under any of the provisions hereof and the non-defaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefore to the non-defaulting party the fees of such attorneys and such other expenses so incurred by the non-defaulting party.

Section 25. Signatures of Officers.

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

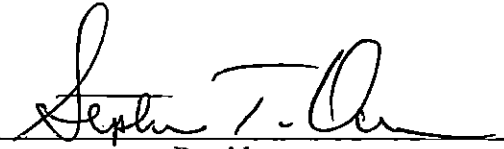
Section 26. Severability Clause.

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

[Signature Page Follows]

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

KENTUCKY RURAL WATER FINANCE CORPORATION

By 
President

Attest:

By _____
Secretary/Treasurer

NICHOLAS COUNTY WATER DISTRICT

By _____
Chairman

Attest:

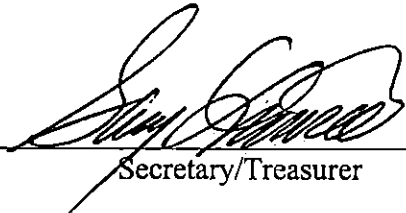
By _____
Secretary

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

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

By  _____
Secretary/Treasurer

NICHOLAS COUNTY WATER DISTRICT

By _____
Chairman

Attest:

By _____
Secretary

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

KENTUCKY RURAL WATER FINANCE CORPORATION

By _____
President

Attest:

By _____
Secretary/Treasurer

NICHOLAS COUNTY WATER DISTRICT

By Hubbie Sweet
Chairman

Attest:

By Fanny Reynolds
Secretary

EXHIBIT A

Debt Service Schedule

EXHIBIT B

**REQUEST FOR PAYMENT WITH RESPECT TO
KENTUCKY RURAL WATER FINANCE CORPORATION
(FLEXIBLE TERM PROGRAM)**

Request No. _____

Dated _____

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

From: Nicholas County Water District ("Governmental Agency")

Contact Person: Ms. Debbie Sweet
Nicholas County Water District
1639 Old Paris Road
Carlisle, Kentucky 40311

Ladies and Gentlemen:

The above-identified Governmental Agency has entered into an Assistance Agreement with the Kentucky Rural Water Finance Corporation (the "Issuer") for the acquisition and construction of facilities described in the Assistance Agreement as the "Project."

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

Respectfully submitted,

NICHOLAS COUNTY WATER
DISTRICT

By _____

Title _____

**Certificate of Consulting Engineers as to
Payment Request**

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Agency submitting this request and that all expenses represented in this request were duly incurred for the construction of the "Project," and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Consultant

Firm Name _____

By _____

Title _____