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

RECEIVED

JAN 30 2017

Public Service
Commission

January 26, 2017

Dr. Talina Mathews
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602

Re: Morgan County Water District **PSC Case No. 2016-00342**

Dear Dr. Mathews:

In accordance with paragraphs No. 2 and 3 of the PSC Order dated November 22, 2016 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 November 30, 2016.

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

W. Randall Jones

WRJ:jlm
Enclosures

RECEIVED

JAN 30 2017

Public Service
Commission

ASSISTANCE AGREEMENT

BETWEEN

KENTUCKY RURAL WATER FINANCE CORPORATION

AND

MORGAN COUNTY WATER DISTRICT

DATED

NOVEMBER 30, 2016

IN THE AMOUNT OF $1,330,000

This document was prepared by:

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

By Christian Juckett

TABLE OF CONTENTS TO ASSISTANCE AGREEMENT

ASSISTANCE AGREEMENT

This Assistance Agreement made and entered into as of November 30, 2016 (the "Assistance Agreement") by and between the Kentucky Rural Water Finance Corporation, a non-profit agency and instrumentality of various political subdivisions of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") and the Morgan County Water District, 1009 Hwy 172, West Liberty, Kentucky 41472 (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 Improvement and Refunding Revenue Bonds (Flexible Term Program), Series 2016D (the "Series 2016D Bonds") in the aggregate principal amount of $8,315,000, pursuant to a Supplemental Trust Indenture No. 67, dated as of November 30, 2016 by and between the Issuer and the Trustee, which Series 2016D Bonds will rank on a parity with the Bonds and the proceeds of which will be used by certain Governmental Agencies to acquire, construct and equip public projects described in various Assistance Agreements by and between the governmental entities and the Issuer; and

WHEREAS, the Governmental Agency has outstanding the following bonds (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"):

i. Morgan County Water District Water Revenue Bonds, Series A of 1993 and Series B of 1993, dated November 15, 1994, in the original authorized principal amount of $317,000;

ii. Morgan County Water District Water Revenue Bonds, Series 1995, dated September 7, 1995, in the original authorized principal amount of $375,000;

iii. Morgan County Water District Waterworks Revenue Bonds, Series 1999, dated May 10, 1999, in the original authorized principal amount of $75,000;

iv. Morgan County Water District Waterworks Revenue Bonds, Series 2001, dated March 9, 2001, in the original authorized principal amount of $332,000;

v. Morgan County Water District Waterworks Revenue Bonds, Series 2002, dated August 2, 2002, in the original authorized principal amount of $300,000;

vi. Morgan County Water District Waterworks Revenue Bonds, Series 2003, dated June 4, 2004, in the original authorized principal amount of $600,000;

vii. Morgan County Water District Waterworks Revenue Bonds, Series 2006, dated January 18, 2007, in the original authorized principal amount of $1,000,000; and

viii. Morgan County Water District Waterworks Revenue Bonds, Series 2008, dated February 3, 2009, in the original authorized principal amount of $1,446,000.

WHEREAS, the Governmental Agency has determined that it is necessary and desirable and in the public interest to refund the Refunded Bonds (the "Project"), in order to effect substantial debt service savings, 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, 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 $1,330,000 [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, the Governmental Agency is authorized to enter into this Assistance Agreement and to borrow the Obligations to provide such funds for the purpose aforesaid; and

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

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

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY

ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

Section 1. Definitions.

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

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

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

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

"*Bond Legislation of 1993*" or "*1993 Bond Legislation*" refer to the Resolution authorizing the Series 1993 Bonds, duly adopted by the Governing Body of the Governmental Agency.

"*Bond Legislation of 1995*" or "*1995 Bond Legislation*" refer to the Resolution authorizing the Series 1995 Bonds, duly adopted by the Governing Body of the Governmental Agency on April 27, 1995.

"*Bond Legislation of 1999*" or "*1999 Bond Legislation*" refer to the Resolution authorizing the Series 1999 Bonds, duly adopted by the Governing Body of the Governmental Agency on May 6, 1999.

"*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 December 7, 2000.

"*Bond Legislation of 2002*" or "*2002 Bond Legislation*" refer to the Resolution authorizing the Series 2002 Bonds, duly adopted by the Governing Body of the Governmental Agency on March 7, 2002.

"*Bond Legislation of 2003*" or "*2003 Bond Legislation*" refer to the Resolution authorizing the Series 2003 Bonds, duly adopted by the Governing Body of the Governmental Agency on November 5, 2003.

"*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 June 5, 2006.

"*Bond Legislation of 2008*" or "*2008 Bond Legislation*" refer to the Resolution authorizing the Series 2006 Bonds, duly adopted by the Governing Body of the Governmental Agency on July 7, 2008.

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

"*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 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.

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

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

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

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

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

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

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

"*Governmental Agency*" refers to the Morgan County Water District, 1009 Hwy 172, West Liberty, Kentucky 41472.

"*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. 67, dated November 30, 2016, by and between the Issuer and the Trustee.

"*Interest Payment Date*" shall mean the 1st day of each month, commencing January 1, 2017 and continuing through and including January 1, 2042 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 $1,330,000, maturing January 1, 2042.

"*Operation and Maintenance Fund*" refers to the Morgan County Water District Operation and Maintenance Fund described in Section 6 of this Agreement, which be maintained for the benefit of the System.

"*Outstanding Bonds*" refers collectively to all 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 to 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.

"*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 Refunded Bonds, with the proceeds of the Obligations.

"*Refunded Bonds*" refers to the outstanding Series 1993 Bonds, Series 1995 Bonds, Series 1999 Bonds, Series 2001 Bonds, Series 2002 Bonds, Series 2003 Bonds, Series 2006 Bonds, and Series 2008 Bonds.

"*Revenue Fund*" refers to the Morgan County Water District Revenue Fund described in Section 6 of this Agreement, which be maintained for the benefit of the System.

"*Secretary*" refers to the appointed Secretary of the Governmental Agency.

"*Series 1993 Bonds*" refer to the outstanding Morgan County Water District Water Revenue Bonds, Series A of 1993 and Series B of 1993, dated November 15, 1994, in the original authorized principal amount of $317,000.

"*Series 1995 Bonds*" refer to the outstanding Morgan County Water District Water Revenue Bonds, Series 1995, dated September 7, 1995, in the original authorized principal amount of $375,000.

"*Series 1999 Bonds*" refer to the outstanding Morgan County Water District Waterworks Revenue Bonds, Series 1999, dated May 10, 1999, in the original authorized principal amount of $75,000.

"*Series 2001 Bonds*" refer to the outstanding Morgan County Water District Waterworks Revenue Bonds, Series 2001, dated March 9, 2001, in the original authorized principal amount of $332,000.

"*Series 2002 Bonds*" refer to the outstanding Morgan County Water District Waterworks Revenue Bonds, Series 2002, dated August 2, 2002, in the original authorized principal amount of $300,000.

"*Series 2003 Bonds*" refer to the outstanding Morgan County Water District Waterworks Revenue Bonds, Series 2003, dated June 4, 2004, in the original authorized principal amount of $600,000.

"*Series 2006 Bonds*" refer to the outstanding Morgan County Water District Waterworks Revenue Bonds, Series 2006, dated January 18, 2007, in the original authorized principal amount of $1,000,000.

"*Series 2008 Bonds*" refer to the outstanding Morgan County Water District Waterworks Revenue Bonds, Series 2008, dated February 3, 2009, in the original authorized principal amount of $1,446,000.

"*Sinking Fund*" refers to the Morgan County Water District Sinking Fund described in Section 6 of this Agreement, which be maintained for the benefit of the System.

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

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

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

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

Section 2. Reaffirmation of Declaration of Waterworks System.

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

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

That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 through 58.140, inclusive of the Kentucky Revised Statutes, the Governmental Agency hereby authorizes the borrowing of $1,330,000 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 Sinking Fund pursuant to the ACH Debit Direct Payment Method (the "ACH Debit Direct Payment Method") as described and detailed in the ACH Debit Direct Payment Authorization Form (the "ACH Authorization Form") in a form as provided by the Trustee to the Governmental Agency. The ACH Authorization Form shall be completed, signed and forwarded to the Trustee prior to the Governmental Agency receiving any of the proceeds of the Loan.

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

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. The Obligations maturing on and prior to January 1, 2026 shall not be subject to optional redemption prior to maturity. Subject to the prior written approval of the Compliance Group, the Obligations maturing on or after January 1, 2027, are subject to optional redemption, in whole or in part, by the Governmental Agency prior to their stated maturities, at any time falling on or after January 1, 2026, 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 Gross Revenues.

All of the Obligations, 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 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 gross income and revenues of the System of said Governmental Agency pledged to said fund.

Section 6. Flow of Funds.

The income and revenues of the System shall be collected, segregated, accounted for, and distributed as follows:

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

B. Sinking Fund. There will 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 Outstanding Bonds, a sum equal to the total of the following:

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

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

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

In the event additional Parity Bonds are issued pursuant to the conditions and restrictions hereinafter prescribed, the monthly deposits to the Sinking Fund shall be increased to provide for payment of interest thereon and the principal thereof as the same respectively become due.

If for any reason there should be a failure to pay into the Sinking Fund the full amounts above stipulated, then an amount equivalent to such deficiency shall be set apart and paid into the Sinking Fund from the first available income and revenues of the System, subject to the aforesaid priorities.

No further payments need to be made into the Sinking Fund if and when the amount held therein and in any other available fund is at least equal to the amount required to retire all Outstanding Bonds and Parity Bonds and paying all interest that will accrue thereon.

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

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

Section 7. Disposition of Proceeds of the Obligations; Governmental Agency Account.

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

(a) Disposition of the Proceeds. There shall first be deducted and paid from the proceeds of the Obligations the fees and costs incurred by the Governmental Agency and any other pertinent expenses incident to the issuance, sale and delivery of the Obligations and such other appropriate expenses as may be approved by the Chairman, 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 "Morgan County Water District Governmental Agency Account" (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and such amount 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, as may be required:

(1) To pay the accrued interest on the Refunded Bonds to and including December 2, 2016; and

(2) To redeem on December 2, 2016 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.

No expenditure shall be made from the Governmental Agency Account except for proper and authorized expenses relating to the Project as approved by the Governmental Agency.

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

Section 8. 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 that 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 Sinking Fund for the purpose of paying debt service on any Obligations against the System within thirteen (13) months from the date of deposit; and

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

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

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

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

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

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

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

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

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

Prior to or at the time of delivery of the Obligations, the Chairman and/or the Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the 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 9. 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

Obligations as may from time to time be outstanding; provided the Governmental Agency 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 Obligations, but only under the conditions specified herein.

(a) 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 Obligations, provided:

(1) The facility or facilities to be constructed from the proceeds of the additional parity bonds is or are made a part of the System and its or their revenues are pledged as additional security for the additional parity bonds and Obligations.

(2) The Governmental Agency is in compliance with all covenants and undertakings in connection with all of the bonds then outstanding and payable from the revenues of the System or any part thereof.

(3) 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, including such requirements of the Obligations, any Parity Bonds then outstanding 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.

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

(i) any revision in the schedule of rates or charges being imposed at the time of the issuance of any such additional Parity Bonds, and

(ii) any increase in the "annual net revenues" to be realized, within 12 months of the completion of the Project, from the proposed extensions, additions, and/or 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.

(b) The Governmental Agency hereby covenants and agrees that in the event any additional Parity Bonds are issued, the Governmental Agency shall 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 Bonds.

(c) The Governmental Agency reserves the right to issue parity bonds to refund or refinance any part or all of the Obligations, provided that prior to the issuance of such additional 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:

(1) after the issuance of such 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 such Parity Bonds, after taking into account the revised debt service requirements resulting from the issuance of such Parity Bonds and from the elimination of the 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 then outstanding Bonds 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 Obligations, any previously issued Parity Bonds and the proposed refunding Parity Bonds, in any year of maturities thereof after the redemption of the Bonds scheduled to be refunded through the issuance of such proposed refunding Parity Bonds, shall not exceed the average annual debt service requirements applicable to the then outstanding Obligations and any previously issued Parity Bonds for any year prior to the issuance of such proposed Parity Bonds and the redemption of the Bonds to be refunded.

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

While the Obligations remain outstanding and unpaid, the rates for all services of the System rendered by the Governmental Agency to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of the Outstanding Bonds and the accruing interest on all such Outstanding Bonds 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 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 operating 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 9 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 9 hereof; and the Governmental Agency covenants that if and whenever such report so filed shall establish that such coverage of annual 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 11. 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 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 12. Defeasance and/or Refunding of Obligations.

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

Section 13. 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 shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized thereby and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided that the Governing Body may enact legislation for any other purpose not inconsistent with the terms of this Assistance Agreement, and which shall not impair the security of the Issuer and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

Section 14. 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 15. 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 16. Covenant of Governmental Agency to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986.

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

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

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

Section 17. 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 18. Events 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 19. 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, 2016) 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 20. 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 21. 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 22. 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 23. 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 24. 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 25. 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.

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 Morgan 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 William Ballard
President

Attest:

By____________________________
Secretary/Treasurer

MORGAN 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 Morgan 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

MORGAN 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 Morgan 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

MORGAN COUNTY WATER DISTRICT

By ______________________________
Chairman

Attest:

By ______________________________
Secretary

EXHIBIT A

Debt Service Schedule

KRWFC Flexible Term Program Series 2016 D
Sinking Fund Payment Schedule

Borrower: Caveland Sanitation District
Closing Date: 11/30/16

	Monthly Principal	Monthly Interest	Monthly Admin.Fees	Total Monthly Sinking Fund Payments
1/17-7/17	1,923.08	3,010.11	76.51	5,009.69
8/17-1/18	1,923.08	2,622.92	66.67	4,612.66
2/18-7/18	2,500.00	2,539.58	64.58	5,104.17
8/18-1/19	2,500.00	2,539.58	64.58	5,104.17
2/19-7/19	2,500.00	2,439.58	62.08	5,001.67
8/19-1-20	2,500.00	2,439.58	62.08	5,001.67
2/20-7/20	2,916.67	2,339.58	59.58	5,315.83
8/20-1/21	2,916.67	2,339.58	59.58	5,315.83
2/21-7/21	2,916.67	2,222.92	56.67	5,196.25
8/21-1/22	2,916.67	2,222.92	56.67	5,196.25
2/22-7/22	2,916.67	2,106.25	53.75	5,076.67
8/22-1/23	2,916.67	2,106.25	53.75	5,076.67
2/23-7/23	2,916.67	1,960.42	50.83	4,927.92
8/23-1/24	2,916.67	1,960.42	50.83	4,927.92
2/24-7/24	3,333.33	1,843.75	47.92	5,225.00
8/24-1/25	3,333.33	1,843.75	47.92	5,225.00
2/25-7/25	3,333.33	1,710.42	44.58	5,088.33
8/25-1/26	3,333.33	1,710.42	44.58	5,088.33
2/26-7/26	3,333.33	1,543.75	41.25	4,918.33
8/26-1/27	3,333.33	1,543.75	41.25	4,918.33
2/27-7/27	3,750.00	1,410.42	37.92	5,198.33
8/27-1/28	3,750.00	1,410.42	37.92	5,198.33
2/28-7/28	3,750.00	1,260.42	34.17	5,044.58
8/28-1/29	3,750.00	1,260.42	34.17	5,044.58
2/29-7/29	3,750.00	1,110.42	30.42	4,890.83
8/29-1/30	3,750.00	1,110.42	30.42	4,890.83
2/30-7/30	4,166.67	979.17	26.67	5,172.50
8/30-1/31	4,166.67	979.17	26.67	5,172.50
2/31-7/31	4,166.67	833.33	22.50	5,022.50
8/31-1/32	4,166.67	833.33	22.50	5,022.50
2/32-7/32	4,166.67	687.50	18.33	4,872.50
8/32-1/33	4,166.67	687.50	18.33	4,872.50
2/33-7/33	4,583.33	531.25	14.17	5,128.75
8/33-1/34	4,583.33	531.25	14.17	5,128.75
1/34-7/34	4,583.33	359.38	9.58	4,952.29
8/34-1/35	4,583.33	359.38	9.58	4,952.29
2/35-7/35	5,000.00	187.50	5.00	5,192.50
8/35-1/36	5,000.00	187.50	5.00	5,192.50
	800,000.00	349,595.76	9,095.56	1,158,691.32

$1,330,000

Kentucky Rural Water Finance Corporation
Public Projects Refunding and Improvement Bonds, Series 2016 D
Morgan County Water District

Sources & Uses

Dated 11/30/2016 | Delivered 11/30/2016

Sources Of Funds	
Par Amount of Bonds	$1,330,000.00
Reoffering Premium	52,101.25
Total Sources	**$1,382,101.25**

Uses Of Funds	
Total Underwriter's Discount (1.765%)	23,474.50
Costs of Issuance	24,950.00
Deposit to Current Refunding Fund	1,329,584.61
Rounding Amount	4,092.14
Total Uses	**$1,382,101.25**

$1,330,000

Kentucky Rural Water Finance Corporation

Public Projects Refunding and Improvement Bonds, Series 2016 D

Morgan County Water District

Debt Service Comparison

Date	Total P+I	Net New D/S	Old Net D/S	Savings
12/31/2016	-	-	7,888.69	7,888.69
12/31/2017	35,254.62	35,254.62	94,851.96	59,597.34
12/31/2018	86,962.50	86,962.50	94,980.14	8,017.64
12/31/2019	95,362.50	95,362.50	96,495.19	1,132.69
12/31/2020	98,462.50	98,462.50	96,053.13	(2,409.37)
12/31/2021	96,462.50	96,462.50	95,921.67	(540.83)
12/31/2022	94,462.50	94,462.50	94,838.11	375.61
12/31/2023	97,087.50	97,087.50	94,906.41	(2,181.09)
12/31/2024	94,612.50	94,612.50	94,254.61	(357.89)
12/31/2025	97,312.50	97,312.50	93,825.96	(3,486.54)
12/31/2026	94,612.50	94,612.50	93,902.74	(709.76)
12/31/2027	96,812.50	96,812.50	93,355.43	(3,457.07)
12/31/2028	94,212.50	94,212.50	92,853.31	(1,359.19)
12/31/2029	91,612.50	91,612.50	94,471.18	2,858.68
12/31/2030	94,087.50	94,087.50	93,789.21	(298.29)
12/31/2031	91,637.50	91,637.50	93,253.57	1,616.07
12/31/2032	94,100.00	94,100.00	92,863.43	(1,236.57)
12/31/2033	71,756.25	71,756.25	75,709.09	3,952.84
12/31/2034	74,600.00	74,600.00	73,312.15	(1,287.85)
12/31/2035	52,725.00	52,725.00	55,005.56	2,280.56
12/31/2036	56,131.25	56,131.25	53,336.55	(2,794.70)
12/31/2037	54,443.75	54,443.75	54,171.51	(272.24)
12/31/2038	52,700.00	52,700.00	54,057.74	1,357.74
12/31/2039	50,900.00	50,900.00	50,115.11	(784.89)
12/31/2040	49,100.00	49,100.00	49,687.22	587.22
12/31/2041	52,200.00	52,200.00	49,261.60	(2,938.40)
12/31/2042	30,600.00	30,600.00	34,718.62	4,118.62
12/31/2043	-	-	2,783.33	2,783.33
TOTAL	**$1,998,210.87**	**$1,998,210.87**	**$2,070,663.22**	**$72,452.35**

PV Analysis Summary (Net to Net)

Gross PV Debt Service Savings	85,205.23
Effects of changes in DSR investments	(29,969.13)
Net PV Cashflow Savings @ 3.876%(AIC)	55,236.10
Contingency or Rounding Amount	4,092.14
Net Benefit	$76,544.49
Net Present Value Benefit	$60,123.82
Net PV Benefit / $1,303,780 Refunded Principal	4.612%
Net PV Benefit / $1,330,000 Refunding Principal	4.521%
Average Annual Cash Flow Savings	2,683.42

Refunding Bond Information

Refunding Dated Date	11/30/2016
Refunding Delivery Date	11/30/2016

$1,330,000

Kentucky Rural Water Finance Corporation

Public Projects Refunding and Improvement Bonds, Series 2016 D

Morgan County Water District

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
11/30/2016	-	-	-	-	-
08/01/2017	-	-	35,254.62	35,254.62	-
12/31/2017	-	-	-	-	35,254.62
02/01/2018	35,000.00	4.000%	26,331.25	61,331.25	-
08/01/2018	-	-	25,631.25	25,631.25	-
12/31/2018	-	-	-	-	86,962.50
02/01/2019	45,000.00	4.000%	25,631.25	70,631.25	-
08/01/2019	-	-	24,731.25	24,731.25	-
12/31/2019	-	-	-	-	95,362.50
02/01/2020	50,000.00	4.000%	24,731.25	74,731.25	-
08/01/2020	-	-	23,731.25	23,731.25	-
12/31/2020	-	-	-	-	98,462.50
02/01/2021	50,000.00	4.000%	23,731.25	73,731.25	-
08/01/2021	-	-	22,731.25	22,731.25	-
12/31/2021	-	-	-	-	96,462.50
02/01/2022	50,000.00	4.000%	22,731.25	72,731.25	-
08/01/2022	-	-	21,731.25	21,731.25	-
12/31/2022	-	-	-	-	94,462.50
02/01/2023	55,000.00	5.000%	21,731.25	76,731.25	-
08/01/2023	-	-	20,356.25	20,356.25	-
12/31/2023	-	-	-	-	97,087.50
02/01/2024	55,000.00	4.000%	20,356.25	75,356.25	-
08/01/2024	-	-	19,256.25	19,256.25	-
12/31/2024	-	-	-	-	94,612.50
02/01/2025	60,000.00	4.000%	19,256.25	79,256.25	-
08/01/2025	-	-	18,056.25	18,056.25	-
12/31/2025	-	-	-	-	97,312.50
02/01/2026	60,000.00	5.000%	18,056.25	78,056.25	-
08/01/2026	-	-	16,556.25	16,556.25	-
12/31/2026	-	-	-	-	94,612.50
02/01/2027	65,000.00	4.000%	16,556.25	81,556.25	-
08/01/2027	-	-	15,256.25	15,256.25	-
12/31/2027	-	-	-	-	96,812.50
02/01/2028	65,000.00	4.000%	15,256.25	80,256.25	-
08/01/2028	-	-	13,956.25	13,956.25	-
12/31/2028	-	-	-	-	94,212.50
02/01/2029	65,000.00	4.000%	13,956.25	78,956.25	-
08/01/2029	-	-	12,656.25	12,656.25	-
12/31/2029	-	-	-	-	91,612.50
02/01/2030	70,000.00	3.500%	12,656.25	82,656.25	-
08/01/2030	-	-	11,431.25	11,431.25	-
12/31/2030	-	-	-	-	94,087.50
02/01/2031	70,000.00	3.500%	11,431.25	81,431.25	-
08/01/2031	-	-	10,206.25	10,206.25	-
12/31/2031	-	-	-	-	91,637.50
02/01/2032	75,000.00	3.500%	10,206.25	85,206.25	-
08/01/2032	-	-	8,893.75	8,893.75	-
12/31/2032	-	-	-	-	94,100.00
02/01/2033	55,000.00	3.750%	8,893.75	63,893.75	-
08/01/2033	-	-	7,862.50	7,862.50	-
12/31/2033	-	-	-	-	71,756.25
02/01/2034	60,000.00	3.750%	7,862.50	67,862.50	-
08/01/2034	-	-	6,737.50	6,737.50	-
12/31/2034	-	-	-	-	74,600.00
02/01/2035	40,000.00	3.750%	6,737.50	46,737.50	-
08/01/2035	-	-	5,987.50	5,987.50	-
12/31/2035	-	-	-	-	52,725.00
02/01/2036	45,000.00	3.750%	5,987.50	50,987.50	-
08/01/2036	-	-	5,143.75	5,143.75	-
12/31/2036	-	-	-	-	56,131.25
02/01/2037	45,000.00	3.750%	5,143.75	50,143.75	-
08/01/2037	-	-	4,300.00	4,300.00	-
12/31/2037	-	-	-	-	54,443.75
02/01/2038	45,000.00	4.000%	4,300.00	49,300.00	-
08/01/2038	-	-	3,400.00	3,400.00	-
12/31/2038	-	-	-	-	52,700.00
02/01/2039	45,000.00	4.000%	3,400.00	48,400.00	-
08/01/2039	-	-	2,500.00	2,500.00	-
12/31/2039	-	-	-	-	50,900.00
02/01/2040	45,000.00	4.000%	2,500.00	47,500.00	-
08/01/2040	-	-	1,600.00	1,600.00	-
12/31/2040	-	-	-	-	49,100.00
02/01/2041	50,000.00	4.000%	1,600.00	51,600.00	-
08/01/2041	-	-	600.00	600.00	-
12/31/2041	-	-	-	-	52,200.00
02/01/2042	30,000.00	4.000%	600.00	30,600.00	-
12/31/2042	-	-	-	-	30,600.00
Total	$1,330,000.00	-	$668,210.87	$1,998,210.87	-

Yield Statistics

Bond Year Dollars	$17,140.36
Average Life	12.887 Years
Average Coupon	3.8984644%
Net Interest Cost (NIC)	3.7314507%
True Interest Cost (TIC)	3.6826428%
Bond Yield for Arbitrage Purposes	3.6322478%
All Inclusive Cost (AIC)	3.8762461%

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Net Interest Cost	3.5194044%
Weighted Average Maturity	12.666 Years

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