

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

1. Date and Hour of Award. The Secretary/Treasurer of the Kentucky Rural Water Finance Corporation (the "Issuer") will, until 11:00 A.M. (E.T.) [10:00 A.M. (C.T.)] on December 3, 2020, receive at the office of the Secretary/Treasurer of the Kentucky Rural Water Finance Corporation, 1151 Old Porter Pike, Bowling Green, Kentucky 42103, competitive, electronic or sealed bids for the purchase of \$6,535,000 (subject to adjustment upward in the amount of \$650,000 or downward in any amount) of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2020H, dated the date of issuance (the "Bonds"). Bids will be opened by the Secretary at the stated hour, then referred to and acted upon by such Issuer at its meeting to be held thereafter.

2. Description and Maturities of Bonds. The Bonds shall bear interest from the date of issuance, payable semiannually on February 1 and August 1 of each year, beginning on August 1, 2021, shall be in the denomination of \$5,000 or any multiple thereof within the same maturity (as designated by the Purchasers), are numbered R-1 and upward, and will be scheduled to mature on February 1 in each of the respective years as set forth in Exhibit A attached hereto.

The Bonds are to be issued in fully registered form (both principal and interest). Regions Bank, Nashville, Tennessee, the Registrar, Transfer Agent, and Paying Agent, will mail a check by regular United States mail postmarked not later than the interest due date representing interest payments semiannually to each Bondowner of record on the fifteenth day of the month preceding the due date. Principal will be paid upon submission of matured (or called) bonds to the Paying Agent. Upon submission of proper assignment, the Transfer Agent will transfer ownership of Bonds within three (3) business days of receipt without expense to the Bondowners.

3. Optional Redemption. The Bonds are subject to redemption, in whole or in part, by the Issuer prior to their stated maturity, at any time falling on or after February 1, 2030 at a redemption price equal to 100% of the principal amount of the Bonds called for redemption, plus unpaid interest accrued to the date of redemption.

4. Authority and Purpose. The Bonds have been authorized by a resolution (the "Resolution"), duly adopted by the Issuer, a not for profit corporation created and existing to act as an instrumentality of certain governmental agencies (the "Governmental Agencies") of the Commonwealth of Kentucky, under authority of Chapter 58 of the Kentucky Revised Statutes (the "Act"), for the purpose of assisting the Governmental Agencies in providing for financing or refinancing for the construction of public projects (the "Program"). The Bonds rank on a parity with the (i) Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001 (the "Series 2001 Bonds"); (ii) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2002 (the "Series 2002A Bonds"); (iii) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2003A (the "Series 2003A Bonds"); (iv) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2005B (the "Series 2005B Bonds"); (v) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2006D (the "Series 2006D Bonds"); (vi) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term

Program), Series 2007A (the "Series 2007A Bonds"); (vii) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2007D (the "Series 2007D Bonds"); (viii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2008C (the "Series 2008C Bonds"); (ix) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2009C (the "Series 2009C Bonds"); (x) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2010B (the "Series 2010B Bonds"); (xi) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2010C (the "Series 2010C Bonds"); (xii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2010D (the "Series 2010D Bonds"); (xiii) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2011B (the "Series 2011B Bonds"); (xiv) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2011C (the "Series 2011C Bonds"); (xv) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2012B (the "Series 2012B Bonds"); (xvi) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012C (the "Series 2012C Bonds"); (xvii) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D (the "Series 2012D Bonds"); (xviii) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E (the "Series 2012E Bonds"); (xix) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2012F (the "Series 2012F Bonds"); (xx) Kentucky Rural Water Finance Corporation Taxable Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012G (the "Series 2012G Bonds"); (xxi) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2013B (the "Series 2013B Bonds"); (xxii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013C (the "Series 2013C Bonds"); (xxiii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013D (the "Series 2013D Bonds"); (xxiv) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013E, dated as of August 13, 2013 (the "Series 2013E Bonds"); (xxv) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2014B, dated as of April 10, 2014 (the "Series 2014B Bonds"); (xxvi) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2015B, dated as of February 9, 2015 (the "Series 2015B Bonds"); (xxvii) Kentucky Rural Water Finance Corporation Public Projects Taxable Refunding Revenue Bonds (Flexible Term Program), Series 2015C, dated as of March 10, 2015 (the "Series 2015C Bonds"); (xxviii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2015E, dated as of May 12, 2015, (the "Series 2015E Bonds"); (xxix) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2016B, dated as of May 12, 2016 (the "Series 2016B Bonds"); (xxx) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2016C, dated as of October 18, 2016 (the "Series 2016C Bonds");

(xxxii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2016D, dated as of November 30, 2016 (the "Series 2016D Bonds"); (xxxiii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2017A, dated as of July 11, 2017 (the "Series 2017A Bonds"); (xxxiiii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2018B, dated as of August 9, 2018 (the "Series 2018B Bonds"); (xxxv) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2019B, dated as of August 8, 2019 (the "Series 2019B Bonds"); (xxxvi) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2020A, dated as of January 7, 2020 (the "Series 2020A Bonds"); (xxxvii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020B, dated as of January 30, 2020 (the "Series 2020B Bonds"); (xxxviii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020C, dated as of March 17, 2020 (the "Series 2020C Bonds"); (xxxix) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020D, dated as of May 6, 2020 (the "Series 2020D Bonds"); (xl) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020E, dated as of September 23, 2020 (the "Series 2020E Bonds") and (xli) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020G, dated as of October 13, 2020 (the "Series 2020G Bonds").

5. Legal Opinion. The Bonds are offered for sale on the basis of the principal of the Bonds not being subject to Kentucky ad valorem taxation and on the basis of interest on the Bonds being exempt from Kentucky income taxation on the date of their delivery to the successful bidder, and subject to the final approving Legal Opinion of Rubin & Hays, Municipal Bond Attorneys, Louisville, Kentucky. Interest on the Bonds is includable in gross income for Federal income tax purposes. The Purchaser will be furnished said Opinion, printed bond forms, and the usual closing documents, which will include a certificate that there is no litigation pending or threatened at the time of delivery of the issue affecting the validity of the Bonds.

6. Rule 15c2-12 Requirements. The Corporation has agreed in the Continuing Disclosure Agreement to provide or cause to be provided (the "Undertaking"), in accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, timely notice of the occurrence of certain material events with respect to the Bonds.

The Purchaser's obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, in form and substance reasonably satisfactory to the Purchaser, evidence that the Corporation has agreed to the Undertaking in a written agreement or contract for the benefit of the holders of the Bonds.

7. Bidding Requirements. The terms and conditions of the sale of the Bonds are as follows:

- A. Bids shall be required to be submitted upon a standard official "Bid Form" in order to provide for the uniformity in submission of bids and ready determination of the best bid.
- B. A minimum price of not less than \$6,420,637.50 (98.25% of par) is required for the entire issue of Bonds.
- C. The determination of the best bid will be made on the basis of the lowest true interest cost (TIC) of all bids submitted for exactly \$6,535,000 of Bonds as offered for sale under the terms and conditions herein specified. The Issuer will by 4:00 P.M. (E.T.) on the date of the sale, will act upon the receipt of bids for the Bonds, accept or reject such best bid, provided, however, the Issuer reserves the right to increase or decrease the total amount of Bonds sold to such best bidder (in \$5,000 denominations), so that the total amount of bonds awarded to such best bidder will be subject to an adjustment upward in the amount not to exceed \$650,000 or downward in any amount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required.

The Issuer also has the right to adjust individual principal maturity amounts, even if the total amount of the Bonds does not change, in order to promote desired annual debt service levels. In the event that the principal amount of any maturity of the Bonds is revised after the award, the interest rate and reoffering price for each maturity and the Underwriter's Discount on the Bonds as submitted by the successful bidder shall be held constant. The Underwriter's Discount shall be defined as the difference between the purchase price of the Bonds submitted by the bidder and the price at which the Bonds will be issued to the public, calculated from information provided by the bidder, divided by the par amount of the Bonds bid.

- D. The successful bidder will be required to deposit with Regions Bank, Nashville, Tennessee, immediately available funds in the amount of \$130,700, prior to the close of business on December 4, 2020, which amount shall represent the good faith deposit. The amount of the good faith deposit will be deducted from the purchase price at the time of delivery of the Bonds without interest.
- E. Bidders must state an interest rate or rates in a multiple of 1/100 of 1%.
- F. There is no limit on the number of different rates which may be specified by any bidder.
- G. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

- H. The right to reject bids for any reason deemed advisable to the Issuer, and the right to waive any possible informalities, irregularities or defect in any bid which, in the judgment of the Issuer, shall be minor or immaterial, are expressly reserved.
- I. Electronic bids for the Bonds must be submitted through PARITY® and no other provider of electronic bidding services will be accepted. Subscription to the PARITY® Competitive Bidding System is required in order to submit an electronic bid. The Issuer will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY® conflict with the terms of the Official Terms and Conditions of Bond Sale, these Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of PARITY® shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Issuer. The Issuer shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY®. The use of PARITY® facilities are at the sole risk of the prospective bidders. For further information regarding PARITY®, potential bidders may contact PARITY®, telephone (212) 404-8102.

In the event of a system malfunction in the electronic bidding process or at the sole discretion of a bidder, bids must be made on forms which, together with an Official Statement, may be obtained at the office of the Financial Advisor, Raymond James & Associates, Inc., 489 East Main Street, Lexington, Kentucky 40507 Telephone: (859) 232-8249. Bids may be enclosed in sealed envelopes marked, respectively, "Bid for Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2020H" and bids must be received by the Secretary of the Issuer prior to the date and hour stated above. Bidders may send signed bid forms by telefax to the Financial Advisor per the attention of Kristen Millard at (859) 232-8255 in which case bidders will be able to submit bids by verbally completing the bid form shortly before the time of the sale. At the site of the sale the telephone number is (270) 843-2291 and the telefax number is (270) 796-8623.

- J. It shall be the responsibility of the purchasers of the Bonds to furnish or cause to be furnished to the Payee Bank/Registrar at least five (5) days prior to the date of delivery of the Bonds, a list of the names, addresses and social security numbers or employer identification numbers of each of the parties to whom the Bonds are to be registered, and the principal amounts and maturities thereof. In the event of the failure to so deliver such list, the Bonds delivered to the purchasers shall be registered in the name or names of such purchasers or their designated representatives appearing as the first name on the successful bid form, or otherwise appropriately

designated, and shall be issued in denominations corresponding to the principal amount of each respective maturity, or in the denomination of \$5,000, as shall be determined by the Payee Bank/Registrar.

- K. Delivery will be made in Louisville or Bowling Green, Kentucky, at no additional expense other than the charge, if any, of a delivering bank. The purchasers may elect to require delivery elsewhere in the continental United States, or delivery through a depository trust corporation, provided the purchasers agree to pay any additional expense in connection therewith, such expense to include shipping expense, insurance in transit and the fee of the Depository Trust Corporation. In connection with the issuance of the Bonds, the Issuer will pay for the printing of the Bonds, which will contain the opinion of Bond Counsel.
- L. Upon wrongful refusal of the successful bidder to take delivery of and pay for the Bonds when tendered for delivery, the amount of the good faith deposit shall be forfeited by such bidder, and such amount shall be deemed liquidated damages for such default; provided, however, if said Bonds are not ready for delivery and payment within forty-five (45) days from the date of sale, said bidder shall be relieved of any liability to accept the Bonds hereunder.
- M. The Issuer shall provide to the successful purchaser of the Bonds a final Official Statement in accordance with SEC Rule 15c2-12. Arrangements have been made with the printer of the Preliminary Official Statement, upon submission of completion text, to print a reasonable quantity of final Official Statements, at the Issuer's expense, in sufficient time to meet the delivery requirements of the successful purchaser under SEC or Municipal Securities Rulemaking Board Delivery Requirements.
- N. The successful bidder will pay any CUSIP Service Bureau charge for the assignment of CUSIP numbers, which numbers will be printed on the Bonds. Neither the failure to print a CUSIP number on any Bond, nor any error with respect thereto, shall constitute cause for failure or refusal by the purchasers thereof to accept delivery of and payment for the Bonds in accordance with the terms of the purchase agreement.

8. Firm Bids. Any bid received shall be considered a firm offer for the purchase of the Bonds identified in these Official Terms and shall not be subject to any conditions, except as permitted under these Official Terms. Bids shall not be revocable.

Bond Counsel has reviewed the information contained in the Official Statement describing the Bonds and the provisions of the Indenture and related proceedings authorizing the Bonds, but Bond Counsel has not reviewed any of the financial data, computations, tabulations, balance sheets,

financial projections and general information concerning the Issuer, and expresses no opinion thereon, assumes no responsibility for same, and has not undertaken independently to verify any information contained therein.

KENTUCKY RURAL WATER
FINANCE CORPORATION

By /s/ John Dix
President

Attest:

 /s/ Gary Larimore
Secretary

**EXHIBIT A TO THE
OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

Re: Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2020H.

<u>Maturity February 1</u>	<u>Principal Amount*</u>
2032	\$ 325,000
2034	3,810,000
2035	230,000
2036	515,000
2040	710,000
2044	945,000

**Subject to Revision*