

## **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 11:30 A.M. (E.T.) [10:30 A.M. (C.T.)] on January 18, 2022, 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 \$16,060,000 (subject to adjustment upward in the amount of \$1,605,000 or downward in any amount) of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2022A, 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, 2022, 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 August 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 maturing on and prior to February 1, 2030, shall not be subject to redemption prior to maturity. The Bonds, maturing on or after February 1, 2031, 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"); (xxxii) 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"); (xxxiii) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2018B, dated as of August 9, 2018 (the "Series 2018B Bonds"); (xxxiv) 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"); (xxxv) 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"); (xxxvi) 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"); (xxxvii) 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"); (xxxviii) 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"); (xxxix) 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"); (xxxx) 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"); (xxxxi) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2020H, dated as of December 17, 2020 (the "Series 2020H Bonds"); (xxxxii) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020I, dated as of December 29, 2020 (the "Series 2020I Bonds"); (xxxxiii) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2021A (the "Series 2021A Bonds"); (xxxxiv) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2021B (the "Series 2021B Bonds"); (xxxxv) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2021C (the "Series 2021C Bonds") and (xxxxvi) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2021D (the "Series 2021D 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, with certain exceptions, not being subject to federal or 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, based on the assumption that the Issuer complies with the covenants made by the Issuer with respect to compliance with the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and based on the assumption of compliance by the Issuer with the requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Bonds, if such requirements become applicable to such Bonds. Based on the foregoing assumptions, Bond Counsel is of the opinion that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code. 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.

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

The Issuer certifies that these Bonds are not "private activity bonds" within the meaning of the Code, and the Issuer has been advised by Bond Counsel and therefore believes that interest on the Bonds is not included as an item of tax preference in calculating the alternative minimum tax.

The Issuer is further advised that the exemption from income taxation by the United States of America of interest on the Bonds is subject to the following exceptions:

1. With respect to insurance companies subject to the tax imposed by Section 831 of the Code, Section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds;
2. Interest on the Bonds earned by certain foreign corporations doing business in the United States of America could be subject to a branch profits tax imposed by the Code;
3. Passive investment income, including interest on the Bonds, may be subject to federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income;
4. Section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds.

If, prior to the delivery of the Bonds, any event should occur which alters the tax-exempt status of the Bonds, the Purchaser shall have the privilege of voiding the purchase contract by giving immediate written notice to the Issuer, whereupon the amount of the good faith deposit of the purchaser will be returned to the Purchaser, and all respective obligations of the parties will be terminated.

**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 \$15,819,100 (98.5% of par) is required for the entire issue of Bonds. The maximum price for the entire issue may not exceed \$17,660,000 (110% of par).
- 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 \$16,060,000 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 \$1,605,000 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 \$321,200, prior to the close of business on January 19, 2022, 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 1/8 or 1/100 of 1%, or both.
- 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), Series 2022A" 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) 232-8249 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. Establishment of Issue Price.** The Issuer is offering the Bonds for sale pursuant to the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) and if competitive sale requirements are met the following provisions for the establishment of issue price will apply to the initial sale of the Bonds to the public (the "competitive sale requirements"):

- (1) the Issuer has disseminated these Official Terms and Conditions of Bond Sale (the "Official Terms") to potential bidders/underwriters in a manner that is reasonably designed to reach potential bidders/underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the Issuer anticipates receiving bids from one or more bidders/underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds with the understanding that in order for the competitive sale requirements to be met, the Issuer shall receive bids from three or more underwriters or purchasers of bonds who have established industry reputations; and
- (4) the Issuer anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase the Bonds at the highest price (or lowest interest cost), as set forth in these Official Terms.

The Issuer shall take all steps that are reasonably necessary to ensure that the initial sale of the Bonds to the public will satisfy the competitive sale requirements.

In the event that the initial sale of the Bonds to the public does not satisfy the competitive sale requirements, Issuer has determined to treat the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity). The Issuer (or the Issuer's Financial Advisor) shall promptly advise the prospective winning bidder, prior to the time of award of the Bonds, which maturities (and if different interest rates apply within a maturity, which separate CUSIP number within that maturity) of the Bonds shall be subject to the hold-the-offering-price rule.

Because the Issuer has determined to apply the hold-the-offering-price rule to any maturity of the Bonds, the winning bidder shall agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell any maturity of the Bonds to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:



- (1) the close of the fifth (5<sup>th</sup>) business day after the sale date; or
- (2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Issuer or its Financial Advisor when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5<sup>th</sup>) business day after the sale date.

The Issuer acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer who is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer who is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer who is a party to such retail distribution agreement, as applicable, to comply with the hold-the-offering-price rule, if and for so long as directed by the winning bidder and in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter who is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer who is a party to such retail distribution agreement to comply with the hold-the-offering-price rule, if and for so long as directed in the related pricing wires.

Sales of any Bonds to any person who is a related party to an underwriter shall not constitute sales to the public for purposes of these Official Terms. Further, for purposes of these Official Terms:

- (i) "public" means any person other than an underwriter or a related party,

- (ii) "underwriter" means (A) any person who agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person who agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public), and
- (iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to more than 50% common ownership.

The winning bidder shall assist the Issuer in establishing the issue price of the Bonds and shall execute and deliver to the Issuer at Closing an "issue price" certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of the Bonds, in a form agreed to by the winning bidder, the Issuer and Bond Counsel and substantially in the form as set forth in the attached Exhibit B (Certificate of Underwriter).

**9. 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/ Russell D. Rose  
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), Series 2022A.

<b><u>Maturity</u></b> <b><u>February 1</u></b>	<b><u>Principal</u></b> <b><u>Amount*</u></b>
2023	\$ 620,000
2024	645,000
2025	660,000
2026	680,000
2027	700,000
2028	720,000
2029	715,000
2030	730,000
2031	745,000
2032	685,000
2033	705,000
2034	685,000
2035	700,000
2036	710,000
2037	655,000
2038	420,000
2039	430,000
2040	1,175,000
2041	350,000
2042	360,000
2043	335,000
2044	320,000
2045	285,000
2046	210,000
2047	215,000
2048	225,000
2049	230,000
2050	1,150,000

*\*Subject to Revision*

## EXHIBIT B TO THE OFFICIAL TERMS AND CONDITIONS OF BOND SALE

### CERTIFICATE OF UNDERWRITER

Kentucky Rural Water Finance Corporation  
1151 Old Porter Pike  
Bowling Green, Kentucky 42103

Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, Kentucky 40202

Re: Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2022A

\_\_\_\_\_ (the "Underwriter") is the purchaser and underwriter of the above referenced Bonds (the "Bonds") pursuant to a competitive bid process on \_\_\_\_\_, 2022 and the first day on which there is a binding contract for the Underwriter to purchase Bonds (the "Sale Date"). We understand and acknowledge that the Kentucky Rural Water Finance Corporation (the "Issuer") is relying on the factual representations contained in this Certificate in, among other things, executing its Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds and that Rubin & Hays, as bond counsel ("Bond Counsel") is relying on the factual representations contained in this letter in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to Issuer from time to time relating to the Bonds. We hereby certify as follows:

1. Reasonably Expected Initial Offering Price. As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by the Underwriter are the prices listed in Schedule A (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Bonds used by the Underwriter in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid submitted by the Underwriter to purchase the Bonds.

2. Competitive Sale. The Issuer has advised the Underwriter that it offered the Bonds for sale pursuant to the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "Competitive Sale" for purposes of establishing the issue price of the Bonds) and that the competitive sale requirements have been met for the purposes of satisfying the provisions of the establishment of issue price and that the Issuer will apply the Expected Offering Prices as the issue price of the Bonds.

***Note: In the event that the Issuer receives fewer than three bids on the Bonds, the following language will replace paragraph 2 above and the paragraphs beginning with "Bidding Certifications" will be renumbered:***

{2. Competitive Sale. The Issuer has advised the Underwriter that it offered the Bonds for sale pursuant to the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (the "Issue Price Regulations", which define "Competitive Sale" for purposes of establishing the issue price of the Bonds) but that the competitive sale requirements were not met because the Issuer did not receive

*bids from three or more underwriters or purchasers of bonds who have established industry reputations for underwriting new issuances of municipal bonds.*

3. Corporation to Hold-the-Offering Price Rule. *The competitive sale requirements not having been satisfied, the Issuer has determined to treat the Expected Offering Prices to the public as of the Sale Date of any maturity of the Bonds as the issue price of that maturity (the "hold-the-offering-price rule"), in each case applied on a maturity-by-maturity basis (and if different interest rates apply within a maturity, to each separate CUSIP number within that maturity).*

4. Satisfaction of the Hold-the-Offering-Price Rule. *The Underwriter certifies that it neither offered nor sold any maturity of the Bonds to any person at a price that was higher than the Expected Offering Price to the public during the period starting on the Sale Date and ending on the earlier of the following:*

(1) *the close of the fifth (5<sup>th</sup>) business day, \_\_\_\_\_, 2022 after the Sale Date; or*

(2) *the date on which the underwriters sold at least 10% of that maturity of the Bonds to the public at a price that was no higher than the Expected Offering Price to the public.}*

3. Bidding Certifications. The Underwriter was not given the opportunity to review other bids prior to submitting its bid, and the bid submitted by the Underwriter constituted a firm offer to purchase the Bonds.

4. Defined Terms.

(a) "Maturity" means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(b) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) "Underwriter" means (i) any person who agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person who agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

5. Purchase Price. As payment for the Bonds, in accordance with your instructions we, the Underwriter, hereby pay to the Issuer, for deposit with \_\_\_\_\_ (the "Paying Agent"), a net purchase price of \$ \_\_\_\_\_ (the "Sale Proceeds") calculated as par amount of the Bonds

(\$ \_\_\_\_\_) plus net original issue premium (\$ \_\_\_\_\_) less Underwriter's Discount (\$ \_\_\_\_\_).

6. Financial Advisor. We have not sold, nor do we expect to sell, any of the Bonds to Raymond James & Associates, Inc., the Financial Advisor of the Issuer (the "Financial Advisor"), nor, to the best of our knowledge, has the Financial Advisor been a participant with us in a syndicate or other similar account formed for the purpose of purchasing, directly or indirectly, from Issuer all or any portion of the Bonds.

7. Receipt of Bonds. We hereby acknowledge receipt from the Issuer of the entire \$ \_\_\_\_\_ of Bonds, in accordance with the terms of the competitive sale.

To the best of our knowledge and belief, the facts, circumstances and expectations set forth in this Certificate are true, correct, complete and reasonable and there are no other facts, circumstances or expectations, which would materially change those set forth herein. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Underwriter's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder.

Dated this \_\_\_\_\_, 2022.

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
**(Attached)**

**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**  
**(Attached)**