

## OFFICIAL TERMS AND CONDITIONS OF BOND SALE

**1. Date and Hour of Award.** The Secretary/Treasurer of the Logan/Todd Regional Water Commission (the "Issuer") will, until 12:00 P.M. (E.T.) [11:00 A.M. (C.T.)] on August 2, 2016, receive at the office of the Secretary/Treasurer of the Logan/Todd Regional Water Commission, 248 Tower Street, Guthrie, Kentucky 42234, competitive, electronic or sealed bids for the purchase of \$43,570,000 (subject to adjustment upward in the amount of \$6,430,000 or downward in any amount) of the Logan/Todd Regional Water Commission Refunding Revenue Bonds Series 2016A, dated the date of issuance (the "Bonds"). Bids will be opened by the Secretary/Treasurer 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 January 1 and July 1 of each year, beginning on January 1, 2017, 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 July 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). The Bank of New York Trust Company, N.A., Louisville, Kentucky, the Trustee, Registrar and Paying Agent (the "Trustee"), will make interest payments on the Bonds semiannually to each owner of record on the fifteenth day of the month preceding the due date. Principal of the Bonds will be paid upon submission of matured (or called) bonds to the Trustee.

**3. Optional Redemption.** The Bonds maturing on and prior to July 1, 2026, shall not be subject to redemption prior to maturity. The Bonds, maturing on or after July 1, 2027, are subject to redemption, in whole or in part, by the Issuer prior to their stated maturity, at any time falling on or after July 1, 2026 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 Trust Indenture dated as of July 1, 2016 (the "Master Indenture"), as supplemented by Supplemental Indenture No. 1, dated as of July 1, 2016 (the "Supplemental Indenture", together with the Master Indenture, the "Indenture") each between the Issuer and the Trustee and a resolution adopted by the Issuer on July 28, 2016 (the "Resolution"), the Bonds have been authorized for the purpose of (i) redeeming on August 18, 2016 the outstanding Logan/Todd Regional Water Commission Waterworks Revenue Bonds, Series 2007, dated January 25, 2007 (the "Series 2007 Bonds"); (ii) funding a debt service reserve; and (iii) paying the costs of issuance associated with the issuance of the Bonds. The Series 2007 Bonds were issued for the purpose of permanently financing the costs associated with the acquisition, construction and development of a water supply, treatment and distribution system (the "LTRWC System") to serve its members and any other entities which may become members (the "Members"). The Bonds rank on a parity with (i) a loan from the Kentucky Infrastructure Authority, dated September 1, 2001 in the original principal amount of \$6,442,400 scheduled to mature on June 1, 2033, (ii) a loan from the Kentucky Infrastructure Authority, dated April 1, 2002 in the original principal amount of \$4,000,000 scheduled to mature on June 1, 2033, and (iii) a loan from the Kentucky Infrastructure Authority, dated April 1, 2008 in the original principal amount of \$400,000 and scheduled to mature on December 1, 2018 (collectively the "KIA Loans") are payable out of and

secured by a first lien pledge of the revenues of the Issuer's waterworks system (the "LTRWC System") and the payments to be made by the Members under the Water Purchase Contracts, to the full extent permitted by law, as provided in the Indenture. The lien may be enforced by requiring the Issuer to operate the LTRWC System and charge for the use of same, within the limitations imposed by law, whatever rates are necessary to pay all of the interest on and the principal of all the Bonds, to pay all of the necessary operating and maintenance expenses, or by the Trustee operating the LTRWC System by the appointment of a Receiver for the benefit of Bondowners, all subject to the terms and conditions of the Indenture.

**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 and the County 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 for individuals.

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. For purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), interest on the Bonds is taken into account in determining adjusted current earnings;
2. 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;
3. 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;
4. 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;
5. 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 is required for the entire issue of Bonds of not less than \$42,916,450 (98.5% of par).
- C. The determination of the best bid will be made on the basis of the lowest true interest cost (TIC) according to the schedule of principal amounts listed in the Official Bid Form submitted for exactly \$43,570,000 of Bonds as offered for sale under the terms and conditions herein specified. Issuer officials will accept or reject such best bid, provided, however, the Issuer reserves the right to adjust such principal amounts of the Bonds to determine the maturities of its final bond issue and thereafter 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 not exceed a maximum of \$50,000,000. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required and the underwriting discount bid by the successful bidder shall be held constant. Underwriting discount is hereby defined as the difference between the purchase price of the Bonds submitted by the successful bidder and the price at which the Bonds are reoffered to the public, divided by the par amount of the Bonds which were bid. Underwriting discount shall be calculated from information submitted by the successful bidder.
- D. The successful bidder will be required to deposit with The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, immediately available funds in the amount of \$871,400, prior to the close of business on August 3, 2016, 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 in a multiple of 1/8, 1/10 or 1/20 of 1%.
- F. There is no limit on the number of different interest 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, even though some such Bonds may be subject to mandatory redemption prior to their maturity date.
- H. Bidders may require that a portion of the Bonds be term bonds maturing on one or more dates (the "Term Bonds"); provided, however, that the Issuer may require such Term Bonds to be subject to mandatory redemption by lot at a redemption price of 100% of the principal amount thereof plus accrued interest to the date of redemption on July 1 of the years and in the principal amounts set forth in the final adjusted maturity schedule as seen on page 2 of the bid form.
- I. Immediately after being informed that their bid is successful, the successful bidder must advise the Issuer as to the initial reoffering price(s) of the Bonds to the public,

and such advice must be confirmed by written certification of the successful bidder prior to or at the time of delivery of the Bonds.

- J. 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.
- K. 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, this 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 Logan/Todd Regional Water Commission Refunding Revenue Bonds, Series 2016A" and bids must be received by the Secretary/Treasurer 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.

- L. It shall be the responsibility of the purchasers of the Bonds to furnish or cause to be furnished to the Trustee 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 Trustee.

- M. Delivery will be made in Louisville or Lexington, 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.
- N. 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.
- O. 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.
- P. 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.

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.

Concurrently with the delivery of the Bonds, the Chairman and Secretary/Treasurer of the Issuer will certify that, to the best of their knowledge, the official statement did not as of its date, and does not as of the date of delivery of the Bonds, contain any untrue statement of a material fact or

omit to state a material fact which should be included therein for the purpose for which the official statement is to be used, or which is necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading in any material respect.

Raymond James & Associates, Inc., has been employed as Financial Advisor to the Issuer in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds.

*(Signed)* Logan/Todd Regional Water Commission by Nancy L. Summer, Secretary/Treasurer, 248 Tower Street, Guthrie, Kentucky 42234.

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

Re: Logan/Todd Regional Water Commission Refunding Revenue Bonds, Series 2016A.

<b>Maturity <u>July 1</u></b>	<b>Principal <u>Amount</u>*</b>
2017	\$ 895,000
2018	710,000
2019	735,000
2020	765,000
2021	795,000
2022	835,000
2023	870,000
2024	910,000
2025	960,000
2026	1,015,000
2027	1,070,000
2028	1,115,000
2029	1,170,000
2030	1,220,000
2031	1,275,000
2032	1,320,000
2033	1,365,000
2034	1,415,000
2035	1,470,000
2036	1,535,000
2037	1,605,000
2038	1,680,000
2039	1,755,000
2040	1,825,000
2041	1,910,000
2042	1,995,000
2043	2,085,000
2044	2,175,000
2045	2,270,000
2046	2,370,000
2047	2,455,000

*\*Subject to Revision*