This Preliminary Official Statement is in a form "deemed final" by the Issuer for purposes of SEC Rule 15c2-12(b)(1), but is subject to revision, amendment and completion in a final Official Statement. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of these Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 23, 2026

NEW ISSUE
BOOK ENTRY ONLY

RATING: S&P Global Ratings: "AA-"
See "BOND RATING" herein

In the opinion of Bond Counsel, interest on the Series 2026E Bonds is exempt from income tax by the Commonwealth of Kentucky, and the Series 2026E Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions. Interest on the Series 2026E Bonds is includable in gross income for Federal income tax purposes.

Rural Water FINANCING AGENCY

$1,170,000*
RURAL WATER FINANCING AGENCY
PUBLIC PROJECTS REVENUE BONDS
(FLEXIBLE TERM PROGRAM), TAXABLE SERIES 2026E

Dated: Date of Issuance **Due: August 1, as shown on the inside front cover**

The Series 2026E Bonds will bear interest payable on each February 1 and August 1, beginning August 1, 2027, as determined in accordance with the Trust Indenture dated as of April 4, 2001, as amended by the First Amendment to Trust Indenture dated as of June 1, 2023 (the "Indenture"), and the Supplemental Trust Indenture No. 105, dated as of December 22, 2026 between the Rural Water Financing Agency (the "Issuer") and Regions Bank, Nashville, Tennessee, as trustee (the "Trustee"). Principal of and premium, if any, on the Series 2026E Bonds will be payable at the designated corporate trust office of the Trustee. The Series 2026E Bonds are to be delivered in fully registered form in the authorized denominations described in the Indenture.

The Series 2026E Bonds are issued initially under a book-entry only system, registered in the name of CEDE & CO., as partnership nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2026E Bonds. Individual purchasers of Book-entry Interests in the Series 2026E Bonds will not receive certificates representing their interest in the Series 2026E Bonds.

THE SERIES 2026E BONDS ARE SUBJECT TO OPTIONAL AND EXTRAORDINARY REDEMPTION PRIOR TO MATURITY AS DESCRIBED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY OUT OF REVENUES, FUNDS AND ASSETS PLEDGED UNDER THE INDENTURE. THIS OFFICIAL STATEMENT AND THE APPENDICES ATTACHED HERETO SHOULD BE READ IN THEIR ENTIRETY.

NEITHER THE COMMONWEALTH OF KENTUCKY, THE ISSUER, NOR ANY OTHER MUNICIPAL CORPORATION, QUASI MUNICIPAL CORPORATION, SUBDIVISION, OR AGENCY OF THE COMMONWEALTH OF KENTUCKY IS OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NO TAX FUNDS OR GOVERNMENTAL REVENUE MAY BE USED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER ANY OR ALL OF THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF KENTUCKY, THE ISSUER, OR ANY OTHER MUNICIPAL CORPORATION, QUASI MUNICIPAL CORPORATION, SUBDIVISION, OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS.

FOR MATURITIES, INTEREST RATES, PRICES, AND YIELDS, SEE THE INSIDE COVER

The Series 2026E Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval of legality and tax exemption by Rubin & Hays, Bond Counsel, Louisville, Kentucky. Certain legal matters will be passed upon for the Issuer by its counsel, Stoll Keenon & Ogden PLLC, Hodgenville, Kentucky. Electronic or sealed bids to be opened December 2, 2026, at 11:30 A.M. (E.T.) in the office of the Treasurer of the Issuer, 1151 Old Porter Pike, Bowling Green, Kentucky. This Official Statement is deemed final for the purposes of SEC Rule 15c2-12(b)(1). Delivery of the Series 2026E Bonds is expected on or about December 22, 2026.

RAYMOND JAMES®
Municipal Advisor

**Preliminary, subject to adjustment*

MATURITY SCHEDULE

$1,170,000*
RURAL WATER FINANCING AGENCY
PUBLIC PROJECTS REVENUE BONDS
(FLEXIBLE TERM PROGRAM), TAXABLE SERIES 2026E

CUSIP # 781741	Maturing August 1	Principal Amount*	Interest Rate	Yield	Price
	2027	$ 35,000	%	%	
	2028	100,000			
	2029	105,000			
	2030	110,000			
	2031	120,000			
	2032	125,000			
	2033	130,000			
	2034	140,000			
	2035	150,000			
	2036	155,000			

Bidding terms and conditions and the Rating Agency's report are attached at the end of this Preliminary Official Statement.

Bidders may require that a portion of the Series 2026E 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 August 1 of the years and in the principal amounts as determined by the Issuer.

*Preliminary, subject to adjustment

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesperson or other person has been authorized by the Issuer or the Municipal Advisor to give any information or to make any representations other than those contained herein in connection with the offering of the Series 2026E Bonds described herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Issuer or the Municipal Advisor.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2026E Bonds. Statements contained in this Official Statement, which involve estimates, forecasts or matters of opinion, whether or not expressly described herein, are intended solely as such and are not to be construed as representations of fact.

All quotations from and summaries and explanations or provisions of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions.

The information set forth in this Official Statement has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The Municipal Advisor has not made any independent verification of the information contained herein. The information and expressions of opinion herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

CUSIP numbers have been assigned to the Series 2026E Bonds by S&P's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and are included solely for the convenience of the bondowners. Neither the Issuer, the Municipal Advisor nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SERIES 2026E BONDS, NOR SHALL THERE BE ANY SALE OF ANY OF THE SERIES 2026E BONDS, BY ANY PERSON IN ANY JURISDICTION IN WHICH OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE.

This Official Statement contains statements which, to the extent they are not recitations of historical fact, constitute "forward-looking statements." In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "believe" and similar expressions are intended to identify forward-looking statements. A number of important factors affecting the Issuer's Program and financial results could cause actual results to differ materially from those stated in the forward-looking statements. This Official Statement includes the front cover page immediately preceding this page and all Appendices hereto.

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OFFICIAL STATEMENT

$1,170,000*
RURAL WATER FINANCING AGENCY
PUBLIC PROJECTS REVENUE BONDS
(FLEXIBLE TERM PROGRAM), TAXABLE SERIES 2026E

INTRODUCTION

This Official Statement, which includes the cover page and appendices, sets forth certain information relating to the issuance by the Rural Water Financing Agency (the "Issuer") in the aggregate principal amount of $1,170,000* of its Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E (the "Series 2026E Bonds").

The Series 2026E Bonds are being issued under authority of Chapter 58 and Sections 65.210 through 65.300 of the Kentucky Revised Statutes (collectively the "Act") and a Resolution of the Issuer, and will be issued pursuant to and secured by a Trust Indenture, dated as of April 4, 2001, as amended by the First Amendment to Trust Indenture dated as of June 1, 2023 (the "Authorizing Indenture") between the Issuer and Regions Bank, Nashville, Tennessee (the "Trustee") and per Supplemental Trust Indenture No. 105, dated December 22, 2026 (the "Supplemental Indenture No. 105"). The Series 2026E Bonds rank on a parity with the outstanding bonds listed in Appendix A hereto.

Hereinafter the Authorizing Indenture, as amended from time to time, indentures associated with the bonds listed in Appendix A hereto, including Supplemental Indenture No. 105, may be collectively referred to as the "Indenture".

Hereinafter the bonds listed in Appendix A hereto, including the Series 2026E Bonds shall be collectively referred to as the "Bonds".

The proceeds of the Bonds have been or are to be loaned to Borrowers (each a "Borrower" and collectively the "Borrowers") under the Flexible Term Program (as hereinafter defined and described) to finance or refinance the acquisition, construction, renovation, improvement and equipping public projects (each a "Project" and collectively the "Projects") described in various Assistance Agreements issued by the Borrowers for the benefit of the Issuer.

Under the Program, Borrowers are Governmental Agencies as defined in the Indenture. A "Governmental Agency" shall mean any Public Agency (as defined in Section 65.230 of the Kentucky Revised Statutes), agency or unit of government within any state of the United States, now having or hereafter granted the authority and power to finance, acquire, construct, and operate Projects; including specifically but not by way of limitation, incorporated cities, counties, sanitation districts, water districts, water commissions, public authorities, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of a state of the United States having and possessing such described powers.

**Preliminary, subject to adjustment*

Upon the issuance of the Series 2026E Bonds, the total outstanding principal amount of the Bonds issued for the Program will be approximately $582,845,000.

NEITHER THE COMMONWEALTH, THE ISSUER, NOR ANY OTHER MUNICIPAL CORPORATION, QUASI MUNICIPAL CORPORATION, SUBDIVISION, OR AGENCY OF THE COMMONWEALTH OF KENTUCKY IS OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NO TAX FUNDS OR GOVERNMENTAL REVENUE MAY BE USED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER ANY OR ALL OF THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF KENTUCKY, THE ISSUER, OR ANY OTHER MUNICIPAL CORPORATION, QUASI MUNICIPAL CORPORATION, SUBDIVISION, OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS.

Brief descriptions of the security for the Bonds, the Issuer and the Program are included in this Official Statement. THIS OFFICIAL STATEMENT AND ITS APPENDICES SHOULD BE READ IN THEIR ENTIRETY. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Indenture and the Assistance Agreements are qualified in their entirety by reference to such documents, and references herein to the Bonds are qualified in their entirety by reference to the forms thereof included in the Indenture, and the information with respect thereto in the aforementioned documents, copies of all of which are available for inspection at the designated corporate trust office of the Trustee. Capitalized terms used herein shall have the meanings specified in the Indenture and the Assistance Agreements unless otherwise indicated.

THE ISSUER

The Issuer

Since 1995, the Kentucky Rural Water Finance Corporation ("KRWFC") has issued short-term notes and long-term bonds as part of a program to assist rural water and sewer systems in the Commonwealth with financing the acquisition, construction, improvement and equipping of public projects and with refunding debt. Beginning in 2001, KRWFC established a pooled financing program (the "Flexible Term Program" or the "Program") that has allowed Borrowers, with varying projects sizes, access to the rated tax-exempt bond market through variable rate or fixed rate loans. The Flexible Term Program has a diverse portfolio of Borrowers and Projects. Loans may be for a variety of purposes to include capital construction, infrastructure line extensions, equipment, and other utility related appurtenances.

KRWFC issued from time to time, in one or more series, its Public Projects Revenue Bonds (Flexible Term Program) the proceeds of which were to make loans to Borrowers under the Flexible Term Program. KRWFC determined that by assigning its Flexible Term Program to a new interlocal agency established under the Act, additional borrowers in states other than the Commonwealth would be eligible to participate in and benefit from the Flexible Term Program. With the assistance and help of KRWFC, the Rural Water Financing Agency ("RWFA") was established and created as an interlocal agency under Kentucky law. RWFA has the authority to

issue its bonds and notes to assist borrowers with the acquisition, construction, improvement and equipping of public projects in the Commonwealth as well as in other states.

KRWFC desired to convey, transfer and assign to RWFA all of KRWFC's right, title and interest in and to the Flexible Term Program, so on February 2, 2023, the Board of Directors of KRWFC adopted a resolution in which it agreed to sell, transfer, convey, and assign to RWFA all of KRWFC's right, title, and interest in and to the assets of the Flexible Term Program.

On February 2, 2023, the Board of Directors of RWFA adopted a resolution accepting the assignment by KRWFC of the assets of the Flexible Term Program and to assume and perform, observe, and discharge all of the duties, obligations, responsibilities and undertakings of KRWFC, including the duties, obligations, responsibilities and undertakings of KRWFC under the Assistance Agreements and the Indenture, which may arise and accrue from and after the date of the transfer of the assets of the Flexible Term Program to RWFA.

General

RWFA was established as an interlocal agency of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky. The Issuer was organized for the purpose of providing a source of funding for interim and permanent financing of public projects to be undertaken by communities throughout the United States of America.

Upon the execution of the First Amendment to the Trust Indenture dated as of June 1, 2023, RWFA became, and assumed the duties of, the Issuer under the Indenture and the Assistance Agreements.

The Act authorizes the Issuer to issue its notes and bonds in an unlimited aggregate amount in order to accomplish its public purpose of making Loans available to Borrowers in order to assist in financing the acquisition and construction of Projects. The availability of such financing enables Borrowers to consolidate separate financing transactions of relatively small amounts into a single financing transaction by the Issuer, thus resulting in increased participation by the investing public, centralized debt management and other economies. The Issuer expects to issue future series of notes and bonds regularly for the benefit of participating Borrowers.

Governance

The governing body of the Issuer is a Board consisting of nine members. The eight members of the Board of Directors of the Kentucky Rural Water Association, Inc. (the "Association") and the Association's Executive Director constitute the Board of Directors of the Issuer. Five members of the Board of the Issuer constitute a quorum for the transaction of business.

The Issuer's directors and officers are as follows:

Russ Rose	Chairperson and Director
Christina O'Bryan	Vice Chairperson and Director
Scott Young	Secretary, Treasurer and Director
Gary Larimore	President and Ex-Officio Director
Bob Pack	Director
David Peterson	Director
Jon Blalock	Director
William Ballard	Director
Daren Thompson	Director
Stephen Whitaker	Director

The Board of Directors has appointed Gary Larimore as President of the Issuer. Mr. Larimore serves as the principal executive and administrative officer of the Issuer and is an *ex officio* and non-voting member of the Board of Directors. The office of the Issuer is located at 1151 Old Porter Pike, Bowling Green, Kentucky 42103.

SECURITY FOR THE BONDS

Pledge Under the Indenture

The Bonds are limited obligations of the Issuer payable solely from and secured, to the extent and as provided in the Indenture, by a pledge of: (1) all rights of the Issuer (other than Retained Rights) in the Assistance Agreements, including the right to receive, collect or claim any of the moneys, income, revenues, issues, profits and other amounts payable or receivable thereunder and to bring actions and proceedings thereunder or for the enforcement thereof; (2) all payments to be received by, or on behalf of, the Issuer from or in connection with the Assistance Agreements, together with all other Revenues, and all moneys and securities held by the Trustee in the Funds and Accounts established under the Indenture, together with investment earnings thereon as provided in the Indenture; and (3) any and all other property from time to time pledged or assigned as and for additional security under the Indenture by the Issuer to the Trustee.

Under the Indenture, the Issuer may lend and Borrowers may borrow pursuant to Assistance Agreements entered into from time to time. Payments by the Borrowers pursuant to the Assistance Agreements are designed to permit the Issuer to provide sufficient moneys to the Trustee to make the payments when due of principal of and interest on the Bonds, including the possible redemption of Bonds prior to maturity.

The Trustee may draw funds from the Debt Service Reserve Fund (the "Reserve Fund") of the Issuer to pay the principal of, and/or the interest on, the Bonds in the event payments for the Loans are insufficient to pay bondowners. In the event the Issuer is required to withdraw moneys from the Reserve Fund to pay the principal of and interest on the Bonds and any payments due from a borrower pursuant to its Assistance Agreement (the "Reserve Withdrawal"), the borrower shall pay to the Trustee, in each month, 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 Reserve Fund until such Reserve Withdrawal has been replenished. The Reserve

Fund has not been drawn upon by the Issuer to pay principal of and/or interest on the Bonds or any payments due from a borrower. As of the date of issuance of the Series 2026E Bonds it is anticipated that the value of the investments at maturity in the Reserve Fund is anticipated to be $53,082,732.

Trustee

Under the Indenture, Regions Bank has been appointed and serves as Trustee and Paying Agent for the Bonds.

THE BONDS

Liens Against Program Revenues

The Bonds are secured by an assignment to the Trustee of all of the Issuer's interests in the Assistance Agreements and the revenues of the Program (other than Retained Rights).

Description of the Series 2026E Bonds

The Series 2026E Bonds will accrue interest from the date of issuance, payable on February 1 and August 1 of each year, beginning August 1, 2027, and will mature on August 1 in the years set forth on the inside front cover of this Official Statement. The Series 2026E Bonds will bear interest at the interest rates set forth on the inside front cover of this Official Statement.

Interest on the Series 2026E Bonds shall be computed on the basis of a 360-day year consisting of twelve 30-day months.

Denomination and Payment of Bonds

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2026E Bonds. The Series 2026E Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as maybe requested by an authorized representative of DTC. One fully registered Bond certificate will be issued for each maturity of the Series 2026E Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC. So long as the Series 2026E Bonds are held in the book-entry only system, DTC (or a successor securities depository) or its nominee will be the registered owner or holder of the Series 2026E Bonds for all purposes of the Indenture, the Series 2026E Bonds and this Official Statement. See "Book-Entry Only System" below.

In the event that the Series 2026E Bonds are not held in a book-entry only system, the principal of and any premium on the Series 2026E Bonds will be payable when due to the persons in whose name the Series 2026E Bonds are registered (the "Holders") upon presentation and surrender thereof at the designated corporate trust office of the Trustee in Nashville, Tennessee. The principal of and premium, if any, and interest on the Bonds are payable in any coin or currency of the United States of America. The principal of and premium, if any, on the Bonds will be paid upon surrender thereof at the designated corporate trust office of the Trustee. Interest on each Series 2026E Bond shall be paid on the Interest Payment Date to the Person who is the Owner

thereof as shown on the Bond Register as of 5:00 p.m., Eastern Time, on the applicable Record Date, at the address of the Owner as it appears on the Record Date on the Bond Register. "Record Date" shall mean with respect to any Interest Payment Date, the close of business on the fifteenth day of the month preceding any Interest Payment Date, whether or not such Record Date is a Business Day. At the direction of an Owner of $1,000,000 or more of Series 2026E Bonds, payments of interest shall be made by electronic transfer by the Trustee in immediately available funds to an account in the United States designated in writing by such Owner to the Trustee not less than five days prior to the Interest Payment Date.

The Series 2026E Bonds will be issued in fully registered form in the denomination of $5,000 or any integral multiple of $5,000 ("Authorized Denominations").

Registration, Transfer and Exchange

The Trustee shall maintain books (the "Bond Register") for the registration and for the transfer of the Bonds.

Upon surrender for registration of transfer of any Bond at the principal office of the Trustee, the Trustee shall authenticate and shall deliver a new Bond or Bonds in the same aggregate principal amount as the Bond surrendered. No transfer of any Bond shall be binding upon the Trustee unless made at such office and shown on the Bond Register. Unless and until the Trustee notifies the Bondowners in writing of any change of Trustee or of any change of the designated corporate trust office thereof, the Trustee's principal office shall be 1600 Division Street, 9th Floor, Nashville, Tennessee 37203 Attention: Corporate Trust Administration.

The Trustee shall not be required to exchange or transfer any Bond or portion thereof which has been called for redemption.

Book-Entry Only System

The following information about the book-entry only system applicable to the Bonds has been supplied by DTC. The Issuer, the Trustee or the Underwriter make no representations, warranties or guarantees with respect to its accuracy or completeness.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

Redemption of the Series 2026E Bonds

Optional Redemption. The Series 2026E Bonds maturing on and prior to August 1, 2035, shall not be subject to redemption prior to maturity. The Series 2026E Bonds, maturing on or after August 1, 2036, are subject to redemption, in whole or in part, by the Issuer prior to their stated maturity, at any time falling on or after August 1, 2035 at a redemption price equal to 100% of the principal amount of the Series 2026E Bonds called for redemption, plus unpaid interest accrued to the date of redemption.

Extraordinary Optional Redemption. The Bonds shall be subject to redemption with Eligible Funds at the option and direction of the Issuer, as a whole or in part, at par plus accrued

interest to the redemption date, on the 95th day after the date the Trustee receives written notice of the occurrence of any of the following events:

(a) the Project (as defined in the Indenture) shall have been substantially damaged or destroyed to such extent that, in the opinion of the borrower filed with the Trustee and the Issuer, it is not practicable or economically feasible to rebuild, repair or restore the damaged property within a reasonable period of time and the borrower will be prevented from carrying out its normal operations for a period of at least six months, or

(b) a portion of the Project shall have been substantially damaged or destroyed to such extent that, in the opinion of the borrower filed with the Trustee and the Issuer, it is not practicable or economically feasible to rebuild, repair or restore that portion of the Project so damaged; provided however, that the Bonds called for redemption pursuant to this subparagraph shall not be redeemed in whole but shall be redeemed in part with the amount of funds remaining from the receipt of any insurance proceeds, after the costs of any other such repairs or restorations shall have been made, or

(c) title to or the temporary use of all or substantially all of the Project shall be taken under a valid and lawful exercise of the power of eminent domain such as results or is likely to result (in the reasonable opinion of the borrower), in the borrower being thereby prevented from carrying out its normal operations at the Project for a period of at least six consecutive months.

Notwithstanding anything herein to the contrary, no optional redemption or extraordinary optional redemption shall occur if such redemption shall lower any then existing rating on the Bonds.

Notice and Effect of Call for Redemption. The Trustee shall give notice of redemption or mandatory tender by first class mail, postage prepaid, mailed not less than 25 nor more than 45 days prior to the redemption date to each Owner of Bonds to be redeemed or tendered at the address of such Owner appearing in the Bond Register, and also to the Municipal Advisor and such other Persons as the Issuer shall deem appropriate.

Neither the failure of any Owner to receive notice mailed as provided herein nor any defect in notice so mailed shall affect the validity of the proceedings for redemption or mandatory tender in accordance with the Indenture.

All notices of redemption or mandatory tender shall state:

(i) the redemption date;

(ii) the redemption price (including premium, if any);

(iii) the name of the Bonds to be redeemed, the principal amount of Bonds to be redeemed, and, if less than all Outstanding Bonds are to be redeemed, the identification

(and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

(iv) the reason for the redemption;

(v) that on the redemption date, the redemption price, as appropriate, of each such Bond will become due and payable, that interest on each such Bond shall cease to accrue on and after such date, and that each such Bond will be deemed to have been redeemed or purchased, as the case may be;

(vi) the place or places where such Bonds must be surrendered for payment of the redemption price thereof; and

(vii) such additional information as the Issuer or the Trustee shall deem appropriate.

In the case for an optional redemption or an extraordinary optional redemption pursuant to the Indenture, the notice of redemption may state (i) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (ii) that the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional or extraordinary redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded in writing, and disseminated to each Owner of the Bonds in accordance with the procedures set forth in the Indenture, no later than 7 days prior to the redemption date.

Notice of redemption having been given as aforesaid, the Bonds so to be redeemed shall become due and payable on the redemption date at the redemption price specified, and on and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds shall cease to bear interest. Upon surrender of any such Bond for redemption in accordance with such notice, such Bond shall be paid at the redemption price thereof.

No Interest After Redemption Date. Notice of redemption having been given as provided in the Indenture, the Bonds or portions thereof designated for redemption shall become due and payable on the date fixed for redemption and, unless the Issuer defaults in the payment of the principal thereof, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption whether or not such Bonds are presented and surrendered for payment on such date. If any Bond or portion thereof called for redemption is not so paid upon presentation and surrender thereof for redemption, such Bond or portion thereof shall continue to bear interest at the rate set forth thereon until paid or until due provision is made for the payment of same.

THE PROGRAM

General

The Issuer is an interlocal agency of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky. The Issuer was organized for the

purpose of providing a source of funding for interim and permanent financing of public projects to be undertaken by public agencies throughout the United States.

The Issuer's Flexible Term Program is designed to allow Borrowers, with varying projects sizes, access to the rated tax-exempt bond market through variable rate or fixed rate borrowings. The Program is managed by the Issuer and administrators to assure cashflows and compliance with Program loan covenants and is structured to have a diverse portfolio of Borrowers and Projects located throughout the United States. Borrowers may borrow from the Program for a variety of purposes to include capital construction, infrastructure line extensions, equipment and other utility related appurtenances.

The Kentucky Rural Water Association (the "KRWA") serves as the Program Administrator. The Association is a statewide association that offers membership to water and wastewater utilities throughout the Commonwealth and associate membership to manufacturers, suppliers and other professionals serving member utilities. Since its creation in 1979, the Association has provided training, technical assistance, advocacy and a variety of other services to its membership as an affiliate to the National Rural Water Association. The Association has over 300 voting members consisting of cities, water and sewer districts, sanitation districts, water associations and water commissions.

The Program is reviewed and overseen by a Compliance Group consisting of Raymond James & Associates, Inc., or its successor in interest, KRWA and Rubin & Hays. The Compliance Group duties include the review and recommendation for funding of projects to the Issuer, maintaining the integrity of the Program's structure and cashflows and monitoring the portfolio of loans participating in the Program for compliance with rating criteria, then presently in existence, on the Bonds.

The Program's structure utilizes a Program level Reserve Fund, maintains a diverse portfolio of Borrowers. The Program requires loan borrowers to utilize the ACH Debit Direct Payment Method to make loan payments pursuant to the terms of a borrower's Assistance Agreement. Borrower loan payments are made 30 days in advance of the Program's need for a debt service payment on the Bonds. Since the Program's inception in 2001, no loan borrower has failed to make a loan payment.

The following table summarizes the funding of the Program and the amount of loans originated under the Program:

Program Summary

Total Bonds Issued for Program	$1,042,490,000
Total Loans Originated for Program	$913,060,000
Total Number of Loans Originated	386
Bonds Outstanding[1]	$582,845,000
Loans Outstanding[1]	$531,884,000
Number of Outstanding Loans	213
Bond Proceeds used to fund Reserve Fund	$50,960,000

[1]*Amounts as of the date of this Official Statement inclusive of the Bonds listed on Appendix B*

The Program level Reserve Fund, which is available to all borrowers, is structured and maintained assuming and utilizing certain default scenario requirements allowing for an over-collateralized loan portfolio and a debt service reserve that is greater than individual requirements for any single Borrower. The Program loan portfolio and the required Reserve Fund is monitored by the Compliance Group. As new loans are originated in the Program, the Compliance Group reviews each loan to maintain proper balance and diversification in the Program portfolio. Upon the issuance of the Series 2026E Bonds the value of the investments at maturity in the Reserve Fund is anticipated to be $53,082,732. The borrowers, their loan amounts, maturity dates and outstanding balances are detailed in Appendix B attached to this Official Statement.

Use of Proceeds of Series 2026E Bonds

At the time of the delivery of the Series 2026E Bonds or shortly thereafter the Issuer intends to agree to an Assistance Agreement with the following borrower in the approximate amount:

Borrower	**State**	**Principal Amount***
City of Mulga	Alabama	$1,170,000

**Preliminary, subject to adjustment*

Additional demographic and financial information regarding the borrower borrowing the proceeds of the Series 2026E Bonds and a description of the Project for which the proceeds of the Series 2026E Bonds are being used, is set forth in Appendix C attached to this Official Statement.

PROGRAM ADMINISTRATION

KRWA serves as the administrator of the Program (the "Program Administrator"). KRWA also serves as the program administrator for an interim construction program through the Rural Water Financing Agency, a Kentucky interlocal and public agency ("RWFA"), which provides funding for public agencies that have received a permanent loan commitment from the United States Department of Agriculture, Rural Development. The KRWA has administered over $1,000,000,000 of loans under the interim finance program.

SOURCES AND USES OF FUNDS

The following is a summary of the sources of funds, and the uses of such funds in connection with the plan of financing:

Sources of Funds:

Principal amount of the Series 2026E Bonds	$
Premium/Discount	
Total Sources of Funds	$

Uses of Funds:

Project Fund	$
Underwriter's Discount	
Costs of Issuance[1]	
Total Uses of Funds	$

[1]Includes Municipal Advisor, Bond Counsel, Trustee, and other issuance costs.

CERTAIN RISKS ASSOCIATED WITH THE BONDS

The following is a discussion of certain risks that could affect payments to be made with respect to the Bonds. Such discussion is not, and is not intended to be, exhaustive and should be read in conjunction with all other parts of this Official Statement and should not be considered as a complete description of all risks that could affect such payments. Prospective purchasers of the Bonds should analyze carefully the information contained in this Official Statement, including the Appendices hereto, and additional information in the form of the complete documents summarized herein and in Appendix D, copies of which are available as described herein.

1. *Security for the Bonds*. The Bonds are limited obligations of the Issuer payable exclusively out of the payments payable under the Assistance Agreement and, in certain circumstances, Bond proceeds and income from the temporary investment thereof. The Bonds are secured by a pledge by the Issuer of the Trust Estate to the Trustee in favor of the Bondowners in accordance with the Indenture. A brief description of the Trust Estate is contained in Appendix D.

2. *Default by a borrower under an Assistance Agreement*. No representation or assurance can be made that revenues will be realized by the borrower in amounts necessary to make the payments required under its Assistance Agreement. If the borrower is unable to make the payments required under the Assistance Agreement, the Trustee will have the right to declare an event of default under the Assistance Agreement and thereafter take such remedies and actions that might cause a redemption, tender or acceleration of all or a portion of the Series 2026E Bonds.

3. *Limitation on Enforcement of Remedies*. Enforcement of the remedies under the Indenture and any Assistance Agreement may be limited or restricted by laws relating to

bankruptcy and insolvency, and rights of creditors under application of general principles of equity, and may be substantially delayed in the event of litigation or statutory remedy procedures. All legal opinions delivered in connection with the Series 2026E Bonds relating to the enforceability exception relating to the limitations which may be imposed by bankruptcy and insolvency laws, and the rights of creditors under general principals of equity.

4. *Suitability of Investment*. An investment in the Series 2026E Bonds involves a certain degree of risk. The interest rate borne by the Series 2026E Bonds is intended to compensate the investor for assuming this element of risk. Prospective investors should carefully examine this Official Statement, including the Appendices hereto, and their ability to bear the economic risk of such an investment, and to determine whether or not the Series 2026E Bonds are an appropriate investment for them.

5. *General Factors Affecting Borrowers*. No representation or assurance can be made that revenues will be realized by any of the Borrowers in amounts necessary to make the payments required under the Assistance Agreements or to make other payments in amounts sufficient to pay the principal of and interest on the Series 2026E Bonds. Future revenues and expenses are subject to, among other things, the capabilities of the Borrowers and future economic and other conditions, which are unpredictable.

6. *Construction Risk*. Construction and development activities are subject to the usual risks associated with such projects, including, but not limited to, delays in the issuance of required permits or other necessary approvals, strikes, shortages of materials, adverse subsurface conditions and adverse weather conditions.

7. *Bond Ratings*. There is no assurance that the ratings assigned to the Series 2026E Bonds at the time of issuance will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for, and marketability of, the Series 2026E Bonds. See "BOND RATING" herein.

8. *Opinions of Legal Counsel*. The various legal opinions to be delivered concurrently with the delivery of the Series 2026E Bonds will be qualified, as to the enforceability of the various legal instruments by limitations imposed by the valid exercise of the constitutional powers of the Commonwealth of Kentucky and the United States of America and other governmental authorities, including police powers exercised for the benefit of the public health and welfare, and by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally, and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

The various legal opinions to be delivered concurrently with the delivery of the Series 2026E Bonds express the professional judgment of the attorneys rendering the opinions on the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Federal Tax

Interest on the Series 2026E Bonds will be subject to income taxation for federal income tax purposes.

Kentucky Tax Exemption

Under present law, the Series 2026E Bonds are exempt from ad valorem taxation and interest thereon is exempt from income taxation by the Commonwealth of Kentucky and any political subdivisions thereof.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale and delivery by the Issuer of the Series 2026E Bonds to the original purchasers thereof under existing laws were subject to the approving opinion of Rubin & Hays, Louisville, Kentucky, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel, Stoll Keenon & Ogden PLLC, Hodgenville, Kentucky.

ABSENCE OF LITIGATION

No litigation is pending or, to the knowledge of the Issuer, threatened in any court (i) to restrain or enjoin the issuance or delivery of the Series 2026E Bonds, or the collection of revenues pledged or to be pledged to pay the principal of and interest on the Series 2026E Bonds; (ii) in any way contesting or affecting the validity of the Series 2026E Bonds or the Indenture, or the power to collect and pledge the revenues to pay the Series 2026E Bonds, or contesting the power or authority of the Issuer to issue the Series 2026E Bonds; or (iii) which, if successful, would have a material adverse affect on the financial condition of the Issuer.

The Issuer will deliver a certificate at closing to the effect that there is no action, suit or proceedings known to be pending or threatened restraining or enjoining the execution or delivery of the Series 2026E Bonds or the Indenture or in any way contesting or affecting the validity of the foregoing.

DISCLOSURE COMPLIANCE

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the Issuer has agreed to provide or cause to be provided through a designated agent (the "Agent"), in a timely manner not in excess of 10 business days after the occurrence of such event, to the Electronic Municipal Market Access system ("EMMA") at http://www.emma.msrb.org, notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;

(b) non-payment related defaults, if material;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds;
(g) modifications to rights of the bondowners, if material;
(h) Bond calls, if material and tender offers;
(i) defeasances;
(j) release, substitution or sale of property securing repayment of the Bonds, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the Issuer or the borrowers;
(m) consummation of a merger, consolidation, or acquisition involving the Issuer or the borrowers or the sale of all or substantially all of the assets of the Issuer or the borrowers, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect Bondowners, if material; and/or
(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that such other event is material with respect to the Bonds, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

The Issuer also agrees to provide to EMMA, in accordance with the Rule, its Annual Financial Report (the "Annual Report") which contains certain annual financial data of the Program consisting of Program debt service requirements, cash flows and revenues which may be available for debt service, the Issuer's audited financial statements prepared in accordance with generally accepted accounting principles ("GAAP"), and a list of the Program's existing and former borrowers generally consistent with the information contained in Appendix B. The Annual Report shall be available by no later than June 30 after the end of each Program year (December 31), beginning with the Program year ending December 31, 2026 and each Program year thereafter.

If the Issuer is unable to provide to EMMA an Annual Report by the date required in the Indenture, then the Issuer shall send a notice to EMMA notifying it of the inability, at that time, to file the Annual Report.

If the Issuer's fiscal year changes, then the Issuer shall send a notice of such change to EMMA. If such change will result in the Issuer's fiscal year ending on a date later than the ending date prior to such change, the Issuer shall provide notice of such change to EMMA on or prior to the deadline for filing the Annual Report in effect when the Issuer operated under its prior fiscal year. Such notice may be provided to EMMA, along with the Annual Report, provided that it is filed at or prior to the deadline described above.

On June 1, 2023, the Kentucky Rural Water Finance Corporation ("KRWFC") assigned its Flexible Term Program (the "Flex Term Program") to the Issuer. In its continuing disclosure undertakings, KRWFC agreed to file its Internal Audit and Program Data on or before June 30 following the end of each fiscal year (December 31). The Issuer assumed and agreed to perform, observe, and discharge all the duties, obligations, responsibilities and undertakings of KRWFC, including the duties, obligations, responsibilities and undertakings of KRWFC relating to the Flex Term Program. RWFA timely filed the Internal Audit and Program Data for FY 2023 (the "2023 Filing") for Flex Term Program bonds issued by the Issuer but inadvertently failed to connect the 2023 Filing to the Flex Term Program bonds issued by KRWFC. On September 6, 2023, sixty-eight (68) days after the required filing date, the Issuer connected the 2023 Filing to the Flex Term Program bonds issued by KRWFC.

Other than as stated above, as of the date of this Official Statement, the Issuer is in material compliance with the reporting requirements of the Rule for all undertakings for which they are an "obligated person" as defined in the Rule. Except as described above, for the previous five year period, the Issuer, to the best of its knowledge, believes that it has materially complied with the reporting requirements of the Rule for its previous undertakings.

Financial information regarding the Issuer can be obtained from the Treasurer of the Issuer, 1151 Old Porter Pike, Bowling Green, Kentucky 42103.

The obligations of the Issuer described above will remain in effect only for such period that (i) the Bonds are outstanding in accordance with their terms and (ii) that Issuer remains an obligated person with respect to the Bonds within the meaning of the Rule. The Issuer reserves the right to terminate its obligation to provide notices of material events, as set forth above, if and when the Issuer no longer remains an obligated person with respect to the Bonds within the meaning of the Rule. The Issuer acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Bondowners (including holders of beneficial interests in the Bonds).

The requirements for disclosure in the Indenture may be amended, if the Issuer receives an opinion of independent legal counsel to the effect that:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the types of activities in which the Issuer is engaged;

(ii) the amendment would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) such amendment does not materially impair the interests of the Bondowners.

In the event of a failure of the Issuer to comply with the disclosure requirements set forth in the Indenture, any Bondowner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under the Indenture. A default in compliance with the disclosure requirements under the Indenture shall not be deemed an Event of Default under the Indenture, and the sole remedy under the Indenture in the event of any failure of the Issuer to comply with the disclosure requirements shall be an action to compel performance.

RATING

The Series 2026E Bonds have been assigned a rating of "AA-" by S&P Global Ratings ("S&P") based upon the underlying credit of the Program. This rating reflects only the views of S&P, and any explanation of the significance of this rating must be obtained from S&P. There is no assurance that this rating will continue for any given period or that it will not be revised or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Bondowners or prospective Bondowners should contact the Underwriter for information on the then current rating(s), if any, on the Series 2026E Bonds.

Additionally, due to the ongoing uncertainty regarding the debt of the United States of America, including without limitation, the general economic conditions in the country, and other political and economic developments that may affect the financial condition of the United States government, the United States debt limit, and the bond ratings of the United States and its instrumentalities, obligations issued by state and local governments, such as the Series 2026E Bonds, could be subject to a rating downgrade. Furthermore, if a significant default or other financial crisis should occur in the affairs of the United States or of any of its agencies or political subdivisions, then such event could also adversely affect the market for and ratings, liquidity, and market value of outstanding debt obligations, such as the Series 2026E Bonds.

MUNICIPAL ADVISOR

Raymond James & Associates, Inc. (the "Municipal Advisor") has been employed as Municipal Advisor in connection with the issuance of the Series 2026E Bonds. The Municipal Advisor will solicit bids for the purchase of the Series 2026E Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2026E Bonds is contingent upon the issuance and delivery thereof. In this capacity, the Municipal Advisor has compiled certain data relating to the Series 2026E Bonds that is contained in this Official Statement. The Municipal Advisor is not obligated to undertake, and has not undertaken, either to make an independent

verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement.

The Municipal Advisor and/or its parent or affiliates may receive additional fees for providing services as the investment broker or bidding agent with respect to the proceeds of the Series 2026E Bonds.

UNDERWRITING

_____ (the "Underwriter") has agreed to purchase the Series 2026E Bonds from the Issuer at a purchase price equal to $_____, which represents the aggregate principal amount of the Series 2026E Bonds less the Underwriter's discount. The Underwriter is committed to purchase all of the Series 2026E Bonds if any are purchased. The Series 2026E Bonds are offered for sale to the public at the initial prices stated on the inside cover page of this Official Statement. The initial public offering prices set forth on the inside cover page may be changed at any time by the Underwriter. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2026E Bonds to the public.

MISCELLANEOUS

The references herein to the Act, the Indenture, as supplemented and amended, and the Assistance Agreements are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of the provisions thereof, reference is made to the Act, the Indenture, as supplemented and amended, and the Assistance Agreements. Copies of such documents are on file at the offices of the Municipal Advisor and at the office of the Trustee.

The agreement of the Issuer with the Bondowners is fully set forth in the Indenture, and neither any advertisement of the Series 2026E Bonds nor this Official Statement is to be construed as constituting an agreement with the purchaser of the Series 2026E Bonds. Statements made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, are intended merely as such and not as representations of act.

The Issuer certifies that to its best knowledge and belief, this Official Statement, insofar as it pertains to the Issuer and the borrowers and their financial condition, is true and correct as of its date, and does not contain any untrue statement of a material fact, or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. All information contained in the Official Statement, other than that provided by the Issuer or its borrowers, is subject in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of such information. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Upon delivery of the Series 2026E Bonds, the purchaser thereof will be furnished with certificates of the Issuer certifying that (i) at the time of the sale of the Series 2026E Bonds and all times subsequent thereto, up to and including the time of delivery of the Series 2026E Bonds, the

Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) the proceeds for the purchase of the Series 2026E Bonds have been received; (iii) the Series 2026E Bonds have been duly executed by appropriate officers of the Issuer; (iv) no litigation of any nature is pending, threatened or enjoining the issuance and delivery of the Series 2026E Bonds; (v) neither the corporate existence nor the title of the signers to their respective offices is being contested; and (vi) no authority or proceedings for the issuance of the Series 2026E Bonds have been repealed, revoked or rescinded.

This Official Statement has been duly approved, executed and delivered by the Issuer on the date as set forth on the front cover of this Official Statement. The Cover Page hereof and the Appendices hereto are integral parts of this Official Statement and must be read together with all of the foregoing statements.

RURAL WATER FINANCING AGENCY

By */s/ Gary Larimore*
President

Attest:

By */s/ Scott Young*
Secretary

APPENDIX A

Rural Water Financing Agency
Flexible Term Finance Program
Outstanding Parity Bonds

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RURAL WATER FINANCING AGENCY
FLEXIBLE TERM FINANCE PROGRAM
PROGRAM SUMMARY - BONDS OUTSTANDING
(Note: Series 2001 A - 2022 D were issued by the Kentucky Rural Water Finance Corporation)

Bonds by Series	Original Par Amount	Outstanding Bonds	Delivery Date	Final Maturity
Series 2005 B	4,855,000	1,665,000	October 19, 2005	February 1, 2035
Series 2006 D	5,765,000	1,965,000	May 31, 2006	August 1, 2035
Series 2007 A	12,355,000	1,489,000	January 30, 2007	February 1, 2036
Series 2007 D	5,570,000	140,000	July 30, 2007	August 1, 2027
Series 2008 C	7,300,000	130,000	May 29, 2008	February 1, 2030
Series 2010 B	16,720,000	1,940,000	May 13, 2010	February 1, 2030
Series 2010 C	7,615,000	965,000	June 10, 2010	February 1, 2032
Series 2011 B	3,130,000	295,000	April 12, 2011	February 1, 2031
Series 2011 C	5,935,000	165,000	November 10, 2011	August 1, 2031
Series 2012 B	9,990,000	755,000	March 28, 2012	February 1, 2040
Series 2012 C	8,695,000	1,685,000	May 2, 2012	February 1, 2040
Series 2012 D	15,975,000	5,565,000	May 30, 2012	February 1, 2041
Series 2012 E	14,555,000	1,735,000	August 29, 2012	August 1, 2039
Series 2012 F	11,715,000	1,445,000	November 13, 2012	February 1, 2040
Series 2012 G	4,005,000	1,575,000	December 18, 2012	February 1, 2043
Series 2013 B	17,365,000	4,380,000	February 27, 2013	February 1, 2037
Series 2013 C	21,765,000	5,970,000	March 27, 2013	February 1, 2043
Series 2013 D	6,500,000	1,960,000	June 5, 2013	August 1, 2043
Series 2014 B	580,000	300,000	April 10, 2014	February 1, 2034
Series 2015 B	11,710,000	5,975,000	February 19, 2015	February 1, 2041
Series 2015 C	5,290,000	2,655,000	March 10, 2015	February 1, 2041
Series 2015 E	8,910,000	4,475,000	May 12, 2015	February 1, 2045
Series 2016 B	8,440,000	2,310,000	May 12, 2016	February 1, 2030
Series 2016 C	2,030,000	1,230,000	October 18, 2016	August 1, 2042
Series 2016 D	8,315,000	5,710,000	November 30, 2016	February 1, 2047
Series 2017 A	7,010,000	5,340,000	July 11, 2017	February 1, 2047
Series 2019 B	4,855,000	3,495,000	August 8, 2019	August 1, 2045
Series 2020 A	12,635,000	9,720,000	January 7, 2020	February 1, 2051
Series 2020 C	12,160,000	9,815,000	March 17, 2020	February 1, 2049
Series 2020 D	9,940,000	7,990,000	May 6, 2020	February 1, 2050
Series 2020 E	11,375,000	8,535,000	September 23, 2020	February 1, 2050
Series 2020 G	8,090,000	6,350,000	October 13, 2020	August 1, 2048
Series 2020 H	6,535,000	6,535,000	December 17, 2020	February 1, 2044
Series 2020 I	11,060,000	9,025,000	December 29, 2020	February 1, 2050
Series 2021 A	8,585,000	6,010,000	June 8, 2021	February 1, 2047
Series 2021 B	5,830,000	4,530,000	July 22, 2021	August 1, 2050
Series 2021 C	6,760,000	5,455,000	July 27, 2021	August 1, 2051
Series 2021 D	10,015,000	7,770,000	October 19, 2021	August 1, 2044
Series 2022 A	14,820,000	12,610,000	January 27, 2022	February 1, 2050
Series 2022 C	1,650,000	1,330,000	August 25, 2022	August 1, 2037
Series 2024 A	3,495,000	3,190,000	February 5, 2024	February 1, 2039
Series 2024 B	2,690,000	2,620,000	May 7, 2024	February 1, 2054
Series 2024 C	21,725,000	21,105,000	July 9, 2024	August 1, 2054
Series 2024 E	1,975,000	1,785,000	October 4, 2024	August 1, 2039
Series 2025 B	19,020,000	18,740,000	March 26, 2025	February 1, 2055
Series 2025 C	53,885,000	53,395,000	June 30, 2025	February 1, 2055
Series 2025 D	22,985,000	2,985,000	July 17, 2025	July 15, 2027
Series 2025 E	42,505,000	42,190,000	September 30, 2025	August 1, 2055
Series 2025 F	5,210,000	5,210,000	September 30, 2025	August 1, 2028
Series 2025 G	7,520,000	7,420,000	September 30, 2025	August 1, 2055
Series 2025 H	43,745,000	43,365,000	December 18, 2025	August 1, 2055
Series 2025 I	22,875,000	22,875,000	December 18, 2025	August 1, 2028
Series 2025 J	1,700,000	1,700,000	December 18, 2025	August 1, 2046
Series 2026 A	40,985,000	40,980,000	March 31, 2026	February 1, 2056
Series 2026 B	42,675,000	42,675,000	July 28, 2026	February 1, 2056
Series 2026 C	9,665,000	9,665,000	June 30, 2026	February 1, 2039
Series 2026 D	24,985,000	24,985,000	September 29, 2026	August 1, 2056
Series 2026 E	1,170,000	1,170,000	December 22, 2026	August 1, 2036
Series 2026 F	47,445,000	47,445,000	December 22, 2026	August 1, 2056
Series 2026 G	28,355,000	28,355,000	December 22, 2026	August 1, 2056
	801,015,000	**582,844,000**		

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APPENDIX B

Rural Water Financing Agency
Flexible Term Finance Program
Debt Service Reserve and Program Summary

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RURAL WATER FINANCING AGENCY
FLEXIBLE TERM FINANCE PROGRAM
PROGRAM PARTICIPANT SUMMARY - OUTSTANDING LOANS

Participant - Loan Summary	State	Series	Original Loan	Outstanding	Delivery Date	Final Maturity
Bullock Pen Water District	KY	Series 2005 B	290,000	84,000	October 19, 2005	February 1, 2031
Bullock Pen Water District	KY	Series 2005 B	514,000	151,000	October 19, 2005	February 1, 2031
Cumberland County Water District	KY	Series 2005 B	107,000	32,000	October 19, 2005	February 1, 2031
Wood Creek Water District	KY	Series 2005 B	3,594,000	1,048,000	October 19, 2005	February 1, 2031
Shepherdsville	KY	Series 2006 D	5,385,000	1,585,000	May 31, 2006	August 1, 2031
Corydon Sewer System	KY	Series 2007 A	809,000	307,000	January 30, 2007	February 1, 2033
South Woodford Water District	KY	Series 2007 A	490,000	167,000	January 30, 2007	February 1, 2032
Wood Creek Water District	KY	Series 2007 A	2,086,000	1,015,000	January 30, 2007	February 1, 2036
Muhlenberg County Water District	KY	Series 2007 D	1,895,000	140,000	July 30, 2007	August 1, 2027
Crittenden-Livingston Water District	KY	Series 2008 C	4,998,000	130,000	May 29, 2008	February 1, 2030
Henry County Water District 2	KY	Series 2010 B	5,663,000	640,000	May 13, 2010	February 1, 2028
Hopkinsville Water Environmental Authority	KY	Series 2010 B	3,588,000	940,000	May 13, 2010	February 1, 2030
Mt. Vernon	KY	Series 2010 B	2,428,000	360,000	May 13, 2010	February 1, 2028
East Clark Water District	KY	Series 2010 C	740,000	195,000	June 10, 2010	February 1, 2030
Manchester	KY	Series 2010 C	2,175,000	420,000	June 10, 2010	February 1, 2030
North Mercer Water District	KY	Series 2010 C	1,790,000	350,000	June 10, 2010	February 1, 2032
Caveland Environmental Authority	KY	Series 2011 B	855,000	295,000	April 12, 2011	February 1, 2031
East Clark Water District	KY	Series 2011 C	520,000	165,000	November 10, 2011	August 1, 2031
South Anderson Water District	KY	Series 2012 B	2,040,000	755,000	March 28, 2012	February 1, 2040
Dawson Springs	KY	Series 2012 C	970,000	150,000	May 2, 2012	February 1, 2028
Springfield	KY	Series 2012 C	2,575,000	1,535,000	May 2, 2012	February 1, 2040
Allen County Water District	KY	Series 2012 D	2,935,000	1,525,000	May 30, 2012	February 1, 2038
Edmonson County Water District	KY	Series 2012 D	2,900,000	1,290,000	May 30, 2012	February 1, 2036
McCreary County Water District	KY	Series 2012 D	4,800,000	2,750,000	May 30, 2012	February 1, 2041
Barkley Lake Water District	KY	Series 2012 E	1,425,000	585,000	August 29, 2012	August 1, 2033
Hyden-Leslie Water District	KY	Series 2012 E	600,000	90,000	August 29, 2012	August 1, 2028
Jessamine County Water Disitrict	KY	Series 2012 E	1,085,000	640,000	August 29, 2012	August 1, 2039
Western Pulaksi County Water District	KY	Series 2012 E	2,115,000	420,000	August 29, 2012	August 1, 2035
LaRue Water District No. 1	KY	Series 2012 F	2,680,000	1,445,000	November 13, 2012	February 1, 2040
Butler County Water Association	KY	Series 2012 G	3,075,000	1,105,000	November 27, 2012	February 1, 2034
Kirksville Water Association	KY	Series 2012 G	775,000	235,000	November 27, 2012	February 1, 2039
Christian Co. Water District	KY	Series 2013 B	1,755,000	310,000	February 27, 2013	February 1, 2029
Edmonson County Water District	KY	Series 2013 B	1,960,000	310,000	February 27, 2013	February 1, 2028
Grayson County Water District	KY	Series 2013 B	1,990,000	120,000	February 27, 2013	February 1, 2027
Henry County Water District 2	KY	Series 2013 B	2,760,000	870,000	February 27, 2013	February 1, 2032
McCreary County Water District	KY	Series 2013 B	1,415,000	170,000	February 27, 2013	February 1, 2030
US 60 Water District	KY	Series 2013 B	490,000	60,000	February 27, 2013	February 1, 2032
Warren County Water District	KY	Series 2013 B	1,975,000	175,000	February 27, 2013	February 1, 2028
Big Sandy Water District	KY	Series 2013 C	910,000	105,000	March 27, 2013	February 1, 2029
Caveland Environmental Authority	KY	Series 2013 C	1,250,000	45,000	March 27, 2013	February 1, 2027
Crittenden-Livingston Water District	KY	Series 2013 C	2,090,000	1,345,000	March 27, 2013	February 1, 2040
Crittenden-Livingston Water District	KY	Series 2013 C	3,690,000	860,000	March 27, 2013	February 1, 2029
Fulton	KY	Series 2013 C	840,000	70,000	March 27, 2013	February 1, 2027
Green River Valley Water District	KY	Series 2013 C	3,795,000	125,000	March 27, 2013	February 1, 2028
Lyon County Water District	KY	Series 2013 C	1,305,000	720,000	March 27, 2013	February 1, 2040
Burnside	KY	Series 2013 D	695,000	340,000	June 5, 2013	August 1, 2036
Central City	KY	Series 2013 D	895,000	150,000	June 5, 2013	August 1, 2028
Columbia/Adair Utilities	KY	Series 2013 D	3,780,000	1,100,000	June 5, 2013	August 1, 2040
Caveland Environmental Authority	KY	Series 2014 B	545,000	265,000	April 10, 2014	February 1, 2034
East Laurel Water District	KY	Series 2015 B	1,835,000	910,000	February 19, 2015	February 1, 2039
East Pendleton Water District	KY	Series 2015 B	895,000	190,000	February 19, 2015	February 1, 2041
Knox County Utility Authority	KY	Series 2015 B	2,485,000	1,500,000	February 19, 2015	February 1, 2039
Magoffin County Water District	KY	Series 2015 B	1,695,000	890,000	February 19, 2015	February 1, 2041
Pendleton County Water District	KY	Series 2015 B	1,210,000	765,000	February 19, 2015	February 1, 2041
Wood Creek Water District	KY	Series 2015 B	2,780,000	975,000	February 19, 2015	February 1, 2038
Fleming County Water Association	KY	Series 2015 C	790,000	395,000	March 10, 2015	February 1, 2037
Lake Village Water Association	KY	Series 2015 C	1,160,000	535,000	March 10, 2015	February 1, 2041
Southeastern Water Association	KY	Series 2015 C	2,980,000	1,365,000	March 10, 2015	February 1, 2041
Hardinsburg	KY	Series 2015 E	2,395,000	415,000	May 12, 2015	February 1, 2033
Martin County Water District	KY	Series 2015 E	2,010,000	1,385,000	May 12, 2015	February 1, 2045
Nicholas County Water District	KY	Series 2015 E	1,775,000	1,030,000	May 12, 2015	February 1, 2040

Participant - Loan Summary	State	Series	Original Loan	Outstanding	Delivery Date	Final Maturity
Springfield	KY	Series 2015 E	2,095,000	1,195,000	May 12, 2015	February 1, 2043
Christian Co. Water District	KY	Series 2016 B	3,281,000	725,000	May 12, 2016	February 1, 2030
Warren County Water District	KY	Series 2016 B	2,295,000	745,000	May 12, 2016	February 1, 2030
Augusta, City of	KY	Series 2016 C	1,150,000	620,000	October 18, 2016	August 1, 2035
Pineville Utilities Commssion	KY	Series 2016 C	345,000	195,000	October 18, 2016	August 1, 2036
Pineville Utilities Commssion	KY	Series 2016 C	400,000	280,000	October 18, 2016	August 1, 2042
Caveland Environmental Authority	KY	Series 2016 D	800,000	495,000	November 30, 2016	February 1, 2036
Jessamine South Elkhorn Water District	KY	Series 2016 D	470,000	200,000	November 30, 2016	February 1, 2031
Morgan County Water District	KY	Series 2016 D	1,330,000	870,000	November 30, 2016	February 1, 2042
North Mercer Water District	KY	Series 2016 D	1,845,000	1,295,000	November 30, 2016	February 1, 2043
Stanford, City of	KY	Series 2016 D	3,390,000	2,370,000	November 30, 2016	February 1, 2047
Bloomfield	KY	Series 2017 A	965,000	685,000	July 11, 2017	February 1, 2040
Bullitt County Sanitation District	KY	Series 2017 A	775,000	625,000	July 11, 2017	February 1, 2047
Gallatin County Water District	KY	Series 2017 A	1,180,000	640,000	June 27, 2017	February 1, 2039
Prestonsburg	KY	Series 2017 A	3,625,000	2,925,000	July 11, 2017	February 1, 2047
Grayson County Water District	KY	Series 2019 B	1,070,000	800,000	August 8, 2019	August 1, 2039
Monticello Utilities	KY	Series 2019 B	815,000	615,000	August 8, 2019	August 1, 2040
Monticello Utilities	KY	Series 2019 B	2,640,000	1,750,000	August 8, 2019	August 1, 2044
Big Sandy Water District	KY	Series 2020 A	1,265,000	605,000	January 7, 2020	February 1, 2037
Greenup County Environmental Commission	KY	Series 2020 A	3,565,000	2,265,000	January 7, 2020	February 1, 2034
Ohio County Water District	KY	Series 2020 A	7,335,000	6,380,000	January 7, 2020	February 1, 2050
Big Sandy Water District	KY	Series 2020 C	465,000	350,000	March 17, 2020	February 1, 2040
Caveland Environmental Authority	KY	Series 2020 C	1,420,000	1,170,000	March 17, 2020	February 1, 2045
Edmonson County Water District	KY	Series 2020 C	3,325,000	2,775,000	March 17, 2020	February 1, 2048
Gallatin County Water District	KY	Series 2020 C	1,590,000	1,340,000	March 17, 2020	February 1, 2047
Springfield	KY	Series 2020 C	1,405,000	1,170,000	March 17, 2020	February 1, 2046
Todd County Water District	KY	Series 2020 C	2,430,000	1,930,000	March 17, 2020	February 1, 2042
Vine Grove	KY	Series 2020 C	810,000	365,000	March 17, 2020	February 1, 2030
Green River Valley Water District	KY	Series 2020 D	5,060,000	4,005,000	May 6, 2020	February 1, 2044
Paintsville	KY	Series 2020 D	3,115,000	2,465,000	May 6, 2020	February 1, 2040
Warsaw, City of	KY	Series 2020 D	1,170,000	925,000	May 6, 2020	February 1, 2050
Bracken County Water District	KY	Series 2020 E	2,090,000	740,000	September 23, 2020	February 1, 2044
Cumberland County Water District	KY	Series 2020 E	1,560,000	1,065,000	September 23, 2020	February 1, 2049
Hyden (City of)	KY	Series 2020 E	205,000	180,000	September 23, 2020	February 1, 2050
Laurel County Water District #2	KY	Series 2020 E	5,815,000	5,075,000	September 23, 2020	February 1, 2050
McCreary County Water District	KY	Series 2020 E	495,000	445,000	September 23, 2020	February 1, 2050
McCreary County Water District	KY	Series 2020 E	1,210,000	1,030,000	September 23, 2020	February 1, 2048
Bracken County Water District	KY	Series 2020 G	985,000	765,000	October 13, 2020	August 1, 2040
Christian Co. Water District	KY	Series 2020 G	1,595,000	1,370,000	October 13, 2020	August 1, 2048
Columbia/Adair Utilities	KY	Series 2020 G	5,110,000	4,215,000	October 13, 2020	August 1, 2045
Barkley Lake Water District	KY	Series 2020 I	5,070,000	3,900,000	December 29, 2020	February 1, 2050
Caveland Environmental Authority	KY	Series 2020 I	1,500,000	1,210,000	December 29, 2020	February 1, 2040
Greater Fleming Co. Water Comm.	KY	Series 2020 I	2,525,000	2,165,000	December 29, 2020	February 1, 2045
Vine Grove	KY	Series 2020 I	1,965,000	1,750,000	December 29, 2020	February 1, 2050
Fleming Neon Water System	KY	Series 2021 A	495,000	325,000	June 8, 2021	February 1, 2047
Rattlesanke Ridge Water District	KY	Series 2021 A	3,170,000	2,450,000	June 8, 2021	February 1, 2044
Simpson County Water District	KY	Series 2021 A	1,495,000	990,000	June 8, 2021	February 1, 2034
Warren County Water District	KY	Series 2021 A	2,930,000	1,750,000	June 8, 2021	February 1, 2039
Butler County Water Association	KY	Series 2021 B	855,000	595,000	July 22, 2021	August 1, 2036
Lake Village Water Association	KY	Series 2021 B	2,250,000	1,955,000	July 22, 2021	August 1, 2050
Rowan Water Association	KY	Series 2021 B	2,400,000	1,655,000	July 22, 2021	August 1, 2044
Central City	KY	Series 2021 C	1,670,000	1,465,000	July 27, 2021	August 1, 2051
LaGrange Utilities Commssion	KY	Series 2021 C	1,400,000	1,110,000	July 27, 2021	August 1, 2041
Taylorsville	KY	Series 2021 C	3,320,000	2,510,000	July 27, 2021	August 1, 2042
Carroll County Water District	KY	Series 2021 D	2,880,000	2,240,000	October 19, 2021	August 1, 2042
Christian Co. Water District	KY	Series 2021 D	1,915,000	1,465,000	October 19, 2021	August 1, 2038
Grayson County Water District	KY	Series 2021 D	2,070,000	1,440,000	October 19, 2021	August 1, 2034
Todd County Water District	KY	Series 2021 D	1,085,000	560,000	October 19, 2021	August 1, 2032
LaGrange Utilities Commssion	KY	Series 2022 A	2,965,000	2,345,000	January 27, 2022	February 1, 2037
Mountain Water District	KY	Series 2022 A	5,580,000	4,400,000	January 27, 2022	February 1, 2045
Rochester Dam Regional Commission	KY	Series 2022 A	1,005,000	915,000	January 27, 2022	February 1, 2050
Scottsville	KY	Series 2022 A	3,640,000	3,320,000	January 27, 2022	February 1, 2050
Caveland Environmental Authority	KY	Series 2022 C	505,000	395,000	August 25, 2022	August 1, 2037
Vine Grove	KY	Series 2022 C	985,000	775,000	August 25, 2022	August 1, 2037
Vine Grove	KY	Series 2024 A	3,145,000	2,840,000	February 5, 2024	February 1, 2039

Participant - Loan Summary	State	Series	Original Loan	Outstanding	Delivery Date	Final Maturity
Clay City	IN	Series 2024 B	1,115,000	1,090,000	May 7, 2024	February 1, 2054
Hutsonville, Village of	IL	Series 2024 B	700,000	675,000	May 7, 2024	February 1, 2049
Louisville, Village of	IL	Series 2024 B	715,000	695,000	May 7, 2024	February 1, 2049
Bracken County Water District	KY	Series 2024 C	320,000	310,000	July 9, 2024	August 1, 2054
Paintsville	KY	Series 2024 C	7,275,000	7,040,000	July 9, 2024	August 1, 2044
Taylor West Weber Water Imp District	UT	Series 2024 C	10,275,000	9,970,000	July 9, 2024	August 1, 2054
Western Mason Water District	KY	Series 2024 C	2,285,000	2,215,000	July 9, 2024	August 1, 2054
Stanford, City of	KY	Series 2024 E	1,975,000	1,785,000	October 4, 2024	August 1, 2039
Kouts	IN	Series 2025 B	10,410,000	10,250,000	March 26, 2025	February 1, 2055
Mercer County Sanitation District	KY	Series 2025 B	145,000	140,000	March 26, 2025	February 1, 2045
Sikeston	MO	Series 2025 B	7,380,000	7,265,000	March 26, 2025	February 1, 2055
Borough of Ashland	PA	Series 2025 C	1,080,000	1,060,000	June 30, 2025	February 1, 2055
Borough of Midland	PA	Series 2025 C	2,595,000	2,595,000	June 30, 2025	February 1, 2045
Butler County Library District	KY	Series 2025 C	4,895,000	4,440,000	June 30, 2025	February 1, 2055
Carroll County Public Water Supply District #1	MO	Series 2025 C	9,210,000	9,210,000	June 30, 2025	February 1, 2055
Caveland Environmental Authority	KY	Series 2025 C	490,000	490,000	June 30, 2025	February 1, 2031
Caveland Environmental Authority	KY	Series 2025 C	790,000	790,000	June 30, 2025	February 1, 2045
City of Aliquippa	PA	Series 2025 C	2,595,000	2,595,000	June 30, 2025	February 1, 2045
City of Marion	KS	Series 2025 C	985,000	985,000	June 30, 2025	February 1, 2035
City of Taylorsville	KY	Series 2025 C	1,545,000	1,545,000	June 30, 2025	February 1, 2040
Fairview City	UT	Series 2025 C	1,465,000	1,465,000	June 30, 2025	February 1, 2055
Mahanoy City Sewer Authority	PA	Series 2025 C	8,475,000	8,475,000	June 30, 2025	February 1, 2049
McKinney Water District	KY	Series 2025 C	845,000	845,000	June 30, 2025	February 1, 2055
Mitchell County Rural Water District #2	KS	Series 2025 C	1,240,000	1,240,000	June 30, 2025	February 1, 2055
Municipal Authority of the Borough of Midland	PA	Series 2025 C	4,260,000	4,260,000	June 30, 2025	February 1, 2055
Ohio County Water District	KY	Series 2025 C	5,695,000	5,695,000	June 30, 2025	February 1, 2055
Phelps Special Utility District	TX	Series 2025 C	1,380,000	1,365,000	June 30, 2025	February 1, 2055
Town of Hamlet	IN	Series 2025 C	1,800,000	1,800,000	June 30, 2025	February 1, 2055
Van Buren County Public Water Authority	AR	Series 2025 C	760,000	760,000	June 30, 2025	February 1, 2045
Warren County Water District	KY	Series 2025 D	22,985,000	2,985,000	July 17, 2025	July 15, 2027
Alva Arena Authority	OK	Series 2025 E	27,425,000	27,425,000	September 30, 2025	August 1, 2050
Dogwood Community Public Water Authority	AR	Series 2025 E	335,000	325,000	September 30, 2025	August 1, 2045
Hamilton, City of	MO	Series 2025 E	1,500,000	1,455,000	September 30, 2025	August 1, 2045
Indiana Borough	PA	Series 2025 E	1,190,000	1,185,000	September 30, 2025	August 1, 2050
Jackson Rural Water District #3	KS	Series 2025 E	1,915,000	1,885,000	September 30, 2025	August 1, 2045
North Caddo Hospital Service District	LA	Series 2025 E	4,705,000	4,635,000	September 30, 2025	August 1, 2055
Paola, City of	KS	Series 2025 E	1,025,000	940,000	September 30, 2025	August 1, 2029
Taylorsville, City of	KY	Series 2025 E	1,480,000	1,410,000	September 30, 2025	August 1, 2040
Albany, City of	KY	Series 2025 F	2,655,000	2,655,000	September 30, 2025	August 1, 2028
Greenville, City of	KY	Series 2025 F	1,460,000	1,460,000	September 30, 2025	August 1, 2028
Louisa, City of	KY	Series 2025 F	545,000	545,000	September 30, 2025	August 1, 2028
Oak Grove, City of	KY	Series 2025 F	550,000	550,000	September 30, 2025	August 1, 2028
Hillsboro Public Building Commission	KS	Series 2025 G	7,520,000	7,420,000	September 30, 2025	August 1, 2055
Brackenridge Borough	PA	Series 2025 H	1,390,000	1,385,000	December 18, 2025	August 1, 2055
Bremen, Town of	IN	Series 2025 H	11,975,000	11,925,000	December 18, 2025	August 1, 2055
Greer County Industrial Authority	OK	Series 2025 H	9,845,000	9,845,000	December 18, 2025	August 1, 2055
Jefferson County PWSD #1	MO	Series 2025 H	17,650,000	17,325,000	December 18, 2025	August 1, 2040
Bowling Green Municipal Utilities	KY	Series 2025 I	20,000,000	20,000,000	December 18, 2025	August 1, 2028
Caveland Environmental Authority	KY	Series 2025 I	1,470,000	1,470,000	December 18, 2025	August 1, 2028
Cedar Fort, Town of	UT	Series 2025 I	1,405,000	1,405,000	December 18, 2025	August 1, 2028
McAdory Fire District	AL	Series 2025 J	1,700,000	1,700,000	December 18, 2025	August 1, 2046
Bloomingdale, Town of	IN	Series 2026 A	2,810,000	2,810,000	March 31, 2026	January 1, 2056
Hanna City, Village of	IL	Series 2026 A	585,000	585,000	March 31, 2026	February 1, 2044
Hugoton, City of	KS	Series 2026 A	3,200,000	3,200,000	March 31, 2026	February 1, 2046
Johnson County PWSD #3	MO	Series 2026 A	4,365,000	4,365,000	March 31, 2026	February 1, 2056
Mountain View Fire Protection District	CO	Series 2026 A	17,445,000	17,445,000	March 31, 2026	February 1, 2041
Steuben Lakes Regional Waste District	IN	Series 2026 A	10,000,000	9,995,000	March 31, 2026	March 1, 2047
Blue Ridge School District	PA	Series 2026 B	3,125,000	3,125,000	June 30, 2026	February 1, 2046
Concord W&S Public Facilities Board	AR	Series 2026 B	165,000	165,000	July 14, 2026	February 1, 2046
Copiah County Medical Center	MS	Series 2026 B	7,800,000	7,800,000	June 30, 2026	February 1, 2037
East Taylor Municipal Authority	PA	Series 2026 B	3,030,000	3,030,000	June 30, 2026	February 1, 2046
Hope, City of	AR	Series 2026 B	2,435,000	2,435,000	July 28, 2026	February 1, 2038
Schuylkill County Airport Authority	PA	Series 2026 B	900,000	900,000	June 30, 2026	February 1, 2030
Warren County Water District	KY	Series 2026 B	20,730,000	20,730,000	June 30, 2026	February 1, 2056
Wilkes Barre, City of	PA	Series 2026 B	1,720,000	1,720,000	June 30, 2026	February 1, 2039

Participant - Loan Summary	State	Series	Original Loan	Outstanding	Delivery Date	Final Maturity
Wilkes Barre, City of	PA	Series 2026 C	4,665,000	4,665,000	June 30, 2026	February 1, 2039
Bushnell, City of	IL	Series 2026 D	650,000	650,000	September 29, 2026	August 1, 2046
Cimarron, City of	KS	Series 2026 D	5,115,000	5,115,000	September 29, 2026	July 1, 2046
City of Latrobe	PA	Series 2026 D	2,095,000	2,095,000	September 29, 2026	August 1, 2045
Dogwood Community Public Water Authority	AR	Series 2026 D	485,000	485,000	September 29, 2026	August 1, 2046
Glassport Borough	PA	Series 2026 D	5,855,000	5,855,000	September 29, 2026	August 1, 2051
Hillsboro Public Building Commission	KS	Series 2026 D	5,500,000	5,500,000	September 29, 2026	July 1, 2056
Minersville Borough	PA	Series 2026 D	4,285,000	4,285,000	September 29, 2026	August 1, 2056
Mulga, City of	AL	Series 2026 E	1,170,000	1,170,000	December 22, 2026	August 1, 2036
Mulga, City of	AL	Series 2026 F	2,980,000	2,980,000	December 22, 2026	August 1, 2048
Mulga, City of	AL	Series 2026 F	3,345,000	3,345,000	December 22, 2026	August 1, 2056
Stephens, City of	AR	Series 2026 F	175,000	175,000	December 22, 2026	August 1, 2041
South Sheridan Public Water Authority	AR	Series 2026 F	655,000	655,000	December 22, 2026	August 1, 2056
Arbuckle Public Utility District	CA	Series 2026 F	5,705,000	5,705,000	December 22, 2026	August 1, 2056
Downs, Village of	IL	Series 2026 F	485,000	485,000	December 22, 2026	August 1, 2046
Roanoke, City of	IN	Series 2026 F	17,535,000	17,535,000	December 22, 2026	August 1, 2056
Sweetser, Town of	IN	Series 2026 F	7,335,000	7,335,000	December 22, 2026	August 1, 2056
Frankfort, City of	KS	Series 2026 F	1,500,000	1,500,000	December 22, 2026	August 1, 2056
Hillsboro Public Building Commission	KS	Series 2026 F	1,275,000	1,275,000	December 22, 2026	August 1, 2046
Simpson County Water District	KY	Series 2026 F	4,455,000	4,455,000	December 22, 2026	August 1, 2028
Cheltenham Township	PA	Series 2026 G	15,510,000	15,510,000	December 22, 2026	August 1, 2056
Schuylkill County Airport Authority	PA	Series 2026 G	11,595,000	11,595,000	December 22, 2026	August 1, 2056
Total			**671,468,000**	**531,884,000**		

RURAL WATER FINANCING AGENCY
FLEXIBLE TERM FINANCE PROGRAM
PROGRAM SUMMARY - DEBT SERVICE RESERVE BONDS

Debt Service Reserve	Bonds Outstanding	Reserve @ Maturity	Final Maturity
Cash Funded DSR	$ -	$ 122,732	
Additional Reserve Pledge	$ -	$ 2,000,000	
Bond Funded DSR	$ 580,000	$ 580,000	February 1, 2035
Bond Funded DSR	$ 380,000	$ 380,000	August 1, 2035
Bond Funded DSR	$ 1,485,000	$ 1,485,000	February 1, 2043
Bond Funded DSR	$ 1,365,000	$ 1,365,000	February 1, 2037
Bond Funded DSR	$ 6,045,000	$ 6,045,000	February 1, 2034
Bond Funded DSR	$ 250,000	$ 250,000	February 1, 2029
Bond Funded DSR	$ 1,270,000	$ 1,270,000	August 1, 2043
Bond Funded DSR	$ 1,105,000	$ 1,105,000	February 1, 2041
Bond Funded DSR	$ 450,000	$ 450,000	February 1, 2045
Bond Funded DSR	$ 840,000	$ 840,000	February 1, 2030
Bond Funded DSR	$ 135,000	$ 135,000	August 1, 2042
Bond Funded DSR	$ 1,440,000	$ 1,440,000	February 1, 2047
Bond Funded DSR	$ 330,000	$ 330,000	August 1, 2045
Bond Funded DSR	$ 470,000	$ 470,000	February 1, 2051
Bond Funded DSR	$ 715,000	$ 715,000	February 1, 2049
Bond Funded DSR	$ 1,495,000	$ 1,495,000	February 1, 2050
Bond Funded DSR	$ 945,000	$ 945,000	February 1, 2044
Bond Funded DSR	$ 515,000	$ 515,000	February 1, 2036
Bond Funded DSR	$ 325,000	$ 325,000	February 1, 2032
Bond Funded DSR	$ 1,440,000	$ 1,440,000	February 1, 2040
Bond Funded DSR	$ 325,000	$ 325,000	August 1, 2050
Bond Funded DSR	$ 370,000	$ 370,000	August 1, 2051
Bond Funded DSR	$ 750,000	$ 750,000	August 1, 2044
Bond Funded DSR	$ 415,000	$ 415,000	August 1, 2040
Bond Funded DSR	$ 160,000	$ 160,000	August 1, 2037
Bond Funded DSR	$ 5,350,000	$ 5,350,000	February 1, 2039
Bond Funded DSR	$ 160,000	$ 160,000	February 1, 2054
Bond Funded DSR	$ 1,570,000	$ 1,570,000	August 1, 2054
Bond Funded DSR	$ 4,865,000	$ 4,865,000	February 1, 2055
Bond Funded DSR	$ 5,815,000	$ 5,815,000	August 1, 2055
Bond Funded DSR	$ 5,350,000	$ 5,350,000	February 1, 2056
Bond Funded DSR	$ 4,250,000	$ 4,250,000	August 1, 2056
Total	**$ 50,960,000**	**$ 53,082,732**	

Total Bonds Issued for Program	**$1,042,490,000**
Total Loans Originated for Program	**$913,060,000**
Total Number of Loans Originated	**386**
Total Number of Loans Outstanding	**213**
Bonds Outstanding to Date	**$582,845,000**
Loans Outstanding to Date	**$531,884,000**

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APPENDIX C

Demographic and Financial Information of the Series 2026E Participants

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THE TOWN OF MULGA, ALABAMA

The Town of Mulga is located in Jefferson County. The City had a population of 768 in 2026. Jefferson County had a population of 674,721 in 2020. Mulga is 12 miles from Birmingham, Alabama and 95 miles from Montgomery, Alabama.

Project Description

Funds will be used to construct a new City Hall for the Town, which will include the Town's post office (taxable component). Funds will also be used to refund the Town's outstanding Series 2015 utility debt.

Economic Statistics for the year 2024 (Jefferson County)

Per Capita Income	$41,013	Civilian Labor Force	326,550
Median Household Income	$66,388	Unemployment Rate	4.7%

Source: Census.gov

Customer Breakdown

WATER			
Year	Residential	Commercial/Other	Total
2026	1,873	92	1,965
2025	1,903	91	1,994
2024	1,937	91	2,028
2023	1,951	91	2,042
2022	1,961	90	2,051

FIVE LARGEST WATER CUSTOMERS		
Customer	Annual Sales	Annual Usage*
Jefferson County Sewer	21,476	1,441,325
Sylvan Springs Waste	10,677	655,795
Jay Electric	7,347	443,665
Southeastern Sealcote	6,868	389,668
Mike Wheeler	4,263	282,203
Totals:	50,630	3,212,656

* gallons

GAS			
Year	Residential	Commercial/Other	Total
2026	906	43	949
2025	923	39	962
2024	941	40	981
2023	954	38	992
2022	958	44	1,002

FIVE LARGEST GAS CUSTOMERS		
Customer	Annual Sales	Annual Usage*
St. Johns Baptist Church	6,020	2,755
Maytown Baptist Church	4,570	1,948
First Baptist Church	3,527	1,573
1st UMC of Sylvon Sp.	3,477	1,477
Peach Baptist Church	2,923	1,304
Totals:	20,516	9,057

* CCF

PROPERTY (ASSESSED VALUATION)	
Year	Assessed Value
2026	4,282,960
2025	4,215,460

Debt Coverage Analysis

	For Fiscal Year ending September 30,		
	Audited	Audited	Audited
	2025	**2024**	**2023**
Operating Income	2,843,667	2,803,264	2,628,803
Less: Operating Expenses	2,558,119	2,316,931	2,588,904
Operating Income	285,548	486,333	39,899
Plus: Depreciation	283,322	274,630	271,377
Plus: Interest Income	58,740	28,431	22,079
Available Revenues	627,610	789,394	333,355
Debt Service	395,892	403,123	393,327
	1.59	1.96	0.85

Source: Audited Financial Statements. Debt coverage was derived from water and gas system financials.

THE TOWN OF MULGA, ALABAMA
STATEMENT OF NET POSITION (WATER AND GAS FUNDS)

	For Fiscal Year ending September 30,		
	2025	**2024**	**2023**
ASSETS			
Current Assets			
Cash and cash equivalents	$1,424,492	$1,353,053	$1,127,268
Investments	424,365	402,139	434,747
Accounts receivable, net	259,938	251,331	237,619
Lease receivable, current portion	22,735	22,064	21,175
Inventories	163,958	184,628	186,876
Prepaids	37,716	32,616	30,608
Total Current Assets	2,333,204	2,245,831	2,038,293
Non-Current Assets			
Land	22,745	22,745	22,745
Buildings and improvements	31,127	32,516	33,905
Equipment and vehicles	361,373	345,476	334,576
Infrastructure	1,927,639	2,110,183	2,325,169
Construction in progress	77,500	-	-
Lease receivable, non-current portion	199,806	222,541	244,606
Advances to other funds	111,500	132,500	158,000
Total Non-Current Assets	2,731,690	2,865,961	3,119,001
Total Assets	5,064,894	5,111,792	5,157,294
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pension	366,144	424,108	-
Total assets and deferred outflows	5,431,038	5,535,900	5,157,294
LIABILITIES			
Current Liabilities			
Accounts payable and other current liabilities	113,057	106,974	120,041
Accrued interest payable	18,103	19,090	20,004
Customer deposits payable	211,150	235,030	264,780
Accrued compensated absences payable	16,380	18,069	29,709
Revenue bonds and warrants payable, current portion	269,687	255,216	255,705
Total Current Liabilities	628,377	634,379	690,239
Non-Current Liabilities			
Revenue bonds and warrants payable, non-current portion	3,558,448	3,828,135	4,083,351
Net Pension Liability	177,686	340,422	-
Total Non-Current Liabilities	3,736,134	4,168,557	4,083,351
Total Liabilities	4,364,511	4,802,936	4,773,590
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	112,704	2,176	-
Deferred inflows - leases	222,541	244,605	265,781
Total Deferred Inflows of Resources	335,245	246,781	265,781
NET POSITION			
Net investment in capital assets	($1,407,751)	($1,572,431)	($1,622,661)
Restricted for debt service	424,365	402,139	434,747
Unrestricted	1,714,668	1,656,475	1,305,837
Total Net Position	731,282	486,183	117,923
Total liabilities, deferred inflows of resources, and net position	5,431,038	5,535,900	5,157,294

Source: Audited financial statements (Water and Gas Systems)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (WATER AND GAS FUNDS)

	For Fiscal Year ending September 30,		
	2025	**2024**	**2023**
OPERATING REVENUES			
Charges for sales and services	2,561,911	2,488,166	2,369,991
Late charges and other operating revenues	281,756	315,098	258,812
Total Operating Revenues	2,843,667	2,803,264	2,628,803
OPERATING EXPENSES			
Cost of sales and services	$821,474	$846,353	$959,037
Personnel costs	735,842	696,826	773,753
Other operating expenses	717,481	499,122	584,737
Depreciation	283,322	274,630	271,377
Total Operating Expenses	2,558,119	2,316,931	2,588,904
Total Operating Income (Loss)	285,548	486,333	39,899
NON-OPERATING REVENUES (EXPENSES)			
Interest revenue	58,740	28,431	22,079
Interest expense	(139,689)	(146,504)	(156,339)
Total Non-Operating Revenues (Expenses)	(80,949)	(118,073)	(134,260)
CONTRIBUTIONS AND TRANSFERS			
Capital grants and contributions	77,500	-	-
Transfers In	152,536	165,149	107,481
Transfers Out	(189,536)	(165,149)	(221,429)
Total Contributions and Transfers	40,500	-	(113,948)
Change in Net Position	245,099	368,260	(208,309)
Net Position - Beginning	486,183	117,923	326,232
Net Position - Ending	731,282	486,183	117,923

Source: Audited financial statements (Water and Gas Systems)

TOWN OF MULGA, ALABAMA
STATEMENT OF NET POSITION (GOVERNMENTAL FUND)

	For Fiscal Year ending September 30,		
	2025	**2024**	**2023**
ASSETS			
Current Assets			
Cash and cash equivalents	$1,714,110	$1,781,516	$1,618,646
Investments	424,365	402,139	434,747
Receivables, net of allowance for uncollectibles	270,929	261,179	248,156
Inventories	163,958	184,628	186,876
Prepaids	37,716	32,616	30,608
Receivables - leases	222,541	244,605	265,781
Internal balances	-	-	-
Total Current Assets	2,833,619	2,906,683	2,784,814
Non-Current Assets			
Capital assets, net of accumulated depreciation			
Land	114,792	114,792	114,792
Buildings and improvements	142,899	48,372	50,322
Equipment and vehicles	544,865	504,362	511,914
Infrastructure	2,193,917	2,384,071	2,563,220
Construction in progress	77,500	-	-
Total Non-Current Assets	3,073,973	3,051,597	3,240,248
Total Assets	5,907,592	5,958,280	6,025,062
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	366,144	424,108	-
Total assets and deferred outflows	6,273,736	6,382,388	6,025,062
LIABILITIES			
Current Liabilities			
Accounts payable and other current liabilities	118,050	106,974	135,105
Accrued interest payable	18,103	19,090	20,004
Customer deposits payable	211,150	235,030	264,780
Total Current Liabilities	347,303	361,094	419,889
Non-Current Liabilities			
Accrued compensated absences payable	16,380	18,069	29,709
Revenue Bonds and Warrants payable:			
Due in one year or less	269,687	255,216	255,705
Due in more than one year	3,558,448	3,828,135	4,083,351
Net pension liability	177,686	340,422	-
Total Non-Current Liabilities	4,022,201	4,441,842	4,368,765
Total Liabilities	4,369,504	4,802,936	4,788,654
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows - pension	112,704	2,176	265,781
Deferred inflows - leases	222,541	244,605	-
Total Deferred Inflows of Resources	335,245	246,781	265,781
NET POSITION			
Net investment in capital assets	($754,162)	($1,031,754)	($1,098,808)
Restricted for:			
Public works	13,256	24,789	80,486
Debt service	424,365	402,139	434,747
Unrestricted	1,885,528	1,937,497	1,554,202
Total Net Position	1,568,987	1,332,671	970,627
Total liabilities, deferred inflows of resources, and net position	6,273,736	6,382,388	6,025,062

Source: Audited financial statements (Governmental Fund)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (GOVERNMENTAL FUND)

	For Fiscal Year ending December 31,		
	2025	**2024**	**2023**
OPERATING REVENUES			
Program Revenues			
Charges for services	$2,846,415	$2,807,781	$2,638,777
Operating grants and contributions	6,595	16,483	16,984
Capital grants and contributions	119,000	-	-
General Revenues			
Taxes and licenses	319,447	323,427	303,130
Other general revenues	74,810	28,431	26,111
Total Operating Revenues	3,366,267	3,176,122	2,985,002
OPERATING EXPENSES			
Governmental Activities			
General government	192,493	188,403	172,918
Public safety	64,729	41,871	51,908
Public works	150,079	107,448	138,768
Parks and recreation	24,842	12,921	17,408
Business-Type Activities			
Gas system	1,034,661	893,346	1,065,219
Water system	1,663,147	1,570,089	1,680,024
Total Operating Expenses	3,129,951	2,814,078	3,126,245
Total Operating Income (Loss)	236,316	362,044	(141,243)
Change in Net Position	236,316	362,044	(141,243)
Net Position - Beginning	1,332,671	970,627	1,111,870
Net Position - Ending	1,568,987	1,332,671	970,627

Source: Audited financial statements (Governmental Fund)

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APPENDIX D

Definitions and Summary of Certain Provisions of the Documents

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DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE DOCUMENTS

The following are summaries of the Indenture and the form of Assistance Agreement. The summaries do not purport to set forth all of the provisions of such documents, to which reference is made for the complete and actual terms thereof.

DEFINITIONS

Set forth below are summary definitions of certain terms used in the summaries of the Indenture and the Assistance Agreement contained in the Official Statement.

"*Act*" means Chapter 58 and Sections 65.210 through 65.300 of the Kentucky Revised Statutes, as amended from time to time.

"*Additional Payments*" means the payments so designated and required to be made by a Governmental Agency pursuant to Section 3 of the Assistance Agreement.

"*Administrative Expenses*" means the reasonable and necessary expenses, other than Financing Expenses, incurred by the Issuer in the administration of the Assistance Agreements and the Indenture, including but not limited to fees and costs of paying agents, attorneys, consultants and others.

"*Administrative Fund*" means the fund of that name created and established pursuant to the Indenture.

"*Alternate Credit Facility*" means (1) during the Variable Rate Mode, any irrevocable letter of credit, standby letter of credit, irrevocably committed line of credit, bond purchase agreement, surety bond, bond insurance policy or other instrument, or any combination thereof, issued by a financial institution or insurance organization, the short-term debt or the short-term deposit rating of which institution or organization is in one of the three highest Rating Categories and the credit rating of the long-term debt or the long-term deposit rating of which institution or organization is in one of the two highest Rating Categories of either Standard & Poor's Rating Services ("S&P") or Moody's Investors Service, Inc. ("Moody's"), the terms of which shall include a duration of at least one year and which shall include administrative and procedural provisions reasonably satisfactory to the Trustee and the Remarketing Agent which shall enable the Trustee to draw or realize an amount sufficient to pay when and as due thereunder (a) the principal of the Bonds, whether at their stated maturity, or upon acceleration, redemption or otherwise, (b) 45 days of interest on the Bonds (computed at the Variable Maximum Interest Rate), and (c) the Purchase Price of the Bonds, including the principal amount thereof and accrued interest thereon to the Purchase Date); and (2) during any Fixed Rate Mode, if the Governmental Agency has elected to provide an Alternate Credit Facility at the commencement of such Fixed Rate Mode, any letter of credit, standby letter of credit, irrevocably committed line of credit, bond purchase agreement, surety bond, bond insurance policy or other instrument, or any combination thereof, issued by a financial institution or insurance organization, the credit rating of the long-term debt or the long-term deposit rating of which institution or organization is in one of the two highest Rating Categories of either S&P or Moody's, the term of which shall be at least one year and which shall include administrative and procedural provisions reasonably satisfactory to the Trustee and the Remarketing Agent and which shall enable the Trustee to draw or realize an amount sufficient to pay when and as due thereunder (a) the principal of the Bonds, whether at their stated maturity, or upon acceleration, redemption or otherwise, and (b) a minimum of 195 days of interest on the Bonds calculated at the Fixed Interest Rate then in effect or any other number of days of interest required by any rating agency having a rating in effect on the Bonds. No Alternate Credit Facility shall be effective unless the Trustee has received written confirmation from each Rating Agency then maintaining a rating on the Bonds to the effect that such rating will not be withdrawn, lowered or suspended as a result of the delivery of the Alternate Credit Facility.

"*Alternate Fixed Interest Rate Index*" means 80% of the average annual yield shown for the United States Treasury notes or bonds having the same number of 30-day periods to maturity as the number of such periods in the applicable Fixed Interest Rate Period, last published in the "Federal Reserve Bulletin" (published by the Board of Governors of the Federal Reserve System in Washington, D.C.) most recently published prior to the date of determination of the Alternate Fixed Interest Rate Index; provided, that, if the most recently published "Federal Reserve Bulletin" does not publish a yield for United States Treasury notes or bonds having the number of 30-day

periods to maturity described above, the Alternate Fixed Interest Rate Index means 80% of an assumed yield for United States Treasury notes or bonds having the same number of 30-day periods to maturity as the applicable Fixed Interest Rate Period (determined by the Remarketing Agent by linear interpolation based on the yield for United States Treasury notes or bonds having the next shorter and the next longer number of 30-day periods to maturity), as published in such "Federal Reserve Bulletin."

"*Assistance Agreement*" means an assistance agreement between the Issuer and a Governmental Agency, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture, which has been entered into and pledged pursuant to the Indenture and which is substantially in the form attached to the Indenture or as modified pursuant to the form attached to the First Indenture Amendment.

"*Authorized Denominations*" means $5,000 or any integral multiple thereof provided that any amount shall be an Authorized Denomination if such amount results from the redemption of Bonds pursuant to the Indenture.

"*Authorized Investments*" means any of the following:

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America, including instruments which are rated in one of the two highest rating categories by S&P evidencing an ownership interest in securities described in this clause (1);

(2) obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following:

Federal Home Loan Bank System, Export-Import Bank of the United States, Farmers Home Administration, Merchant Marine Bonds, Federal Financing Bank, Federal Farm Credit Banks, Bank for Cooperatives, Federal Land Banks, Government National Mortgage Association, Federal National Mortgage Association, Tennessee Valley Authority, Federal Home Loan Mortgage Corporation or Federal Housing Administration;

(3) repurchase agreements (including those of the Trustee or the Bank) rated in one of the two highest rating categories by S&P and fully secured by collateral security described in clause (1) or (2) of this definition or any other collateral authorized by the laws of the State for repurchase agreements, which collateral (a) is held by the Trustee or a third party agent during the term of such repurchase agreement, (b) is not subject to liens or claims of third parties and (c) has a market value (determined at least once every fourteen days) at least equal to the amount so invested;

(4) certificates of deposit of, or time deposits in, any bank (including the Trustee or the Bank) or savings and loan association (a) the debt obligations of which (or in the case of the principal bank of a bank holding company, the debt obligations of the bank holding company of which) have been rated at least equal to the rating assigned to the Bonds by each Rating Agency then rating the Bonds or (b) which are fully insured by the Federal Deposit Insurance Corporation;

(5) shares in any investment company registered under the Federal Investment Governmental Agency Act of 1940 whose shares are registered under the Federal Securities Act of 1933 and whose only investments are government securities described in clause (1) or (2) of this definition and repurchase agreements fully secured by government securities described in clause (1) or (2) of this definition and/or other obligations rated AAA by S&P;

(6) tax-exempt obligations of any state of the United States, or political subdivision thereof, which are rated AA or better by S&P or mutual funds invested only in such obligations and which are rated AA or better by S&P;

(7) units of a taxable or nontaxable government money-market portfolio composed of U.S. Government obligations and repurchase agreements collateralized by such obligations;

(8) commercial paper rated A-1+ by S&P;

(9) corporate notes or bonds with one year or less to maturity rated in one of the two highest Rating Categories by S&P;

(10) 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;

(iii) All of the securities in the mutual fund shall be in investments in any one or more of the investments described in (1) and (3) above; and

(iv) The mutual fund shall be rated AA or better by S&P; or

(11) any other investment permitted by Kentucky law for public agencies.

"*Authorized Representative*" means, with respect to the Governmental Agency, its chief executive officer, or any other person or persons designated as an Authorized Representative of the Governmental Agency by a resolution of the directors of the Governmental Agency and filed with the Issuer and the Trustee and the Bank, and with respect to the Issuer, its President, its Treasurer or its Secretary.

"*Bank*", provided there has been issued and outstanding an Alternate Credit Facility, means (1) PNC Bank, National Association, a national banking association, or its successor, or (2) any other financial institution issuing an Alternate Credit Facility then in effect.

"*Bankruptcy Code*" means the United States Bankruptcy Code, as amended from time to time.

"*Bond Counsel*" means the firm of Rubin & Hays of Louisville, Kentucky, or any other firm of nationally recognized bond counsel, whose members are duly admitted to practice law before the highest court of any state and designated by the Issuer as its bond counsel for the Bonds. Nothing shall preclude the Issuer from designating the same firm as both Tax Counsel and Bond Counsel.

"*Bond Fund*" means the fund of that name created and established pursuant to the Indenture.

"*Bond Register*" means the books for registration of Bonds kept for the Issuer by the Trustee as provided in the Indenture.

"*Bond Year*" means each one-year period that ends on the date selected by the Governmental Agency. The first and last Bond Years may be short periods. If no day is selected by the Issuer before the earlier of the final maturity date of the Bonds or the date that is five years after the date of issuance of the Bonds, Bond Years end on each anniversary of the date of issue and on the final maturity date of the Bonds.

"*Bondowner*" means the Owner of any Bond.

"*Bonds*" means the Series 2001 Bonds, the Series 2005B Bonds, the Series 2006D Bonds, the Series 2007A Bonds, the Series 2007D Bonds, the Series 2008C Bonds, the Series 2010B Bonds, the Series 2010C Bonds, the Series 2010D Bonds, the Series 2011B Bonds, the Series 2011C Bonds, the Series 2012B Bonds, the Series 2012C Bonds, the Series 2012D Bonds, the Series 2012E Bonds, the Series 2012F Bonds, the Series 2012G Bonds, the Series 2013B Bonds, the Series 2013C Bonds, the Series 2013D Bonds, the Series 2013E Bonds, the Series 2014B Bonds, the Series 2015B Bonds, the Series 2015C Bonds, the Series 2015E Bonds, the Series 2016B Bonds, the Series 2016C Bonds, the Series 2016D Bonds, the Series 2017A Bonds, the 2019B Bonds, the Series 2020A Bonds, the Series 2020C Bonds, the Series 2020D Bonds, the Series 2020E Bonds, the Series 2020G Bonds, the Series 2020H Bonds, the Series

2020I Bonds, the Series 2021A Bonds, the Series 2021B Bonds, the Series 2021C Bonds, the Series 2021D Bonds, the Series 2022A Bonds, the Series 2022C Bonds, the Series 2024A Bonds, the Series 2024B Bonds, the Series 2024C Bonds, the Series 2024D Bonds, the Series 2024E Bonds, the Series 2025A Bonds, the Series 2025B Bonds, the Series 2025C Bonds, the Series 2025D Bonds, the Series 2025E Bonds, the Series 2025F Bonds, the Series 2025G Bonds, the Series 2025H Bonds, the Series 2025I Bonds, the Series 2025J Bonds, the Series 2026A Bonds, the Series 2026B Bonds, the Series 2026C Bonds, the Series 2026D Bonds, the Series 2026E Bonds, the Series 2026F Bonds and the Series 2026G Bonds, and any Parity Bonds.

"*Borrower*" means a Governmental Agency that borrows funds under the Program to build a Project.

"*Business Day*" means any day other than a Saturday, a Sunday, a day on which banking institutions in the State of Kentucky, the State of New York or any state in which the office of the Bank at which draws under the Liquidity Agreement are required to be made or the designated corporate trust office of the Trustee is located are closed as authorized or obligated by law or administrative order or a day on which the New York Stock Exchange is closed.

"*Certificate, statement, request, direction or order*" of the Issuer or the Governmental Agency means, respectively, a written certificate, statement, request, direction or order signed in the name of the Issuer or the Governmental Agency by an Authorized Representative of the Issuer or the Governmental Agency, as the case may be. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed. as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

"*Code*" means the Internal Revenue Code of 1986, as amended, or any successor federal income tax statute or code. Any reference to a provision of the Code shall include the applicable regulations of the Department of the Treasury promulgated or proposed with respect to such provision.

"*Compliance Agreement*" means the Compliance Agreement dated as of April 4, 2001 by and between the Issuer and the Compliance Group, as originally executed or as it may from time to time be supplemented, modified or amended by any supplemental agreement.

"*Compliance Group*" refers collectively to (i) Raymond James & Associates, Inc., Lexington, Kentucky; (ii) Rubin & Hays, Louisville, Kentucky and (iii) the Program Administrator.

"*Costs of Issuance Account*" means the account of that name in the Project Fund created pursuant to the Indenture.

"*Date of Issue*" means the date the Bonds are issued and delivered to the Underwriter for placement with the initial purchasers thereof.

"*Declaration of Acceleration*" means a declaration given in accordance with the provisions of the Indenture that all principal of and interest on the Bonds are due and payable immediately.

"*Demand Purchase Option*" means the option of Owners to have their Bonds purchased in accordance with the Indenture.

"*Determination of Taxability*" means the receipt by the Trustee (1) of written notice of any final determination, decision or decree, all applicable appeal periods with respect to which shall have expired, made by the Commissioner or any District Director of the Internal Revenue Service or by any court of competent jurisdiction, or (2) of an opinion of Tax Counsel, in either case to the effect that interest on the Bonds is not excludable for regular federal income tax purposes under Section 103(a) of the Code from gross income of any Owner of the Bonds (other than an Owner who is a substantial user of the Project or related person as defined in the Code) or (3) of notice that, as a result of any amendment, modification, addition or change made in Section 103 or any other provision of the Code or in any regulation or proposed regulation thereunder, or any ruling issued or revoked by the Internal Revenue Service, or any other action taken by the Internal Revenue Service, the Department of the Treasury or any other

governmental agency, authority or instrumentality, or any opinion of any federal court or of the United States Tax Court rendered, Tax Counsel is unable to give an opinion that the interest payable on any Bond on or after a date specified in such notice is excludable from gross income of the taxpayer named therein (other than any such-taxpayer who is a "substantial user" or a "related person," within the meaning of Section 147(a) of the Code) for regular federal income tax purposes.

"*Eligible Funds*" means (1) money derived from Bond proceeds or remarketing proceeds or from draws under the Liquidity Agreement, (2) money that has been furnished to the Trustee by or on behalf of the Governmental Agencies, (3) other money the use of which to pay principal of or interest or premium on the Bonds will not, in the opinion, satisfactory to the Rating Agency, of counsel recognized in the area of bankruptcy matters, constitute a voidable preference under the Bankruptcy Code or (4) investment income derived from the investment of money described in clause (1), (2) or (3).

"*Eligible Funds Account*" means the account of that name in the Bond Fund established pursuant to the Indenture.

"*Event of Default*" means any of the events specified in the Indenture.

"*Expiration Date*" means the date upon which the Liquidity Agreement is scheduled to expire (taking into account any extensions of the Expiration Date) in accordance with its terms.

"*Final Computation Date*" means the date on which all amounts due with respect to the Bonds are actually and unconditionally due, if cash is available at the place of payment, after which date no interest accrues with respect to any of the Bonds. The Final Computation Date for the Bonds will generally be the earlier of (a) the final principal payment date for the Bonds or (b) the date on which the Bonds are redeemed as a whole.

"*Financing Expenses*" means all expenses of issuing and/or preparing the Bonds, the Liquidity Agreement, the Remarketing Agreement or the Indenture, including but not limited to legal, fiscal and printing expenses, the initial fee of the Trustee under the Indenture and of the Bank, or any bank or other agency for collection or administration of the Bonds, advertising expenses, any fees or expenses incurred in connection with the placement of the Bonds by the Underwriter, any premium or rating agency fee paid to a Rating Agency and any and all other similar out-of-pocket expenses.

"*First Indenture Amendment*" means the First Amendment to Trust Indenture Amendment, dated as of June 1, 2023, as originally executed or as it may from time to time be supplemented, modified or amended by any amended or supplemental indenture.

"*Fixed Interest Rate*" means a term, non-variable interest rate or series of rates on the Bonds established in accordance with the Indenture.

"*Fixed Interest Rate Index*" means an assumed yield computed by the Remarketing Agent for representative revenue securities rated comparably to the Bonds and having the same number of 30-day periods to maturity as the applicable Fixed Interest Rate Period (determined by the Remarketing Agent by linear interpolation based on the yield for such securities having the next shorter and next longer number of 30-day periods to maturity), as most recently published before the date of determination thereof by the Remarketing Agent in Credit Market Comment or, if not published in Credit Market Comment, in such other publication which then publishes information of this nature.

"*Fixed Interest Rate Period*" means each period during which a Fixed Interest Rate is in effect.

"*Fixed Maximum Interest Rate*" means 12% per annum.

"*Fixed Rate Bonds*" means Bonds which bear interest at a Fixed Interest Rate.

"*Fixed Rate Mode*" means any time during which the Bonds bear interest at a Fixed Interest Rate.

"*Funds*" means the funds created and established pursuant to the Indenture, including, but not limited to, the Revenue Fund, the Bond Fund, the Project Fund, the Administrative Fund, the Reserve Fund and the Rebate Fund, if created.

"*Government Obligations*" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are fully guaranteed by the United States of America.

"*Governmental Agency*" shall mean any Public Agency, agency or unit of government within any state of the United States, now having or hereafter granted the authority and power to finance, acquire, construct, and operate Projects, including specifically but not by way of limitation, incorporated cities, counties, sanitation districts, water districts, water commissions, public authorities, sewer construction districts, metropolitan sewer districts, sanitation taxing districts, and any agencies, commissions, districts, or authorities (either acting alone, or in combination with one another pursuant to any regional or area compact, or multi-municipal agreement), now or hereafter established pursuant to the laws of a state of the United States having and possessing such described powers.

"*Governmental Agency's Account*" shall mean the separate account within the Project Fund established for each particular Project.

"*Indenture*" means the Trust Indenture, as originally executed and as amended by the First Indenture Amendment, or as it may from time to time be supplemented, modified or amended by any supplemental indenture.

"*Installment Computation Date*" means the last day of the fifth Bond Year and of each succeeding fifth Bond Year thereafter.

"*Interest Accrual Date*" means (1) with respect to the first Interest Rate Period, the first day thereof and (2) thereafter, each Interest Payment Date in respect thereof, other than the last such Interest Payment Date.

"*Interest Payment Date*" means (1) with respect to the commencement or continuation of any Interest Rate Period, (a) for any Variable Interest Rate Period, the first Wednesday of each calendar month, commencing May 2, 2001, and (b) for any Fixed Interest Rate Period, each January 1 and July 1, and (2) with respect to the termination of any Interest Rate Period, the last day thereof, provided, that clause (2) does not apply to the termination of any Variable Interest Rate Period that is followed immediately by another Variable Interest Rate Period and provided further, that if any Interest Payment Date does not fall on a Business Day, the Interest Payment Date shall be the next succeeding Business Day.

"*Interest Rate Period*" means a Variable Interest Rate Period or a Fixed Interest Rate Period.

"*Investment Earnings*" means all earnings derived from the investment of money held in any of the Funds.

"*Issuer*" means, from the date of the Trust Indenture through and including the day preceding the date of the First Indenture Amendment, the Kentucky Rural Water Finance Corporation, an agency and instrumentality of various political subdivisions and public agencies of the Commonwealth of Kentucky and thereafter from the date of the First Indenture Amendment, the Rural Water Financing Agency, an interlocal agency organized and existing under the laws of the Commonwealth of Kentucky.

"*Lender*" means the Issuer as the lender of the Loan to a Borrower pursuant to an Assistance Agreement.

"*Liquidity Account*" means the account of that name in the Bond Fund established pursuant to the Indenture.

"*Liquidity Agreement*" means the Standby Bond Purchase Agreement dated as of April 4, 2001, between the Issuer and the Bank, and any amendment, successor or replacement thereof.

"*Loan*" means the Obligations borrowed by a Governmental Agency pursuant to an Assistance Agreement.

"*Loan Default Event*" means any of the events specified in the Assistance Agreement.

"*Loan Payments*" means the payments so designated and required to be made by or on behalf of the Governmental Agency pursuant to the Assistance Agreement.

"*Local Law*" means all laws and regulations of the State applicable to the Issuer or the Bonds.

"*Mandatory Tender Date*" has the meaning given such term in the Indenture.

"*Maximum Interest Rate*" means, for so long as a Variable Interest Rate is in effect, the Variable Maximum Interest Rate; and for so long as a Fixed Interest Rate is in effect, the Fixed Maximum Interest Rate.

"*Minimum Interest Rate*" means the interest rate for any Interest Rate Period determined by the Remarketing Agent in accordance with the Indenture.

"*Moody's*" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" be deemed to refer to any other nationally recognized securities rating agency (other than S&P) designated by the Governmental Agency with the approval of the Remarketing Agent, by notice to the Trustee.

"*Obligations*" means the financial obligations and debt represented by the Loan borrowed by a Governmental Agency pursuant to an Assistance Agreement.

"*Official Statement*" means any official statement, offering circular, private placement memorandum or other disclosure document pursuant to which the Bonds are initially sold or remarketed.

"*Outstanding*", when used as of any particular time with reference to Bonds, means all Bonds delivered by the Trustee under the Indenture except (1) Bonds cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) Bonds with respect to which all liability of the Issuer shall have been discharged in accordance with the Indenture, including Bonds (or portions thereof) referred to in the Indenture, and (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

"*Owner*", whenever used therein with respect to a Bond, means the Person in whose name such Bond is registered on the Bond Register.

"*Parity Bonds*" means bonds issued in the future, which bonds will, pursuant to the provisions of the Indenture, rank on a basis of parity with the Outstanding Bonds.

"*Parity Obligations*" means bonds or obligations issued in the future by a Governmental Agency, which will, pursuant to the provisions of an Assistance Agreement, rank on a basis of parity with the Governmental Agency's Obligations and shall not be deemed to include, nor to prohibit the issuance of bonds ranking inferior in security to the Governmental Agency's Obligations.

"*Person*" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"*Principal and Interest Account*" means the account of that name in the Bond Fund established pursuant to the Indenture.

"*Prior Bond Legislation*" refers to prior resolutions or ordinances of a Governmental Agency which authorized debt which shall be on a parity with the Obligations of the Governmental Agency issued pursuant to an Assistance Agreement.

"*Program*" shall mean the Public Projects Flexible Term Program of the Issuer.

"*Program Administrator*" shall mean the Kentucky Rural Water Association, Inc., Bowling Green, Kentucky.

"*Project*" shall mean collectively any and all of the various projects identified in the Assistance Agreements under the Program.

"*Project Account*" means the account of that name in the Project Fund created pursuant to the Indenture.

"*Project Fund*" means the Fund of that name created pursuant to the Indenture.

"*Public Agency*" shall mean any Public Agency as defined in Section 65.230 of the Kentucky Revised Statutes.

"*Purchase Date*" means the date established pursuant to the Demand Purchase Option as the date on which Bonds are to be tendered to the Trustee for purchase.

"*Purchase Price*" means, with respect to any Bonds tendered for purchase pursuant to the Demand Purchase Option or on a Mandatory Tender Date, (1) 100% of the principal amount of those Bonds plus accrued interest from the Interest Accrual Date next preceding the Purchase Date or Mandatory Tender Date, as the case may be, to that date, unless the Purchase Date or Mandatory Tender Date is an Interest Payment Date, in which case the Purchase Price shall be equal to 100% of the principal amount of the Bonds being purchased, or (2) in the case of a purchase on the first day of an Interest Rate Period that is preceded by a Fixed Interest Rate Period and that commences prior to the day originally established as the last day of such preceding Fixed Interest Rate Period, 100% of the principal amount of such Bonds, plus accrued interest as set forth in clause (1) of this definition, plus the premium, if any, set forth in the Indenture that would have been applicable to the Bonds if, on such Mandatory Tender Date, the Bonds had been optionally redeemed.

"*Rating Agency*" means S&P, if S&P then maintains a rating on the Bonds, or Moody's, if Moody's then maintains a rating on the Bonds.

"*Rating Category*" means the generic rating categories of the Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

"*Rebate Amount*" means the amount, as of each Installment Computation Date and as of the Final Computation Date, required to be paid to the United States of America pursuant to Section 148(f) of the Code within 60 days after such Installment Computation Date or Final Computation Date.

"*Rebate Analyst*" means a firm of certified public accountants, nationally-recognized bond counsel or other specialist in the calculation of arbitrage rebate.

"*Rebate Fund*" means the Fund of that name the creation of which is provided for in the Indenture.

"*Record Date*" means (i) during Variable Interest Rate Periods, the Business Day immediately prior to any Interest Payment Date and (ii) during Fixed Interest Rate Periods, the 15th day of the calendar month immediately preceding the Interest Payment Date (or the preceding Business Day if the 15th is not a Business Day), and the first Business Day after the conversion to a Fixed Interest Rate Period.

"*Redemption Account*" means the account of that name in the Bond Fund established pursuant to the Indenture.

"*Related Documents*" means the Remarketing Agreement, the Liquidity Agreement and the Assistance Agreement.

"*Remarketing Agent*" means the initial and any successor remarketing agent appointed in accordance with the Indenture.

"*Remarketing Agreement*" means that certain Remarketing Agreement among the Issuer and the Remarketing Agent dated as of April 4, 2001, as originally executed and as it may from time to time be supplemented or amended.

"*Remarketing Proceeds Account*" means the account of that name in the Bond Fund established pursuant to the Indenture.

"*Required Reserve*" refers to an amount, as of the date of issuance of the Bonds equal to an amount necessary to maintain the then existing rating on the Bonds.

"*Reserve Fund*" means the fund of that name created and established pursuant to the Indenture.

"*Reserve Withdrawal*" means a withdrawal of moneys from the Reserve Fund, by or on behalf of a Governmental Agency, to pay the principal of and interest on the Obligations and any other payments due under an Assistance Agreement on behalf of the Governmental Agency.

"*Resolution*" means the Resolutions enacted by the Issuer, from time to time, authorizing the issuance of the Bonds.

"*Retained Rights*" means the rights retained by the Issuer under the Assistance Agreement and not assigned to the Trustee under the Indenture, and shall include the rights of the Issuer under the Assistance Agreement.

"*Revenue Fund*" means the fund of that name created and established pursuant to the Indenture.

"*Revenues*" means all amounts received by the Issuer or by the Trustee for the account of the Issuer pursuant or with respect to the Assistance Agreement or the Liquidity Agreement, including, without limiting the generality of the foregoing, Loan Payments (including both timely and delinquent payments and any late charges, paid from any source), prepayments, remarketing proceeds, proceeds derived from the Liquidity Agreement or the Assistance Agreement and all interest, profits or other income derived from the investment of amounts in any Fund or account established pursuant to the Indenture (except the Rebate Fund), but not including any Administrative Expenses.

"*S&P*" means Standard & Poor's Ratings Services, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" be deemed to refer to any other nationally recognized securities rating agency (other than Moody's) designated by the Governmental Agency with the approval of the Remarketing Agent, by notice to the Trustee.

"*Series 2001 Bond*" or "*Series 2001 Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001, authorized by, and at any time Outstanding pursuant to, the Indenture.

"*Series 2005B Bond*" or "*Series 2005B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2005B, authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2006D Bond*" or "*Series 2006D Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2006D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2007A Bond*" or "*Series 2007A Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2007A authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2007D Bond*" or "*Series 2007D Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2007D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2008C Bond*" or "*Series 2008C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2008C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2010B Bond*" or "*Series 2010B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2010B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2010C Bond*" or "*Series 2010C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2010C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2010D Bond*" or "*Series 2010D Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2010D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2011B Bond*" or "*Series 2011B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2011B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2011C Bond*" or "*Series 2011C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2011C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2012B Bond*" or "*Series 2012B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2012C Bond*" or "*Series 2012C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2012D Bond*" or "*Series 2012D Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2012E Bond*" or "*Series 2012E Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2012F Bond*" or "*Series 2012F Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2012F authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2012G Bond*" or "*Series 2012G Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Taxable Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012G authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2013B Bond*" or "*Series 2013B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2013B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2013C Bond*" or "*Series 2013C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2013D Bond*" or "*Series 2013D Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2013E Bond*" or "*Series 2013E Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2013E authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2014B Bond*" or "*Series 2014B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2014C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2015B Bond*" or "*Series 2015B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2015B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2015C Bond*" or "*Series 2015C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Taxable Refunding Revenue Bonds (Flexible Term Program), Series 2015C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2015E Bond*" or *"Series 2015E Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2015E authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2016B Bond*" or "*Series 2016B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2016B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2016C Bond*" or "*Series 2016C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2016C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2016D Bond*" or "*Series 2016D Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2016D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2017A Bond*" or "*Series 2017A Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2017A authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2019B Bond*" or "*Series 2019B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2019B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2020A Bond*" or "*Series 2020A Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2020A authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2020C Bond*" or "*Series 2020C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2020D Bond*" or "*Series 2020D Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2020E Bond*" or "*Series 2020E Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020E authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2020G Bond*" or "*Series 2020G Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020G authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2020H Bond*" or "*Series 2020H Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2020H authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2020I Bond*" or "*Series 2020I Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020I authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2021A Bond*" or "*Series 2021A Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2021A authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2021B Bond*" or "*Series 2021B Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2021B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2021C Bond*" or "*Series 2021C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2021C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2021D Bond*" or "*Series 2021D Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2021D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2022A Bond*" or "*Series 2022A Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2022A authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2022C Bond*" or "*Series 2022C Bonds*" means one or more of the Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2022C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2024A Bond*" or "*Series 2024A Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025A authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2024B Bond*" or "*Series 20254 Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2024C Bond*" or "*Series 2024C Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026E authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2024D Bond*" or "*Series 2024D Bonds*" means one or more of the Rural Water Financing Agency Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2025D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2024E Bond*" or "*Series 2024E Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026E authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025A Bond*" or "*Series 2025A Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025A authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025B Bond*" or "*Series 2025B Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025C Bond*" or "*Series 2025C Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025D Bond*" or "*Series 2025D Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025E Bond*" or "*Series 2025E Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025E authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025F Bond*" or "*Series 2025F Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025F authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025G Bond*" or "*Series 2025G Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2025G authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025H Bond*" or "*Series 2025H Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025H authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025I Bond*" or "*Series 2025I Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025I authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2025J Bond*" or "*Series 2025J Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2025J authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2026A Bond*" or "*Series 2026A Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026A authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2026B Bond*" or "*Series 2026B Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026B authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2026C Bond*" or "*Series 2026C Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026C authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2026D Bond*" or "*Series 2026D Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026D authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2026E Bond*" or "*Series 2026E Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2026F Bond*" or "*Series 2026F Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026F authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Series 2026G Bond*" or "*Series 2026G Bonds*" means one or more of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026G authorized by, and at any time Outstanding pursuant to, the Indenture, as supplemented.

"*Special Record Date*" means the date established by the Trustee pursuant to the Indenture as a record date for the payment of defaulted interest on Bonds.

"*State*" means the Commonwealth of Kentucky.

"*System*" means a Governmental Agency's utility system together with all future additions, extensions and improvements to said System which produces revenues and which secures a Governmental Agency's Obligations.

"*Supplemental Indenture*" means any indenture hereafter duly authorized and entered into between the Issuer and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized thereunder.

"*Taxable Bonds*" means any series of Bonds issued under the Indenture the interest on which is not excludable from gross income for federal income tax purposes.

"*Tax-Advantaged Bonds*" means any series of Bonds issued under the Indenture the interest on which is excludable from gross income for federal income tax purposes.

"*Tax Counsel*" means initially the firm of Arter & Hadden LLP of Washington, D.C. and thereafter the firm of Rubin & Hays of Louisville, Kentucky, or any other firm of nationally recognized tax counsel, whose members are duly admitted to practice law before the highest court of any state and designated by the Issuer as its tax counsel for the Bonds. Nothing shall preclude the Issuer from designating the same firm as both Tax Counsel and Bond Counsel.

"*Temporary Bond*" or "*Temporary Bonds*" means the Bonds described and authorized in the Indenture.

"*Treasury Rate*" means the interest rate applicable to 13-week United States Treasury bills determined by the Remarketing Agent on the basis of the average per annum discount rate at which such 13-week Treasury bills have been sold at the most recent Treasury auction.

"*Trust Estate*" means the trust estate pledged by the Issuer and described in the Granting Clauses of the Indenture.

"*Trust Indenture*" means the Trust Indenture by and between the Issuer and the Trustee, 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.

"*Trustee*" means Regions Bank, an Alabama banking corporation, having a designated trust office in Nashville, Tennessee, the successor Trustee to Fifth Third Bank, an Ohio banking corporation, and The Bank of New York Mellon Trust Company, N.A., a national banking association, or its successor, as Trustee and paying agent as provided in Section 8.1 of the Indenture.

"*UCC*" means the Uniform Commercial Code of the State, Chapter 355 of the Kentucky Revised Statutes.

"*Underwriter*" means the purchaser or underwriter of any series of the Bonds.

"*Untendered Bonds*" means Bonds not tendered to the Trustee for purchase as and when required by the terms of the Indenture.

"*Variable Interest Rate*" means the Variable Interest Rate on the Bonds established in accordance with the Indenture.

"*Variable Interest Rate Period*" means any period during which a Variable Interest Rate is in effect.

"*Variable Maximum Interest Rate*" means 12% per annum.

"*Variable Rate Bonds*" means Bonds which bear interest at a Variable Interest Rate.

"*Variable Rate Mode*" means any time that the Bonds bear interest at Variable Interest Rates.

THE INDENTURE

Authorization

The Bonds are authorized to be issued thereunder to obtain money to carry out the purposes of the Program for the benefit of the Governmental Agencies.

The Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full payment of the Purchase Price or principal of and premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions contained therein. On the Date of Issue, all conditions, acts and things required by law or by the Indenture to exist, to have happened or to have been performed precedent to or in the issuance of the Bonds shall exist, shall have happened and shall have been performed, and the Bonds, together with all other indebtedness of the Issuer, shall be within every debt and other limit prescribed by law.

Nature of Security

The Bonds are special and limited obligations of the Issuer secured by the Trust Estate and payable only from Revenues deposited in the Bond Fund or otherwise available for the payment of the Bonds under the terms of the Indenture and are not general obligations of the Issuer or of the State. The Bonds and interest and premium, if any, thereon are not payable from taxes and are not a charge against the general credit or taxing power of any Governmental Agency, or any other municipal corporation, quasi-municipal corporation, political subdivision or agency thereof. No Owner of any Bond shall have the right to compel any exercise of the taxing power of the Issuer, the State, any Governmental Agency or any other municipal corporation, quasi-municipal corporation, political subdivision or agency thereof to pay the Bonds or the interest or premium, if any, thereon, and the Bonds do not constitute an indebtedness of the Issuer, any Governmental Agency or the State or a loan of the credit thereof within the meaning of any constitutional or statutory provision other than from the Revenues deposited in the Bond Fund or otherwise available for the payment of the Bonds under the terms of the Indenture.

Provision Permitting Parity Bonds

The Bonds shall not be entitled to priority one over the other in the application of the Revenues of the Program, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds, regardless of the fact that 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 Revenues of the Program shall, except as set out herein, be subject to the priority of the Bonds as may from time to time be outstanding; provided, the Issuer in the Indenture reserves the right and privilege of issuing additional bonds from time to time payable from the Revenues of the Program ranking on a parity with the Bonds, for the purpose of financing the cost, not otherwise provided, of new and additional Projects, provided in each instance that:

(a) The facility or facilities to be constructed from the proceeds of the additional Parity Bonds are deemed Projects under the Indenture.

(b) The Revenues of the Program are pledged as security for the additional Parity Bonds and the Outstanding Bonds.

(c) There shall have been procured and filed with the Trustee a statement by the Compliance Group that based upon the reasonable facts and estimations of the cash flows of the Program the issuance of the Parity Bonds is deemed not to have an adverse affect upon the Outstanding Bonds.

(d) The payments required to be made into the various Funds and accounts must be certified as current by the Program Administrator.

(e) If required or necessary at the time of issuance of such Parity Bonds, the Supplemental Indenture (and/or other appropriate document) of the Issuer authorizing such Parity Bonds shall contain a provision requiring funding, completion of the funding, or additional funding of the Reserve Fund with cash and/or surety bonds.

(f) That prior to the issuance of the Parity Bonds, the Issuer shall have received evidence or notification from S&P that the issuance of such Parity Bonds will not result in the then existing rating, if any, on the Outstanding Bonds being lowered by S&P.

Interest for all such additional Parity Bonds shall be paid on Interest Payment Dates, and the principal maturities thereof shall be on February 1 or August 1 of the year in which any such principal is scheduled to become due.

The Issuer may issue a series of Bonds as either Taxable Bonds or Tax-Advantaged Bonds.

Notwithstanding anything in the Indenture to the contrary, the Supplemental Indenture authorizing the Parity Bonds shall not be subject to the requirements of Section 10.1(c) of the Indenture, including but not specifically limited to any consent, approval or notification requirements described therein.

Application of Bond Proceeds

All of the proceeds of the Bonds received by the Issuer shall be paid to the Trustee on the Date of Issue. Immediately upon receipt thereof, the Trustee shall deposit (i) Bond proceeds in the Costs of Issuance Account of the Project Fund to pay for the costs of issuance of the Bonds, (ii) Bond proceeds in an amount equal to the Required Reserve in the Reserve Fund and (iii) the remainder of the proceeds of the Bonds in the Project Account of the Project Fund.

Creation of Funds and Accounts; Revenue Fund

The following Funds and accounts shall be created and established with the Trustee as needed to comply with the provisions of the Indenture:

(1) the Revenue Fund;

(2) the Bond Fund, consisting of the Principal and Interest Account, the Redemption Account; the Liquidity Account; the Eligible Funds Account and the Remarketing Proceeds Account;

(3) the Project Fund, consisting of the Costs of Issuance Account, the Governmental Agencies Accounts and the Project Account;

(4) the Administrative Fund;

(5) the Reserve Fund; and

(6) if necessary, the Rebate Fund.

Each Fund and account shall be maintained by the Trustee as a separate and distinct trust fund or account to be held, managed, invested, disbursed and administered as provided in the Indenture. All money deposited in the Funds and accounts created under the Indenture shall be used solely for the purposes set forth in the Indenture. The Trustee shall keep and maintain adequate records pertaining to each Fund and account, and all disbursements therefrom.

The Trustee may, in its discretion, establish such additional accounts within any Fund, and subaccounts within any of the accounts, as the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from the Funds and their accounts, or for the purpose of complying with the requirements of the Code relating to arbitrage, but the establishment of any such account or subaccount shall not alter or modify any of the requirements of the Indenture with respect to a deposit or use of money in the Funds, or result in commingling of funds prohibited under the Indenture.

All of the Loan Payments and the Revenues of the Program shall be set deposited into the Revenue Fund and shall thereafter be apportioned to the various funds and accounts as set out in the Indenture.

Bond Fund

The Trustee shall deposit into the Liquidity Account the proceeds of all purchases made pursuant to and under the Liquidity Agreement, if any, delivered to the Trustee. The Trustee shall deposit into the Eligible Funds Account all Eligible Funds other than the proceeds received under the Liquidity Agreement, if any, delivered to the Trustee. The Trustee shall deposit into the Remarketing Proceeds Account the remarketing proceeds, if any, delivered to the Trustee. Money on deposit in the Liquidity Account, the Eligible Funds Account and the Remarketing Proceeds Account shall not be commingled with any other money held by the Trustee. Money on deposit in the Liquidity Account, the Eligible Funds Account and the Remarketing Proceeds Account on each scheduled Interest Payment Date for the Bonds or on any redemption or maturity date shall be used to pay the interest becoming due and payable on the Bonds on such date and to pay the principal of and, if the Liquidity Agreement so permits, the premium on the Bonds maturing or to be redeemed on such date, if any. Money on deposit in the Liquidity Account, the Eligible Funds Account and the Remarketing Proceeds Account on any Mandatory Tender Date shall be used to pay the Purchase Price of Bonds tendered or deemed tendered on such date. Any money remaining in the Liquidity Account, the Eligible Funds Account and the Remarketing Proceeds Account after payment of such Purchase Price or interest, principal or premium shall be delivered to the Bank for application pursuant to the Liquidity Agreement.

The Trustee shall deposit in or transfer to the Principal and Interest Account:

(i) immediately upon receipt thereof, the amount, if any, derived from Bond proceeds required to be deposited therein pursuant to the Indenture;

(ii) immediately upon receipt thereof, funds on deposit in the Revenue Fund which represent Loan Payments or investment earnings of the Program allocable to principal of or interest on the Bonds;

(iii) immediately upon receipt thereof, the net earnings on investments of money in the Principal and Interest Account;

(iv) all money required to be transferred to the Principal and Interest Account from the Project Fund pursuant to the Indenture;

(v) all money required to be transferred to the Principal and Interest Account from the Redemption Account pursuant to the Indenture; and

(vi) all other money required to be transferred to or deposited in the Principal and Interest Account pursuant to any provision of the Indenture or any Assistance Agreement.

The money and investments in the Principal and Interest Account are irrevocably pledged to and shall be used by the Trustee, from time to time, to the extent required, in the following order of priority:

(i) for the payment of the principal of and interest on Bonds on the next Interest Payment Date or redemption or maturity date;

(ii) for payment to the Bank of an amount equal to but not exceeding the amount of any moneys paid under the Liquidity Agreement which were used to pay the Purchase Price or principal of or interest on Bonds and for which the Bank has not been reimbursed, as set forth in a certificate from the Bank;

(iii) for transfer to the Redemption Account of funds in the Principal and Interest Account in excess of those necessary for the purposes described in paragraphs (i) and (ii) above, upon written request from an Authorized Representative of the Governmental Agency, for the payment of accrued interest and premium, if any, on and principal of any Outstanding Bonds that are optionally redeemed; and

(iv) for return to the Governmental Agency (as an overpayment) on the Business Day prior to the date of the final Loan Payment for the Governmental Agency, the pro rata share of funds allocated to the Governmental Agency, which the Trustee has determined, as of such Business Day, to be in excess of those necessary for the purposes described in paragraphs (i) through (iii) above; provided, however, that, unless otherwise agreed to in writing by the Compliance Group and S&P, no payments shall be made under this paragraph (iv) if any Governmental Agency participating in the Program has made a Reserve Withdrawal and has not fully repaid to the Program the amount of such Reserve Withdrawal plus any accrued interest thereon as required by an Assistance Agreement.

The Trustee shall deposit in or transfer to the Redemption Account:

(i) immediately upon receipt thereof, all money received by the Trustee from the Issuer or from any other source with written instructions to deposit such amounts in the Redemption Account;

(ii) immediately upon receipt thereof, funds on deposit in the Revenue Fund which represent Loan Payments allocable to the redemption of Bonds;

(iii) immediately upon receipt thereof, the net income realized on investments of money in the Redemption Account; and

(iv) all money required to be transferred to or deposited in the Redemption Account pursuant to the Indenture or to any other provision of the Indenture or the Assistance Agreement.

The money and investments in the Redemption Account are irrevocably pledged and shall be used by the Trustee, from time to time, to redeem Bonds called for redemption in accordance with the provisions of the Indenture or in accordance with the following paragraph (or to reimburse the Bank for draws on the Liquidity Agreement used for those purposes).

Upon receipt of and in accordance with a written request from an Authorized Representative of the Issuer, funds in the Redemption Account in excess of the amount necessary to redeem Bonds for which notice of redemption has been given pursuant to the Indenture shall be used for any one or more of the following purposes:

(i) for the optional redemption of Bonds prior to the maturity thereof pursuant to the Indenture; or

(ii) for transfer to the Principal and Interest Account.

Notwithstanding anything to the contrary in the Indenture, the principal of and premium, if any, and interest on the Bonds are to be paid when due:

(i) upon maturity:

(1) Eligible Funds available for such purpose on deposit in the Principal and Interest Account; and

(2) any other money furnished to the Trustee and available for that purpose.

(ii) upon redemption:

(1) Eligible Funds available for such purpose on deposit in the Principal and Interest Account;

(2) proceeds of a purchase under the Liquidity Agreement, provided, however that such proceeds shall only be used to redeem the Variable Rate Bonds; and

(3) any other money furnished to the Trustee and available for that purpose.

(iii) upon purchase on a Mandatory Tender Date:

(1) proceeds on deposit in the Remarketing Proceeds Account but only to the extent such funds are available in said account;

(2) proceeds of a purchase under the Liquidity Agreement;

(3) other Eligible Funds available for such purpose; and

(4) any other money furnished to the Trustee and available for that purpose.

(iv) upon acceleration:

(1) Eligible Funds available for such purpose on deposit in the various funds held by the Trustee;

(2) proceeds of a purchase under the Liquidity Agreement, provided, however that such proceeds shall only be used to redeem the Variable Rate Bonds; and

(3) any other money furnished to the Trustee and available for that purpose.

The Purchase Price of Bonds tendered for purchase pursuant to the Demand Purchase Option shall be paid from the sources and in the priority indicated in the Indenture.

Pending application of money in the Bond Fund as set forth in this the Indenture, such money shall be invested and reinvested by the Trustee in Authorized Investments pursuant to the Indenture.

In the absence of written direction from the Issuer with respect to investment of moneys held in the Funds, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Authorized Investments under the Indenture.

Project Fund

The Trustee shall maintain the Project Fund until no money remains therein. The Project Fund shall consist of the following Accounts:

(i) the Costs of Issuance Account;

(ii) the Governmental Agencies Accounts; and

(iii) the Project Account.

Immediately upon receipt thereof, the Trustee shall deposit into the Costs of Issuance Account all amounts derived from Bond proceeds required to be deposited therein pursuant to the Indenture and all amounts received by the Trustee from the Issuer or from any other source (other than proceeds of the Bonds) for purposes of paying Financing Expenses.

The Trustee shall deposit in or transfer to the Project Account:

(a) immediately upon receipt thereof, the amounts derived from Bond proceeds required to be deposited therein pursuant to the Indenture;

(b) all amounts required to be transferred to the Project Account from the Costs of Issuance Account pursuant to the Indenture; and

(c) immediately upon receipt thereof, such amounts as are received by the Trustee from the Issuer or from any other source (other than proceeds of the Bonds) for purposes of paying costs of establishing and operating the Program.

The money and investments in the Project Fund and its accounts shall be held in trust by the Trustee and applied in accordance with and subject to the provisions of this the Indenture and, pending such application, shall be held for the further security of the Owners of the Bonds and the Bank until applied as provided in the Indenture. Until actually disbursed by the Trustee to or upon the order of the Issuer in accordance with this the Indenture, the Issuer shall have no interest in such money and investments.

Immediately upon giving a Declaration of Acceleration pursuant to the Indenture, the Trustee shall transfer all funds in the accounts of the Project Fund to the Principal and Interest Account.

The Issuer has no obligation under the Indenture or under the Act to deposit any money in the Project Fund (other than the proceeds of the Bonds as provided in the Indenture) nor to apply any money to payment of Financing Expenses or the costs of completing the Project except the money in the Project Fund.

Financing Expenses shall be paid by the Trustee from the Costs of Issuance Account, but only to the extent of the balance therein, within five Business Days following receipt by the Trustee of a written request for payment from an Authorized Representative of the Issuer, accompanied by the statements or billings therefor provided, however, that the Issuer may pay such Financing Expenses in which case the Trustee shall reimburse the Issuer from the Costs of Issuance Account, but only to the extent of the balance therein, within five Business Days of the Trustee's receipt of the written request of an Authorized Representative of the Issuer, accompanied by the statements or billings therefor and evidence that such costs have been paid by the Issuer. All payments made from the Costs of Issuance Account pursuant to a written request for payment from an Authorized Representative of the Issuer shall be presumed to be made properly and the Trustee shall not be required to see to the application of any payments made from the Costs of Issuance Account. Any money remaining in the Costs of Issuance Account after the later of payment of all Financing Expenses (or reimbursement of the Issuer for payment of such expenses), shall be deposited in the Project Account of the Project Fund.

The Trustee shall transfer moneys from the Project Account to the Administrative Fund to pay, or to reimburse the Issuer for payment of, costs of the Program (including the fees payable to the Bank on the Date of Issue,

and if and when directed by the Issuer to transfer money to the Principal and Interest Account of the Bond Fund for such purpose, interest on the Bonds prior to completion of the Program or reimbursement of the Bank for draws on the Liquidity Agreement to pay such interest), and to transfer to Governmental Agencies such amounts necessary to purchase obligations issued by Governmental Agencies pursuant to Assistance Agreements. Such payments and transfers shall be made by the Trustee upon receipt of requisitions therefor in the form of the exhibit attached to the Indenture duly executed by an Authorized Representative of the Issuer and if a Liquidity Agreement is in place, consented to by the Bank, which consent shall not be unreasonably withheld. All payments and transfers made from the Project Account pursuant to such a requisition shall be presumed to be made properly and the Trustee shall not be required to see to the application of any payments and transfers made from the Project Account.

The Trustee shall transfer from the Project Account to the respective Governmental Agency Account such amounts necessary to purchase obligations issued by a Governmental Agency pursuant to an Assistance Agreement entered into and executed by a Governmental Agency.

The Trustee shall pay out or permit the withdrawal of moneys from any Governmental Agency's Account, upon receipt by the Trustee of a written requisition of the Governmental Agency in the form attached to the Assistance Agreement executed by an authorized representative of the Governmental Agency and the engineers of the Governmental Agency containing the following with respect to each payment or disbursement to be made:

(i) the name of the person or parties to whom the payment or disbursement is to be made;

(ii) the amount to be paid to such person or party; and

(iii) the applicable Assistance Agreement in respect of which the payment or disbursement is to be made.

All such written requisitions of the Governmental Agency duly conforming to the Indenture received by the Trustee as therein set forth may be relied upon by and shall be retained in the possession of the Trustee, subject at all times to the inspection of the Compliance Group, the Issuer and its officials and the Governmental Agencies which have entered into Assistance Agreements, together with their respective agents and representatives.

Such payments shall be made by the Trustee upon receipt of the Assistance Agreement and such other documentation as may be required by the Issuer or the Compliance Group. All payments made from a Governmental Agency Account pursuant to the receipt of an Assistance Agreement shall be presumed to be made properly and the Trustee shall not be required to see to the application of any payments made from the Governmental Agency Account.

The date of completion of the Program with respect to the Series 2001 Bonds shall be the date when the Trustee shall have received a certificate in the form attached to the Indenture of an Authorized Representative of the Issuer to the effect that all Financing Expenses and costs of the Program to be paid from the Costs of Issuance Account have been paid in full, the date on which no money remains in the Project Account.

On the first Wednesday in March, 2004, the Trustee shall transfer any money and investments remaining in the accounts in the Project Account to the Redemption Account of the Bond Fund to be used to redeem Variable Rate Bonds on said date (or to pay to the Bank an amount equal to but not exceeding the amount of any moneys used to purchase Bonds under the Liquidity Agreement to effect such redemption for which the Bank has not been reimbursed).

Pending application of money in the Project Fund as set forth in the Indenture, such money shall be invested and reinvested by the Trustee in accordance with the requirements of the Indenture. All investment earnings, if any, on money in any account in the Project Fund, except the Governmental Agencies Accounts, shall be deposited in the Revenue Fund.

All investment earnings, if any, on money in any Governmental Agencies Accounts, shall remain in the respective Governmental Agency Account.

In the absence of written direction from the Issuer with respect to investment of moneys held in the Funds, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Authorized Investments under the Indenture.

Reserve Fund

The Reserve Fund shall be held for the benefit of the Bondowners and shall be used solely for the purpose of paying principal of or interest on such Bonds as to which there would otherwise be a default.

Provided, that in the event that any funds then on deposit shall be withdrawn from the Reserve Fund for the purpose of paying the loan payments due on or under an Assistance Agreement securing the Bonds, the Issuer shall be thereafter pursuant to the respective Assistance Agreement assess against the Governmental Agency an amount necessary to replenish the Reserve Fund to the Required Reserve, plus accrued interest on such amounts at a rate equal to the rate of interest being earned by funds on deposit in the Reserve Account.

Provided, however, that no further payments need be made into the Bond Fund after and so long as such amount of the Bonds shall have been retired that the amount then held in the Bond Fund, including the Reserve Fund, shall be equal to the entire amount required to retire and/or redeem all Bonds then outstanding and paying all interest that will accrue to or at the time of such retirement and/or redemption.

All investment earnings, if any, on money in the Reserve Fund shall be deposited to the Revenue Fund; provided, however, if the amount in the Reserve Fund is less than the Required Reserve then such investment earnings shall remain in the Reserve Fund until the amount of the Reserve Fund is equal to the Required Reserve.

All amounts on deposit in the Reserve Fund shall constitute a trust fund and shall be and are hereby earmarked and pledged for the security and source of payment for the Bonds.

Amounts on deposit in the Reserve Fund may be withdrawn and used by the Issuer, when necessary, and shall be so withdrawn and used if and to the extent necessary to prevent the occurrence of an Event of Default, for the purpose of making payments of principal of and interest on the Bonds (including both principal maturities and mandatory redemptions) if the amounts on deposit in the Bond Fund are not sufficient to make such payments.

Rebate Fund

(a) The Issuer hereby authorizes the Trustee to establish a separate special fund designated as the "Rebate Fund," which shall be segregated from all other funds and accounts held by the Trustee. If such a fund is established, the Trustee shall maintain the Rebate Fund until the expiration of 60 days after the retirement of the last outstanding Bond.

(b) The Trustee shall maintain records of investment transactions of the gross proceeds of the Bonds held in the Project Fund and the Bond Fund on an investment-by-investment basis and shall make such records available at the request of the Issuer to the Rebate Analyst. The Issuer shall cause the Rebate Amount to be calculated as of each Installment Computation Date and as of the Final Computation Date. The Issuer shall employ a Rebate Analyst to calculate the Rebate Amount.

(c) The Issuer shall cause the rebate calculations to be completed and filed with the Trustee not later than 45 days after each Installment Computation Date, or 45 days after the Final Computation Date.

(d) The Trustee shall transfer from the Revenue Fund, from time to time, such amounts as directed by the Issuer for deposit to the Rebate Fund for the purpose of accruing funds to pay to the United States the amounts required to be paid under the Indenture. Not later than three Business Days after the rebate calculations are filed with the Trustee, the Trustee shall transfer from the Revenue Fund for deposit to the Rebate Fund an amount such that the balance in the Rebate Fund is at least equal to the Rebate Amount.

(e) Not later than 55 days after each Installment Computation Date, or 55 days after the Final Computation Date, the Issuer shall cause to be paid to the United States any amount which is required to be paid under

Section 148(f)(3) of the Code. Each payment shall be mailed to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255, and shall be accompanied by a copy of I.R.S. Form 8038-T prepared by the Issuer. The Trustee shall disburse money from the Rebate Fund to the United States for such payments.

(f) Money in the Rebate Fund shall be invested by the Trustee at the written direction of the Issuer in Authorized Investments which mature no later than the date that is 55 days after the earlier of the next Installment Computation Date or the Final Computation Date.

(g) No earlier than 120 and no later than 90 days prior to each Installment Computation Date and the Final Computation Date, the Trustee shall notify the Issuer of the action which is required by the foregoing subsections. No earlier than 15 and no later than 10 days prior to the date on which the rebate calculations must be completed under Subsection (c) of this Section, the Trustee shall use its best efforts to notify the Issuer of the action required by Subsection (c) of this Section. No notice need be given if the required action already has been taken by the Issuer.

(h) In addition to the records required under paragraph (a) above, the Trustee shall maintain such records of investments, deposits and disbursements in the Funds as the Issuer may specifically instruct the Trustee to maintain to comply with the provisions of Section 148 of the Code and the Indenture.

(i) If the calculation of the Rebate Amount under the Indenture indicates that the balance in the Rebate Fund exceeds the Rebate Amount as of the date on which a payment is made to the United States pursuant to Subsection (e) of this Section, then the Trustee shall, if directed by the Issuer, transfer all or any portion of such excess to the Revenue Fund.

(j) The Issuer shall be responsible for the calculation and paying of all Rebate Amounts due under Section 148 of the Code. The Trustee shall not be obligated to calculate or pay Rebate Amounts on behalf of the Issuer. The obligation of the Trustee under the Indenture is limited to giving notice to the Issuer on a best efforts basis, keeping records, investing money and depositing and disbursing money in and from the Rebate Fund in accordance with instructions from the Issuer and under the Indenture.

(k) The intent of the Indenture is to require funding of the Rebate Fund so that money in that account will be available to pay Rebate Amounts when they are required to be paid under Section 148 of the Code. Notwithstanding anything to the contrary in the Indenture, the Issuer may cause the Trustee to amend the Indenture, without consent of the Bondowners, in any manner consistent with the intent of this Section, if the Issuer provides the Trustee with an opinion of Tax Counsel to the effect that:

(i) the Indenture, as amended, states in reasonable detail the procedures with which the Issuer must comply under the applicable provisions of the regulations and rulings under Section 148 of the Code that are then in effect, and requires the Trustee to notify the Issuer in advance of the date on which action is required to comply with Section 148(f) of the Code; and

(ii) the amendment will not cause interest on the Bonds to become includable in gross income for federal income tax purposes; and

(iii) the amendment is consistent with the stated intent of the Indenture prior to its amendment.

(l) The Trustee shall retain records of the source of and determination of the Rebate Amounts required to be deposited and credited to the Rebate Fund, of the proceeds of any investments of money in the Rebate Fund, and of the amounts paid to the United States Treasury from the Rebate Fund for six years after the retirement of the last outstanding Bond, or such shorter period as may be permitted by Section 148 of the Code.

(m) The Trustee may, in its discretion, establish such accounts within the Rebate Fund established under the Indenture, and subaccounts within any of such accounts, as the Trustee may deem necessary or useful for the purpose of identifying more precisely the sources of payments into and disbursements from such accounts or subaccounts, but the establishment of any such additional account or subaccount shall not alter or modify any of the

requirements of the Indenture with respect to the deposit or use of money in the Rebate Fund established hereunder or result in commingling of funds not permitted hereunder.

Administrative Fund

The Trustee shall deposit in or transfer to the Administrative Fund:

(i) immediately upon receipt thereof, funds on deposit in the Project Fund that are to be transferred to the Administrative Fund for the purpose of paying the Administrative Expenses of the Program;

(ii) immediately upon receipt thereof, funds on deposit in the Revenue Fund that represent Loan Payments allocable to the Administrative Expenses of the Program;

(iii) immediately upon receipt thereof, the net earnings on investments of money in the Administrative Fund; and

(iv) all other money required to be transferred to or deposited in the Administrative Fund pursuant to any provision of the Indenture or any Assistance Agreement.

The Trustee shall make payments from the Administrative Fund to pay, or to reimburse the Issuer for payment of costs and the Administrative Expenses of the Program. Payments from the Administrative Fund shall be made upon a written request of the Program Administrator.

All investment earnings, if any, on money in the Administrative Fund shall be deposited to the Revenue Fund.

Final Balances

Upon payment of all principal of and premium, if any, and interest on the Bonds, and upon payment of all sums properly due and payable thereunder and under the Assistance Agreement (including all fees, charges and expenses of the Trustee and the Issuer which are properly due and payable thereunder and under the Assistance Agreement as of such date), all money remaining in all Funds and accounts, except money held by the Trustee pursuant to the Indenture, shall be remitted to the Bank to the extent of any outstanding obligation of the Issuer to the Bank, as certified by the Bank to the Trustee and the Issuer, and any remaining balance shall be paid to the Issuer.

Investment of Funds

Money on deposit in the Project Fund shall be invested and reinvested by the Trustee in Authorized Investments, as directed by the Issuer and confirmed in writing.

In the absence of written direction from the Issuer with respect to investment of moneys held in the Project Fund, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Authorized Investments under the Indenture.

Money on deposit in the Principal and Interest Account or Redemption Account of the Bond Fund shall be invested and reinvested by the Trustee in Authorized Investments as directed by the Issuer and confirmed in writing, but in the event of the failure of the Issuer to provide timely directions as to such investments or reinvestments, the Trustee shall invest or reinvest any or all money held by it in the Bond Fund in the uninvested cash account maintained by the Trustee. Money in the Liquidity Account of the Bond Fund representing a draw under the Liquidity Agreement shall be invested only in accordance with the provisions of the Indenture. Money in the Remarketing Proceeds Account representing remarketing proceeds shall not be invested. In all cases money in the accounts in the Bond Fund shall be invested only in Authorized Investments maturing no later than the date money in such account or accounts is needed to make the payments authorized to be made therefrom.

Money on deposit in the Reserve Fund shall be invested and reinvested by the Trustee in Authorized Investments, as directed by the Issuer and confirmed in writing.

In the absence of written direction from the Issuer with respect to investment of moneys held in the Reserve Fund, the Trustee is hereby directed to invest funds in money market mutual funds of the Trustee or its affiliates that qualify as Authorized Investments under the Indenture.

Money on deposit in the Rebate Fund, if created, shall be invested only in accordance with the provisions of the Indenture.

Allocation of Income and Losses

The interest and income received with respect to the investments in any Fund or account held by the Trustee under the Indenture, and any profit or loss resulting from the sale of any such investments, shall be deposited and credited upon receipt, or charged to such Fund or such account, and all earnings received from the investment of money in any Fund or account shall be credited as described in the Indenture.

Whenever any transfer or payment is required to be made from any particular Fund or account, such transfer or payment shall be made from such combination of maturing principal, redemption or repurchase prices, liquidation proceeds and withdrawals of principal as the Trustee deems appropriate for such purposes, after taking into account such factors as the Trustee may deem appropriate.

Neither the Issuer nor the Trustee shall be accountable for any depreciation in the value of the investments or any losses incurred upon any authorized disposition thereof.

Investments; Arbitrage; Special Arbitrage Restriction

The Trustee may make any and all investments permitted by the provisions of the Indenture through its own trust department. As and when any amount invested pursuant to the Indenture may be needed for disbursement, the Trustee shall cause a sufficient amount of such investments to be sold and reduced to cash to the credit of such Funds. The Trustee covenants that at any time that it has discretion as to such investments it will not use or invest the proceeds of the Bonds in any manner which will cause the Bonds to become "arbitrage bonds" within the meaning of Section 148 of the Code and any lawful regulation proposed or promulgated thereunder, as the same exist on this date or may from time to time hereafter be amended, supplemented or revised. The Trustee may rely upon certificates of certified public accountants and opinions of Tax Counsel or Bond Counsel with respect to the foregoing covenants.

Performance of and Authority for Covenants

The Issuer covenants and represents that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in the Indenture and in the Related Documents, in any and every Bond executed, authenticated and delivered thereunder and in all proceedings of its Board of Directors pertaining thereto; that it is duly authorized under the Constitution and laws of the State, including particularly and without limitation the Act, to issue the Bonds and to pledge and grant a security interest in the Trust Estate in the manner and to the extent set forth therein; that all action on its part for the issuance of the Bonds and for the execution and delivery thereof will be duly and effectively taken and that such Bonds in the hands of the Owners thereof will be valid and enforceable special and limited obligations of the Issuer according to the terms thereof.

The Issuer acknowledges and agrees that all covenants contained in the Indenture are with and for the benefit of all Bondowners and the Bank and can be enforced by the Trustee, in its discretion or at the direction of the Bank or the Bondowners, as provided therein, or by the Bank or the Bondowners in accordance with the provisions of the Indenture.

Extensions of Payments of Bonds

The Issuer will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of interest thereon without the consent of the Trustee, the Owners of all Outstanding Bonds and the Bank.

Concerning the Assistance Agreement

The Issuer will do or cause to be done all things on its part to be performed under the Assistance Agreement so that the obligations of the Issuer thereunder shall not be impaired or excused.

Lien of Indenture

The Issuer will not knowingly create or suffer to be created any lien having priority or preference over the lien of the Indenture upon the Trust Estate or any part thereof, other than the security interests granted by it to the Trustee thereunder. The Issuer agrees that it will issue no obligations, the payment of which is secured by money or amounts derived from the Revenues. Except to the extent otherwise provided in the Indenture, the Issuer will not knowingly enter into any contract or take any action by which the rights of the Trustee or the Bondowners will be impaired.

Instruments of Further Assurance

The Issuer will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments, and transfers for the better conveying, assuring, transferring, assigning, pledging and hypothecating unto the Trustee the rights, title and interests of the Issuer in the Assistance Agreements as security for the payment of the Purchase Price and principal of and premium, if any, and interest on the Bonds in the manner and to the extent contemplated therein. The Issuer shall be entitled to reimbursement from the Governmental Agency for any action taken pursuant to the Indenture.

Tax-Exempt Status of Bonds

The Issuer covenants and agrees not to use or permit the use of any of the proceeds of the Bonds that are Tax-Advantaged Bonds, in such manner, and not to take or omit to take any other action in such manner, as will impair the exclusion from gross income of the interest on the Tax-Advantaged Bonds for federal income tax purposes. The Issuer further covenants and agrees to comply with applicable arbitrage rebate requirements under Section 148 of the Code.

Events of Default

The following events shall be Events of Default:

(1) default in the due and punctual payment of the Purchase Price or principal of or premium, if any, or interest on any Bond when and as the same shall become due and payable, whether on any Purchase Date or Mandatory Tender Date, at maturity as therein expressed, by proceedings for redemption, by acceleration or otherwise;

(2) failure of the Bank to honor a demand for purchase under the Liquidity Agreement made in accordance with its terms;

(3) default by the Issuer in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture or in the Bonds (other than as shall cause the mandatory redemption of Bonds under the Indenture), if such default shall have continued for a period of 90 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Issuer, the Remarketing Agent and the Bank by the Trustee, or to the Issuer, the Bank, the Remarketing Agent and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding; or

(4) receipt by the Trustee of written notice from the Bank of the occurrence of an event of default under the Liquidity Agreement and directing the Trustee to accelerate payment of the Bonds and demand a purchase under the Liquidity Agreement.

The Trustee shall notify the Issuer of the occurrence of any event described in paragraph (2) above.

Acceleration of Maturity

If any Event of Default described in paragraphs (1), (2) or (4) above shall occur, the Trustee shall, and in every case during the continuance of any other Event of Default may, upon notice in writing to the Issuer and the Bank, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such Declaration of Acceleration the same shall become and shall be immediately due and payable, anything contained in the Indenture or in the Bonds to the contrary notwithstanding.

Upon any Declaration of Acceleration of the Bonds hereunder, the Trustee shall give notice of such declaration by mail to the respective Owners of the Bonds at their addresses appearing on the Bond Register.

Other Remedies Upon Default

Upon the occurrence and continuance of an Event of Default, then and in every such case the Trustee in its discretion may, and upon the written direction of the Bank or Owners of a majority in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity against anticipated expenses and liability to its satisfaction (which indemnity is a condition precedent to its duties hereunder), shall, in its own name and as the Trustee of an express trust:

(1) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners and require the Issuer, the Bank or any Governmental Agency to carry out any agreements with or for the benefit of the Owners of Bonds and to perform its or their duties under the Act, the Assistance Agreement, the Liquidity Agreement and the Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Liquidity Agreement, the Assistance Agreement or the Indenture, as the case may be;

(2) bring suit upon the Bonds;

(3) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of Bonds;

(4) accelerate any Assistance Agreement which may have the occurrence of an Assistance Agreement Default Event; or

(5) exercise any other remedies available at law or in equity.

Application of Revenues and Other Funds After Default

If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (subject to certain Sections titled "Rebate Fund" and "Unclaimed Money" and provided that (i) proceeds from a demand for purchase under the Liquidity Agreement, (ii) remarketing proceeds, (iii) Eligible Funds and (iv) money described in the Section titled "Unclaimed Money" herein below shall not be used for purposes other than payment of the Bonds or for the purpose of reimbursing the Bank if the Bonds have been paid in full from the proceeds of a demand for purchase under the Liquidity Agreement) shall be applied by the Trustee as follows and in the following order:

(1) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture;

(2) To the payment of amounts then due on the Bonds (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of the Indenture, without preference or priority of any kind, ratably, according to the amounts due on the Bonds for principal (and premium, if any) and interest, respectively, to the Owners thereof without discrimination or privilege; and

(3) To the Bank to be applied pursuant to the terms of the Liquidity Agreement, and the Trustee shall give written notice to the Issuer of the date and amount of such transfer.

Trustee to Represent Bondowners

The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, the Indenture, the Liquidity Agreement, the Assistance Agreements and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bondowners, the Trustee in its discretion may, and upon the written request of the Bank or of Owners of a majority in aggregate principal amount of the Bonds then Outstanding as provided in the Indenture, and upon being indemnified against anticipated expenses and liabilities to its satisfaction therefor (which indemnity is a condition precedent to its duties hereunder), shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained therein, or in aid of the execution of any power therein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Indenture, the Liquidity Agreement, the Assistance Agreements or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. Notwithstanding the foregoing, the Trustee shall not require indemnification prior to making draws on the Liquidity Agreement, accelerating the Bonds as required therein, or making payment of principal of or premium, if any, or interest on the Bonds.

All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Bank's or Bondowners' Direction of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Bank, so long as the Liquidity Agreement is in effect and the Bank is not in default in its obligations thereunder, or, if not, the Owners of a majority in aggregate principal amount of the Bonds Outstanding, shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the time, place and method of conducting all remedial proceedings taken by the Trustee thereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction that in the sole discretion of the Trustee would be unjustly prejudicial to Bondowners not parties to such direction. Before the Owners may take or require the Trustee to take any action not otherwise required thereunder, the Trustee may require that it be furnished an indemnity bond satisfactory to it for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from the negligence or willful misconduct of the Trustee, by reason of any action so taken by the Owners or the Trustee. The Trustee shall not be responsible for the propriety of or liable for the consequences of following such a direction given by the Bank or the Owners of a majority in aggregate principal amount of the Bonds Outstanding. The Bank shall have no rights to direct proceedings hereunder in respect of remedies available to the Trustee against the Bank, including without limitation drawings to be made under the Liquidity Agreement, or against the Remarketing Agent or Underwriter when the Bank is acting in such capacity.

Limitation on Bondowners' Right to Sue

Except as otherwise provided in the Indenture, no Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, any Assistance Agreement or any other applicable law with respect to such Bond, unless (1) the Liquidity Agreement is not available to pay the principal of or interest on the Bonds or the Bank is in default in its obligations under the Liquidity Agreement; (2) such Owner shall have given to the Trustee written notice of the occurrence of an

Event of Default; (3) the Owners of not less than 50% in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (4) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (5) the Trustee shall have refused or failed to comply with such request for a period of 90 days after such written request shall have been received by, and such tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or failure are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy under the Indenture or under law; it being understood and intended that no one or more Bondowners shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Bondowners, or to enforce any right under the Indenture, the Assistance Agreements or applicable law with respect to the Bonds, except in the manner therein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner provided therein and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Notwithstanding the foregoing, nothing in the Indenture shall be construed as limiting or otherwise modifying the rights of the Owners and the Trustee under the Indenture, and in no event shall anything therein impair the absolute and unconditional right of the Owner of each Bond to receive payment of the Purchase Price or principal thereof and interest and premium, if any, thereon at the times provided in such Bond and in the Indenture and to institute suit solely for the purpose of enforcing any such payment or purchase.

Absolute Obligation of Issuer

Nothing in the Indenture or in any other provision of the Indenture, or in the Bonds, shall affect or impair the obligation of the Issuer, which is absolute and unconditional, to pay the Purchase Price or principal of and premium, if any, and interest on the Bonds to the respective Owners of the Bonds at the times stated therein, but only out of the Revenues and other assets pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Termination of Proceedings

In case any proceedings taken by the Trustee, the Bank or any one or more Bondowners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, the Bank or the Bondowners, then in every such case the Issuer, the Bank, the Trustee and the Bondowners, subject to any determination in such proceedings, shall be restored to their former positions and rights thereunder, severally and respectively, and all rights, remedies, powers and duties of the Issuer, the Bank, the Trustee and the Bondowners shall continue as though no such proceedings had been taken.

Remedies Not Exclusive

Except as otherwise provided in the Indenture, no remedy therein conferred upon or reserved to the Trustee or the Bank or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given thereunder or now or hereafter existing at law or in equity or otherwise.

No Implied Waiver of Default

No delay or omission of the Trustee, the Bank or any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy given by the Indenture to the Trustee or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Waivers of Events of Default

Unless a Declaration of Acceleration has been given by the Trustee, the Trustee in its discretion may, if all arrears of principal and interest, if any, on the Bonds and all expenses of the Trustee and/or the Issuer have been paid and all other defaults shall have been cured or provision satisfactory to the Trustee, the Issuer and the Bank has been made therefor, waive any Event of Default thereunder other than a default under Subsection (2) or (4) of "Events of Default" herein, and, with the written request of the Bank, shall waive any Event of Default thereunder other than a default under Subsection (2) of "Events of Default" and rescind its consequences; provided, however, the Trustee may not in any event waive an Event of Default unless the Liquidity Agreement or an Alternate Credit Facility is in effect at the time of such waiver and such Liquidity Agreement or Alternate Credit Facility has been fully reinstated with respect to the payment of the principal of and the interest on the Outstanding Bonds. In the case of any such waiver and rescission, the Issuer, the Trustee and the Bondowners shall be restored to their former positions and rights thereunder, respectively, but no such waiver and rescission shall extend to any subsequent or other default, or impair any right consequent thereon. All waivers under the Indenture shall be subject to the prior written approval of the Bank, other than a default under Subsection (2) of "Events of Default", and shall be in writing, and a copy thereof shall be delivered to the Issuer and the Bank.

Acceptance of Trust and Prudent Performance Thereof

The Trustee, as evidenced by its due execution of the Indenture, hereby accepts the conveyance set forth in the preamble, in trust, and agrees to keep, perform and observe faithfully all of the covenants, conditions and requirements imposed upon it in the Indenture and in the Bonds and the covenants, conditions, requirements, duties and obligations imposed upon the Issuer in the Assistance Agreements and assigned to the Trustee.

The Trustee shall be required to take notice or be deemed to have notice of any Event of Default thereunder other than Assistance Agreement Default Events that are not otherwise Events of Default thereunder, and shall be required to take notice or deemed to have notice of the Assistance Agreement Default Events described in Section 9.1(a), (c) and (f) of the Assistance Agreement. The Trustee shall be required to take notice or be deemed to have notice of any other Assistance Agreement Default Event only if the Trustee shall have received specific notice thereof delivered to the address set forth in the Indenture. All notices or other instruments required by the Indenture or the Assistance Agreement to be delivered to the Trustee, in order to be effective, must be delivered at the designated corporate trust office of the Trustee; and in the absence of such notice so delivered, the Trustee may conclusively assume that there is no default or Event of Default. Nonetheless, the Trustee may in its sole discretion take notice of an Assistance Agreement Default Event without specific notification thereof. In such case, the Trustee shall proceed as if it had received such specific notification and all provisions of the Indenture applying to the Trustee after having received such specific notification shall apply to the Trustee in actions without such specific notification.

The Trustee shall not be liable with respect to any action taken or omitted to be taken thereunder except for its own negligent failure to act or its own negligence or willful misconduct; provided, that:

(a) In the absence of an Event of Default, the duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture; the Trustee shall be obligated to take only such actions as are specifically set forth therein or as are specifically required to be taken by the Trustee when requested from time to time by the Bank or the Owners of not less than the aggregate principal amount of Outstanding Bonds specified therein with respect to the action in question; and

(b) In the absence of willful misconduct on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the procedural requirements of the Indenture or the Assistance Agreement; but in the case of any such certificate or opinion which by any provision is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the procedural requirements of the Indenture or the Assistance Agreement; and

(c) The Trustee shall not be liable for any error of judgment made in good faith by the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(d) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Bank or the Owners of not less than 50% in aggregate principal amount of Outstanding Bonds or in accordance with the express provisions of the Indenture.

Appointment of Trustee

There shall at all times be a trustee under the Indenture which shall be an association or a corporation organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $100,000,000 (or a subsidiary of an association or corporation having such combined capital and surplus), and subject to supervision or examination by federal or state authority. The written consent of the Rating Agency, if any, shall be required for the appointment of any successor to the Trustee unless the obligations of such successor are rated Baa3/P-3 or higher by the Rating Agency. If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of the Indenture, the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of the Indenture and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in the Indenture.

Resignation of Trustee

The Trustee may resign and be discharged from the trusts created by the Indenture by giving to the Issuer, the Bank and the Remarketing Agent 45 days' advance written notice. Such resignation shall take effect on the day specified in such notice, but the Trustee shall not be discharged from the trusts created hereby until a successor trustee has been approved and appointed. Subsequent to such date, the Trustee shall have no further duties and obligations under the Indenture or any Assistance Agreement.

Removal of Trustee

(a) Subject to the provisions of the Indenture, the Trustee may be removed at any time, either with or without cause, by the Owners of a majority in aggregate principal amount of Outstanding Bonds, provided that all fees of the Trustee due and owing pursuant to the Indenture shall first be paid.

(b) Subject to the provisions of the Indenture, the Trustee may be removed, either with or without cause, by the Issuer so long as there has been no Event of Default which then remains uncured and provided that all fees of the Trustee due and owing pursuant to the Indenture shall first be paid.

(c) Any removal of the Trustee pursuant to the Indenture shall be effected by delivery to the Trustee of a written instrument to that effect.

(d) No resignation or removal of the Trustee shall be effective until a successor to the Trustee, not objected to by the Bank or the Remarketing Agent and qualified to carry out the functions of Trustee under the Indenture, shall have been appointed and shall have assumed those functions.

Appointment of Successor Trustee

(a) If at any time the Trustee shall resign, be removed or otherwise become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee thereunder, and the Issuer shall promptly appoint a successor Trustee not objected to by the Remarketing Agent or the Bank and meeting the requirements of the Indenture.

(b) If, in a proper case, no appointment of a successor Trustee shall be made pursuant to the Indenture within 45 days after notice of removal or resignation of the. Trustee, any Owner or the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(c) The Issuer shall notify the Rating Agency of the appointment of a successor Trustee within 30 days of such appointment.

Merger of Trustee

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee thereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties to the Indenture, anything therein to the contrary notwithstanding, provided that such resulting entity shall be entitled under state or federal law to exercise corporate trust powers.

Transfer of Rights and Property to Successor Trustee

Every successor Trustee appointed under the Indenture shall execute, acknowledge and deliver to its predecessor and also to the Issuer a written instrument accepting such appointment thereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with the Trust Estate and the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request from the Authorized Representative of the Issuer or of its successor execute and deliver a written instrument transferring to such successor all the Trust Estate and the rights, powers, trusts, duties and obligations of such predecessor thereunder, and every predecessor Trustee shall deliver all funds held by it as Trustee thereunder to its successor. Should any assignment, conveyance or written instrument from the Issuer be required by any successor Trustee for more fully and certainly vesting in such successor Trustee the Trust Estate and rights, powers, trusts, duties and obligations hereby vested or intended to be vested in the predecessor Trustee, any and all such assignments, conveyances and written instruments shall, on request, be executed, acknowledged and delivered by the Issuer. Each successor Trustee shall give notice of its appointment to all Owners appearing on the Bond Register as of the date of appointment. The successor Trustee shall reimburse the predecessor Trustee for any expenses incurred under the Indenture.

The Trustee's rights to immunity and protection from liability thereunder and its right to receive payment of its fees and expenses shall survive its removal or resignation and the final payment, defeasance or discharge of the Bonds and the termination of the lien of the Indenture.

Defeasance

If the Issuer shall issue refunding bonds or have money available from any other lawful source to pay the Purchase Price, if applicable, or principal of and premium, if any, and interest (calculated at the Maximum Interest Rate unless the Bonds are in a Fixed Interest Rate Period that continues until the maturity date of the Bonds) on the Bonds, or such portion thereof included in the refunding or defeasance plan, as the same become due and to pay the costs of refunding or defeasance, and shall have set aside irrevocably in a special fund for and pledged to such payment, refunding or defeasance, Eligible Funds in the form of money and/or Government Obligations that are not subject to redemption prior to maturity sufficient in amount, together with known earned income from the investments thereof but without regard to any reinvestment thereof, to make such payments and to accomplish the refunding or defeasance as scheduled (hereinafter called the "trust account"), and shall make irrevocable provisions for redemption of such Bonds, if such redemption is included in the refunding or defeasance plan, then in that case all right and interest of the Owners of the Bonds to be so retired, refunded or defeased (hereinafter collectively called the "Defeased Bonds") in the covenants of the Indenture, in the Revenues and Funds, and in the funds and accounts obligated to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereupon shall cease and become void. Notwithstanding the foregoing, in the event the funds in the trust account are not available for such payment, the Owners of the Defeased Bonds shall have the residual right to receive payment of the Purchase Price, if applicable, and principal of and premium, if any, and interest on the defeased Bonds from the Revenues and Funds without any priority of lien or charge against those Revenues or Funds or covenants with respect thereto except to be paid therefrom (except such rights as exist with respect to payment, exchange and transfer of such Bonds under the

pertinent provisions of the Indenture, and except that the covenants contained in the Indenture shall continue in full force and effect). After the establishing and full funding of such trust account, the Defeased Bonds shall be deemed to be discharged and the Issuer then may apply any money in any other fund or account established for the payment or redemption of the Defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the Owners of any other Bonds then Outstanding.

Anything in the Indenture to the contrary notwithstanding, if such Eligible Funds in the form of cash or Government Obligations have been deposited or set aside with the Trustee pursuant to the Indenture for the payment of Bonds and interest and premium thereon, if any, and such Bonds shall not yet have been paid in full, no amendment to the provisions of the Indenture shall be made without the consent of the Owner of each Bond affected thereby.

It shall be a condition of any such defeasance of Bonds that the Issuer has obtained (i) the opinion of counsel recognized in the area of bankruptcy matters that payment of the Defeased Bonds from the money and securities in the trust account will not constitute a voidable preference under the Bankruptcy Code, (ii) written evidence from the Rating Agency that the defeasance of the Variable Rate Bonds will not result in either a reduction or a withdrawal of its then current rating on the Variable Rate Bonds, and (iii) a certificate of a nationally recognized accounting firm that the money and securities in the trust account are sufficient to discharge and defease the Defeased Bonds.

Upon the discharge and defeasance of the Defeased Bonds, the Trustee shall send written notice to each Owner of a Defeased Bond stating that the Owner's Bond has been defeased and the time and manner of presenting the Defeased Bond for payment. If any of the Defeased Bonds are purchased and remarketed pursuant to a Demand Purchase Option, the Trustee shall send written notice to the Remarketing Agent and the purchaser of such defeased Bonds stating that such Defeased Bonds have been defeased and the time and manner of presenting the Defeased Bonds for payment.

Unclaimed Money

Notwithstanding any other provision of the Indenture, any money held by the Trustee for the payment and discharge of any Bond shall be held in cash and shall not be invested by the Trustee. Any money held by the Trustee for the payment and discharge of any Bond which remains unclaimed for more than one year after the discharge of such Bond (or such longer period as the Issuer may approve in writing) shall be free from such trust and shall promptly thereafter be transferred to the Bank by the Trustee for application in accordance with the Liquidity Agreement, or, if no amounts are due to the Bank under the Liquidity Agreement, to the Issuer, and the Trustee shall be released and discharged with respect thereto, and the Owners of Bonds payable from any such money shall look only to the Issuer for the payment thereof (or to the State if the Issuer has delivered such money to the State in accordance with the laws of the State relating to the escheat of unclaimed funds).

The Trustee shall not be responsible for accounting for, or paying to, the Issuer, the Bank or any Bondowner any return on or benefit from money held for the payment of unredeemed Bonds or outstanding checks, and no calculation of the same shall affect or result in any offset against fees due to the Trustee under the Indenture.

Amendment of Indenture

(a) The Indenture shall not be supplemented or amended in any respect subsequent to the initial issuance of the Bonds, except as provided in and in accordance with and subject to the provisions of the Indenture.

(b) The Issuer may from time to time and at any time, with the consent of the Bank, but without the consent of or notice to the Owners of the Bonds, enter into Supplemental Indentures for the following purposes:

(1) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture in a manner not adverse to the Owner of any Bonds;

(2) to impose upon the Trustee for the benefit of the Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(3) to add to the covenants and agreements of, and limitations and restrictions upon, the Issuer or any Governmental Agency in the Indenture other covenants, agreements, limitations and restrictions to be observed by the Issuer or any Governmental Agency which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(4) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, the Indenture of any other money, securities or funds;

(5) to comply with any federal law or interpretation, including those relating to arbitrage rebate, to prevent the occurrence of an event that in the opinion of Bond Counsel would lead to a Determination of Taxability;

(6) to modify, amend or supplement the Indenture in such manner as necessary to provide for the substitution of an Alternate Credit Facility;

(7) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by that act or statute, in a manner not adverse to the Owner of any Bond;

(8) to authorize different denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature;

(9) to make such changes as are elsewhere expressly permitted by the Indenture; and

(10) to modify, alter, amend or supplement the Indenture in any other respect, including modifications required by the Rating Agency, which in the reasonable judgment of the Trustee is not materially adverse to the Owners of the Bonds and which does not involve a change described in paragraph (c) below.

Concurrently with or prior to the adoption by the Issuer of any such Supplemental Indenture pursuant to the Indenture, there shall have been delivered to the Issuer, the Remarketing Agent and the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not cause the interest on the Bonds to be included in gross income of the Owners for federal income tax purposes.

(c) Except for any Supplemental Indenture entered into pursuant to paragraph (b) above, subject to the terms and provisions contained in this paragraph (c) and in any Related Documents and not otherwise, the Bank and the Owners of 60% in aggregate principal amount of Bonds then Outstanding shall have the right from time to time to consent to and approve the entering into by the Issuer of any Supplemental Indenture deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture; except that, unless approved in writing by the Owners of all Bonds then Outstanding, nothing contained in the Indenture shall permit, or be construed as permitting:

(1) a change in the times, amounts or currency of payment of the principal of or premium, if any, or interest on any outstanding Bond, or a reduction in the principal amount or redemption price of any outstanding Bond or a change in the method of redemption or redemption price of any outstanding Bond or an extension of the final maturity thereof;

(2) a preference or priority of any Bond over any other Bond;

(3) a reduction in the aggregate principal amount of Bonds the consent of the Owners of which is required for any such Supplemental Indenture;

(4) the creation of any lien ranking prior to or on a parity with the lien of any Bonds; or

(5) the modification of any of the provisions of the Indenture.

If at any time the Issuer shall desire to enter into any Supplemental Indenture for any of the purposes of this paragraph (c), the Trustee shall cause notice of the proposed Supplemental Indenture to be given by first-class United States Mail, postage prepaid, to all Owners of the then Outstanding Bonds and to the Rating Agency, the Remarketing Agent and the Bank. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Owners of the Outstanding Bonds.

Within 60 days after the date of the mailing of such notice or such longer period as shall be prescribed from time to time by the Issuer, the Issuer may enter into such Supplemental Indenture in substantially the form described in such notice, but only if there shall have first or concurrently been delivered to the Trustee (i) the required consents, in writing, of the Bank, the Owners of the Bonds and any other Person whose consent is required under the terms of any Related Documents, and (ii) an opinion of Bond Counsel, stating that such Supplemental Indenture is authorized or permitted by the Indenture and, upon the execution and delivery thereof, will be valid and binding upon the Issuer in accordance with its terms and will not cause interest on the Bonds to be includable in gross income of the Owners for federal income tax purposes.

If the Owners of not less than 60% in aggregate principal amount of Bonds shall have consented to and approved the execution and delivery of a Supplemental Indenture as provided therein, no Owner of any Bond shall have any right to object to the adoption of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Issuer or the Trustee from entering into the same or from taking any action pursuant to the provisions thereof. Any written consent to a permitted amendment may be embodied in and evidenced by one or any number of concurrent written instruments of substantially similar tenor signed by such Bondowners in person or by an agent duly appointed in writing, and such consent shall become effective when such instrument or instruments are delivered to the Issuer or the Trustee.

(d) Proof of the execution of any such consent or of a writing appointing any such agent shall be sufficient for any purpose and shall be conclusive in favor of the Issuer if made in the following manner: the fact and date of the execution by any Person of any such consent or appointment may be proved by the affidavit of any witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the Person signing such consent or appointment acknowledged to him the execution thereof. The fact and date of execution of such consent or appointment may also be proved in any other manner which the Issuer may deem sufficient; but the Issuer may nevertheless, in its discretion, require further proof in cases where it deems further proof desirable. Any consent by the Owner of any Bond shall bind any future Owner of the same Bond with respect to any Supplemental Indenture executed by the Issuer pursuant to such consent.

(e) Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Issuer, the Trustee, the Remarketing Agent, the Bank and all Owners of Bonds then Outstanding shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modifications and amendments.

Amendment of Assistance Agreement

(a) Without the consent of or notice to the Owners but with the consent of the Compliance Group and the Trustee, the Issuer and the Governmental Agency may modify, alter, amend or supplement the Assistance Agreement, and the Trustee may consent thereto, as may be required by the provisions of the Assistance Agreement and the Indenture (i) for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein, (ii) for the purpose of avoiding a withdrawal or a reduction in the rating, if any, on the Bonds, (iii) for the purpose of providing for the substitution of an Alternate Credit Facility, (iv) based on an opinion of Bond Counsel, to preserve the tax-exempt status of interest on the Bonds, or (v) in connection with any other change therein which is not materially adverse to the Owners of the Bonds.

(b) Except in the case of modifications, alterations, amendments or supplements referred to in the Indenture, the Issuer shall not enter into any amendment, change or modification of the Assistance Agreement without the written approval or consent of the Trustee and the Owners of 60% in aggregate principal amount of the Bonds then Outstanding; provided, however, that, unless approved in writing by the Owners of all Bonds then Outstanding, nothing contained in this Subsection shall permit, or be construed as permitting, a change in the obligations of the Governmental Agency under the Assistance Agreement. If at any time the Issuer or the Governmental Agency shall request the consent of the Trustee to any such proposed modification, alteration, amendment or supplement, the Trustee shall cause notice thereof to be given in the same manner as provided with respect to Supplemental Indentures. Such notice shall briefly set forth the nature of such proposed modification, alteration, amendment or supplement and shall state that copies of the instrument embodying the same are on file at the principal office of the Trustee for inspection by all Owners. The Issuer may enter into, and the Trustee may consent to, any such proposed modification, alteration, amendment or supplement subject to the same conditions and with the same effect as provided with respect to Supplemental Indentures.

(c) Concurrently with or prior to entering into or consenting to, as the case may be, any modification, alteration, amendment or supplement to the Assistance Agreement pursuant to the Indenture, the Issuer and the Trustee shall have received an opinion of Bond Counsel stating that such modification, alteration, amendment or supplement is authorized or permitted by the Indenture, the Assistance Agreement and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer and the Governmental Agency in accordance with its terms, and will not adversely affect the exclusion from gross income of the Owners of interest on the Bonds for federal income tax purposes.

Remarketing Agent

The Remarketing Agent shall be Raymond James & Associates, Inc., Lexington, Kentucky. The Issuer shall, with the consent of the Bank, appoint any successor Remarketing Agent for the Bonds, subject to the conditions set forth in the Indenture. The Remarketing Agent shall designate its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Issuer and the Trustee under which the Remarketing Agent will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer and the Trustee at all reasonable times.

While any agent is so appointed and acting, the Trustee shall, subject to the provisions of the Indenture, at all times be and remain responsible for the timely and faithful performance by such agent of the acts and duties of the Trustee under the Indenture. Any person appointed as agent of the Trustee pursuant to the Indenture may resign at any time by giving notice to the Trustee not less than 60 days prior to such resignation and may be removed as such agent at any time by written notice delivered to such agent by the Trustee. The Trustee shall give written notice to the Remarketing Agent, the Issuer and each Owner at the address of such Owner as it last appears in the Bond Register of any resignation or removal of such agent and of the identity and the address of the principal office of any successor agent.

The Trustee agrees, particularly, as follows:

(1) The Trustee shall, upon receipt of a notice of the exercise by any Owner of the Demand Purchase Option, give prompt telephonic notice thereof to the Remarketing Agent, specifying the amount of Bonds to be purchased and the Purchase Date, and shall, not later than the following Business Day, confirm such telephonic notice in writing and deliver to the Remarketing Agent and the Bank a copy of such notice.

(2) On each Purchase Date, the Trustee shall give the Remarketing Agent telephonic notice, confirmed in writing by the following Business Day, of the amount of Bonds delivered pursuant to the Indenture.

(3) The Trustee shall hold all Bonds delivered to it pursuant to any provision of the Indenture in trust for the benefit of the respective Owners which shall have so delivered such Bonds until new Bonds are required by the Indenture to be delivered to the respective purchasers thereof.

(4) The Trustee shall cancel all Bonds that it has received pursuant to the Demand Purchase Option or on a Mandatory Tender Date and shall register and authenticate new Bonds in a like aggregate principal amount in the names and in the denominations set forth in the written notice given to the Trustee by the Remarketing Agent pursuant to the Indenture.

(5) The Trustee shall deliver Bonds to the purchasers thereof in accordance with the Indenture. The Trustee shall remit the Purchase Price of tendered Bonds to the tendering Owners of Bonds in accordance with the Indenture.

(6) The Trustee shall hold all tendered Bonds cancelled following receipt of such Bonds from the Owners thereof.

(7) The Trustee shall keep such books and records as shall be consistent with prudent industry practice and shall make such books and records available for inspection by the Issuer and the Bank at all reasonable times.

(8) The Trustee shall hold all money (without investment thereof) delivered to it thereunder for the purchase of Bonds pursuant to the Demand Purchase Option or on a Mandatory Tender Date as agent and bailee of, and in escrow for the benefit of, the person or entity which shall have so delivered such money until the Bonds purchased with such money shall have been delivered to or for the account of such person or entity.

(9) The Trustee shall hold all money delivered to it for the purchase of Bonds pursuant to the Demand Purchase Option or on a Mandatory Tender Date as agent and bailee of, and in escrow for the benefit of, the former Owner or Owners who shall deliver Bonds to it for purchase until the Bonds purchased with such money shall have been delivered to the new Owners; provided, however, that if the Bonds shall at any time become due and payable prior to their delivery, the Trustee shall cause such money to be deposited into the Bond Fund.

Qualifications of Remarketing Agent; Resignation; Removal

The Remarketing Agent shall be a member of the National Association of Securities Dealers, Inc., or a bank or banking association or subsidiary thereof, in either case having a combined capital stock, surplus and undivided profits of at least $10,000,000 and authorized by law to perform all the duties imposed upon it by the Indenture. The written consent of the Rating Agency, if any, shall be required for the appointment of any successor to the Remarketing Agent unless the obligations of such successor are rated Baa3/P-3 or higher by the Rating Agency. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Indenture by giving notice at least 90 days prior to the proposed date of such resignation to the Issuer, the Trustee and the Bank. Such resignation shall take effect on the day a successor Remarketing Agent shall have been appointed and shall have accepted such appointment. The Remarketing Agent may be removed at anytime, by an instrument, signed by the Issuer, filed with the Remarketing Agent, the Trustee and the Bank; provided, however, that such removal shall not be effective unless and until a successor Remarketing Agent shall have accepted such appointment.

Remarketing Of Bonds; Notice of Interest Rates

(a) Upon the receipt of notice of the exercise by any Owner of the Demand Purchase Option or of the occurrence of a Mandatory Tender Date, unless otherwise directed by the Issuer with the consent of the Bank, the Remarketing Agent shall offer for placement and use its best efforts to market such Bonds, any such sale to be made on, or as soon as practicable after, the date of such purchase by the Trustee, at a Variable Interest Rate or the Fixed Interest Rate, as applicable, provided, however, that if the Liquidity Agreement shall be in effect, the Remarketing Agent shall not market any of such Bonds at a price below the principal amount thereof plus accrued interest thereon. The Remarketing Agent shall not remarket any Bond to any Governmental Agency, any affiliate of any Governmental Agency, any other party to the Liquidity Agreement or to the Issuer.

(b) The Remarketing Agent shall determine the rate of interest to be borne by the Bonds during each Interest Rate Period and shall furnish to the Trustee by telephone or telefacsimile on the day of such determination

(promptly confirmed in writing if appropriate) all information necessary for the Trustee to carry out its duties under the Indenture.

(c) The Remarketing Agent shall give telephonic or telegraphic notice by 10:30 a.m., Cincinnati time, promptly confirmed by a written notice, to the Trustee, on the Business Day immediately preceding each date on which Bonds are to be purchased pursuant to the Indenture, specifying the principal amount of Bonds, if any, sold by it pursuant to the Indenture.

(d) The Remarketing Agent shall determine a Variable Interest Rate or a Fixed Interest Rate on each date contained in a direction delivered pursuant to the Indenture, respectively, and shall give notice thereof by telephone or telefacsimile promptly confirmed by a written notice (if applicable) to the Trustee and the Issuer.

(e) The Remarketing Agent shall determine the redemption dates and the redemption prices of the Bonds if the Bonds are to be converted to a Fixed Interest Rate Period or if the Bonds are to remain in a Fixed Interest Rate Period upon the expiration of a Fixed Interest Rate Period.

(f) From the date on which the Remarketing Agent receives notice of any Mandatory Tender Date or redemption date until such date, the Remarketing Agent will not place any Bond except to a person who acknowledges in writing that it has knowledge of the matters stated in the notice of such Mandatory Tender Date, or redemption given by the Trustee pursuant to the Indenture and shall have agreed in writing not to sell such Bond, other than pursuant to the Demand Purchase Option.

(g) The purchasers of tendered Bonds shall pay or cause to be paid the Purchase Price thereof to the Trustee.

Delivery of Bonds

(a) Bonds remarketed by the Remarketing Agent upon the exercise of the Demand Purchase Option or the occurrence of a Mandatory Tender Date shall be delivered to the Trustee for cancellation pursuant to the Indenture, and the Trustee shall deliver, to the purchasers thereof, Bonds in all applicable respects equivalent to the cancelled Bonds.

(b) Bonds purchased with money described in clause (1) of Subsection (b) of the section of the Indenture titled "Notice of Bonds Tendered for Purchase; Purchase of Bonds" shall be delivered to the Trustee for cancellation.

(c) Bonds tendered pursuant to the Demand Purchase Option or on a Mandatory Tender Date, not remarketed and purchased with money described in the Indenture shall be delivered to the Trustee to be held in trust for the benefit of the Bank (or its designee) in respect of the applicable purchase under the Liquidity Agreement and may be released for redelivery upon notice from the Remarketing Agent that it has arranged for the Bonds so held to be remarketed. The Trustee shall not release such Bonds for delivery, and the Remarketing Agent shall not deliver such Bonds to the new Owners thereof, until the Trustee has been notified in writing by the Bank that the Liquidity Agreement has been reinstated pursuant to the Liquidity Agreement.

(d) Bonds delivered as provided in the Indenture shall be registered in the manner directed by the recipient thereof.

Demands on Liquidity Agreement

Except as provided in the Indenture, Bonds which are to be purchased pursuant to the Demand Purchase Option or on a Mandatory Tender Date (except to the extent that money described in the Indenture shall be available for the purchase of such Bonds), shall be paid from moneys derived from the purchase of Bonds by the Bank pursuant to the Liquidity Agreement, and the Trustee promptly shall demand a purchase under the Liquidity Agreement in such an amount sufficient to make timely payment of the Purchase Price of such Bonds.

Delivery of Proceeds of Remarketing

The proceeds of the remarketing by the Remarketing Agent of any Bonds shall be furnished to the Trustee for delivery to the former Owners of such Bonds; provided, however, that if any Bond so remarketed by the Remarketing Agent is a Bond held by the Trustee for the benefit of the Bank in respect of which a Liquidity Purchase (as defined in the Liquidity Agreement) had been made under the Liquidity Agreement, the proceeds of such remarketing shall be delivered (1) if, at that time, there shall be amounts due and payable to the Bank pursuant to the Liquidity Agreement, to the Bank, or (2) if no such amounts shall be so due and payable, to the Issuer.

No Purchases, Sales or Drawings After Default

Anything in the Indenture to the contrary notwithstanding, if there shall have occurred and be continuing an Event of Default and the Trustee shall have declared an acceleration of the Bonds, there shall be no purchases or sales of Bonds pursuant to the Indenture and the Trustee shall make no drawings under the Liquidity Agreement to pay the Purchase Price of Bonds, except in accordance with the provisions of the Indenture relating to remedies on an Event of Default.

THE ASSISTANCE AGREEMENT

Obligations Payable Out of Revenues on a Parity with Prior Bonds

The Loan shall be issued on the basis of parity as to security and source of payment with the Borrower's outstanding Obligations and shall be payable out of the revenues of the Project and/or System.

Compliance with Parity Coverage Requirements of the Prior Bond Legislation

The Assistance Agreement declares that in accordance with the provisions of the Prior Bond Legislation, and prior to the issuance of any of the Obligations authorized, there will be procured and filed with the Governmental Agency Clerk of said Governmental Agency any and all statements or certifications for the purpose of having both principal and interest on any outstanding bonds and the Obligations authorized in the Assistance Agreement payable on a parity from the income and revenues of said System with said outstanding bonds.

Flow of Funds

All proceedings preliminary to and in connection with the issuance of the Prior Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the Prior Bonds; for the operation of said System on a revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; and for the enforcement and payment of the Prior Bonds; and all other covenants for the benefit of the bondowners set out in the Prior Bond Legislation, are ratified and confirmed by the Assistance Agreement and shall continue in force and inure to the security and benefit of the Bonds, the same as if such provisions and proceedings were repeated in full therein; provided, further, that, hereafter, the income and revenues of the System shall be collected, segregated, accounted for, and made available to pay on the Monthly Installment Dates the monthly installments on the Loan as described in the Monthly Installment Schedule.

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

Disposition of Proceeds of the Loan; Governmental Agency Account

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

(a) Disposition of the Proceeds. There shall first be deducted and paid from the proceeds of the Loan the fees and costs incurred by the Borrower and any other pertinent expenses incident to the issuance, sale, and delivery of the Loan and such other appropriate expenses as may be approved by the Borrower Chief Executive, including but not limited to the Borrower'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 the Borrower's Governmental Agency Account (the "Governmental Agency Account") has been created and maintained by the Trustee pursuant to the Indenture; and the amount on deposit in said Governmental Agency Account shall be applied to the extent necessary, to pay the costs of the Project.

Pending disbursement for the costs of the Project, the proceeds of the Loan shall be subject to a first and paramount lien and charge in favor of the Lender, for the benefit of the owners of all Program Bonds issued under the Indenture, and for their further security.

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

Investment income derived from investment of the Governmental Agency Account, which shall be invested in Permitted Investments in accordance with the Assistance Agreement, shall, as received, be deposited in the Governmental Agency Account.

The Trustee shall be obligated to send written notice to the Borrower of the need for investment directions if and whenever funds in excess of $50,000 remain uninvested for a period of more than five days. In the absence of written direction from the Borrower 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 the 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 Borrower in accordance with the contracts, plans, and specifications approved by the Borrower.

After completion of the Project, as certified by the Engineers, any balance then remaining on deposit in the Governmental Agency Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Loan from Federal income taxation, upon orders of the Governing Body, be transferred to the Borrower, to be used for the repayment of the Loan or for any other lawful purpose.

Arbitrage Limitations

(a) The Borrower covenants that neither the proceeds of the Loan, nor 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 Loan, will be invested in investments that will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Loan, if such investment would cause such Loan 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 Loan to be treated as "arbitrage bonds."

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

(1) That it is not expected or contemplated that the proceeds of the Loan will be used or invested in any manner which will cause the Loan 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 Borrower will make any use of the proceeds of the Loan, which, if such use had been reasonably anticipated on the date of issuance of the Loan, would have caused the Loan to be arbitrage bonds.

(3) That it is expected and contemplated that the Borrower 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 Loan will not be treated as arbitrage bonds.

(4) That it is anticipated that amounts set aside for deposit for the payment of debt service on the Loan will be used within 13 months from the date of deposit.

Prior to or at the time of delivery of the Loan, the Borrower Chief Executive and/or the Borrower 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 Loan, 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 Loan will be exempt from all federal income taxes and that the Loan will not constitute or be treated as arbitrage bonds.

Parity Obligations

In the Assistance Agreement, the Borrower reserves the right and privilege of issuing additional Parity Bonds from time to time payable from the Revenues of the System, ranking on a parity with the Loan, in order to pay the costs of further additions, extensions, and improvements to said System, subject to the following restrictions and conditions. "Revenue(s)" refers to the income and revenue of the System including rents, royalties, fees, and proceeds of sales of property and from rates and charges for services derived from or rendered by the System.

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

(2) The Borrower is in compliance with all covenants and undertakings in connection with all of the Outstanding Bonds.

(3) The annual net revenues (defined as 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, must be certified by an independent Certified Public Accountant to equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal and interest on all Outstanding Bonds payable from the Revenues of the System, plus the anticipated debt service requirements of any Parity Bonds then proposed to be issued. The calculation of average annual debt service requirements of principal and interest on the additional Parity Bonds to be issued must, 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 revisions in the System's schedule of rates or charges being imposed on or before the time of the issuance of any such additional Parity Bonds, and

(ii) any increase in the annual net revenues to be realized from the proposed extensions, additions, and improvements being financed (in whole or in part) by such additional Parity Bonds;

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

The Borrower further reserves, in the Assistance Agreement, the right to issue one or more additional series of Parity Bonds, for the purpose of refunding or refinancing the Outstanding Bonds, or any portion thereof, provided that prior to the issuance of such refunding bonds for that purpose, there will have been procured and filed with the Secretary a statement by a Certified Public Accountant 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 Outstanding Bonds being refunded or refinanced thereby, are equal to not less than 120% of the average annual debt service requirements then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the Revenues of the System, calculated in the manner specified above; or

(2) in the alternative, that the debt service requirements for the Outstanding Bonds and the proposed Parity Bonds, in any year of maturities thereof after the redemption of the Outstanding Bonds scheduled to be refunded through the issuance of such proposed Parity Bonds, does not exceed the scheduled debt service requirements applicable to the Bonds then outstanding for any corresponding year prior to the issuance of such proposed Parity Bonds and the redemption of any of the Outstanding Bonds to be refunded.

Rates and Charges for Services of the System

While the Loan remains outstanding and unpaid, the rates for all services of the System rendered by the Borrower to its citizens, corporations, or other customers 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 Loan, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of the Assistance Agreement. Prior to the issuance of the Loan a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of the Assistance Agreement has been established and adopted.

The Borrower covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the Borrower Clerk a certification of an Independent Consulting Engineer or a Certified Public Accountant that the revenues of the then existing System for the Fisal Year preceding the year in which such reduction is proposed, after taking into account the projected reduction in revenues anticipated to result from any such proposed rate decrease, are equal to not less than (i) 120% of the debt service coming due during each Fiscal Year on the Outstanding Bonds, in each case computed as of the beginning of such Fiscal Year (except to the extent the Borrower has by binding ordinance or resolution committed reserves to the payment of such debt service) plus (ii) the amounts required to provide for the operation of the System during each Fiscal Year as required under the Assistance Agreement.

The Borrower also covenants to cause a report to be filed with the Governing Body of the Borrower within 180 days 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, produced or provided by the revenues of the System in that Fiscal Year, calculated in the manner specified in the Assistance Agreement; and the Borrower covenants that if and whenever such report so filed shall establish that such coverage of revenues for such year was less than 120% of

the average annual debt service requirements, the Borrower 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.

Defeasance and/or Refunding of Obligations

The Borrower reserves the right, at any time, to cause the pledge of the revenues securing the Loan 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 the Loan, 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 Loan to and on said date, or (b) to pay all principal and interest requirements on the Loan as same matures, 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 of the Borrower. 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 Borrower shall take all steps necessary to provide to the Lender notice as provided herein of the redemption of the Loan 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.

Contractual Nature of Assistance Agreement

The provisions of the Assistance Agreement will constitute a contract between the Borrower and the Lender; and after the issuance of the Loan, no change, variation or alteration of any kind in the provisions of the Assistance Agreement shall be made in any manner except as therein provided until such time as the Loan has been paid or provided for in full, or as otherwise provided herein; provided that the Governing Body of the Borrower may enact legislation for any other purpose not inconsistent with the terms of the Assistance Agreement, and which legislation shall not impair the security of the Lender, 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.

Appointment and Duties of Trustee

The Trustee is designated in the Assistance Agreement as the bond registrar and paying agent with respect to the Loan.

Its duties as Trustee will be as follows:

(a) To register the Loan in the name of the Lender;

(b) To maintain adequate records relevant to the Loan;

(c) To remit, but only to the extent that all required funds are made available to the Trustee by the Borrower, semiannual interest payments directly to the Lender's accounts for the Program;

(d) To notify the Lender if the Loan is to be redeemed and to redeem the Loan prior to its stated maturity upon receiving sufficient funds; and

(e) To supply the Borrower with a written accounting evidencing the payment of interest on and principal of the Loan 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 the 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 the Assistance Agreement by filing its resignation with the Borrower Clerk and notifying the Lender. Thereupon, the Lender shall notify the Borrower 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 Loan to the successor Trustee in order that there will be no delinquencies in the payment of interest or principal due on the Loan.

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.

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 Loan that interest thereon will continue to be exempt from federal income taxation (subject to certain exceptions set out below), the Borrower covenants to and with the Lender that (1) the Borrower will take all actions necessary to comply with the provisions of the Code, (2) the Borrower will take no actions which will violate any of the provisions of the Code, or would cause the Loan to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Loan will be used for any purpose which would cause the interest on the Loan to become subject to federal income taxation, and the Borrower 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 Loan.

The Borrower reserves the right to amend the Assistance Agreement but only with the consent of the Lender (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Loan 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 the Loan, or the application of such proceeds or of the revenues of the System. The Lender, as the purchaser of the Loan, is deemed to have relied fully upon these covenants and undertakings on the part of the Borrower as part of the consideration for the purchase of the Loan. To the extent that the Borrower obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in the Assistance Agreement or referred to in the Assistance Agreement would not subject interest on the Loan to federal income taxes, the Borrower shall not be required to comply with such covenants or requirements.

The Assistance Agreement is executed in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Loan from federal income taxation, based on the assumption by Bond Counsel that the Borrower complies with covenants made by the Borrower with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the Borrower 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 Loan. The Borrower has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Loan is not an "arbitrage bond" within the meaning of Section 148 of the Code.

Insurance

(a) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level, the Borrower shall, upon receipt of the proceeds of the Loan, 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 the Loan is 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 Borrower 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 the Loan is outstanding, the Borrower 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 Borrower 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 Borrower's operations of the System and any other facilities constituting a portion of the System.

(c) Application of Casualty Insurance Proceeds. If, prior to the completion of the term of the Assistance Agreement, the System shall be damaged or partially or totally destroyed by fire, windstorm or other casualty, there shall be no abatement or reduction in the amount payable by the Borrower pursuant to the terms of the Assistance Agreement and the Borrower will (1) promptly repair, rebuild or restore the System damaged or destroyed and (2) apply for such purpose so much as may be necessary of any net proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Borrower necessary therefor. All net proceeds of insurance resulting from claims for such losses shall be paid to the Borrower and shall be promptly applied as herein provided.

(d) Vehicle Liability Insurance. If and to the extent that the Borrower owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Loan, the Borrower shall, if such insurance is not already in force, procure and maintain, so long as the Loan is 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 Borrower 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 Borrower.

Event of Default; Remedies

The following items shall constitute an "Event of Default" on the part of the Borrower:

(a) The failure to pay principal on the Loan when due and payable, either on a Monthly Installment Date or by proceedings for redemption;

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

(c) Failure by the Borrower to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the Assistance Agreement, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied will have been given to the Borrower by the Lender unless the Lender agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Lender will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until such failure is corrected.

(d) The dissolution or liquidation of the Borrower, or the voluntary initiation by the Borrower of any proceeding under any federal or State law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Borrower of any such proceeding which remains undismissed for sixty (60) days, or the entry by the Borrower into an agreement of composition with creditors or the failure generally by the Borrower to pay its debts as they become due.

(e) A default by the Borrower under the provisions of any agreements relating to its debt obligations.

Upon the occurrence of an Event of Default, the Lender, or the Trustee on its behalf, as owner of the Loan, may declare the principal of and interest on the Loan, and all other payments due under the Assistance Agreement, to be immediately due and payable and may enforce and compel the performance of all duties and obligations of the Borrower as set forth therein. Upon the occurrence of an Event of Default, then, upon the filing of suit by the Trustee or the Lender, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the Borrower, with power to charge and collect rates sufficient to provide for the payment of the principal of and interest on the Loan, and for the payment of operation and maintenance expenses of the System, and to provide and apply the income and revenues in conformity with the Assistance Agreement and with the laws of the State.

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of the Loan may require the Borrower 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 the Assistance Agreement.

Annual Reports

The Borrower hereby agrees to provide or cause to be provided to the Lender and the Compliance Group audited financial statements prepared in accordance with generally accepted accounting principles (commencing with the Fiscal Year preceding the Fiscal Year in which the Assistance Agreement is executed) and such other financial information and/or operating data as requested by the Lender 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.

Supplemental Assistance Agreement

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

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

(b) to subject to the lien and pledge of the 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 Borrower in the Assistance Agreement, other covenants and agreements thereafter to be incurred by the Borrower or to surrender any right or power herein reserved to or conferred upon the Borrower;

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

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

APPENDIX E

Form of Bond Counsel Opinion

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FORM OF BOND COUNSEL OPINION

Upon delivery of the Series 2026E Bonds, Rubin & Hays, proposes to render its final approving legal opinion with respect to the Series 2026E Bonds in substantially the following form:

December 22, 2026

Rural Water Financing Agency
1151 Old Porter Pike
Bowling Green, Kentucky 42103

Regions Bank
1600 Division Street, 9th Floor
Nashville, Tennessee 37203

Re: Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E, dated December 22, 2026, in the original principal amount of $_____.

We have examined a certified copy of the transcript of proceedings of the Rural Water Financing Agency, an interlocal agency of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky (the "Issuer") relating to the authorization, sale and issuance of its Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E, in the aggregate principal amount of $_____ (the "Series 2026E Bonds"), dated December 22, 2026.

The Series 2026E Bonds have been authorized and issued pursuant to the Constitution and laws of the Commonwealth of Kentucky (the "Commonwealth"), including particularly Chapter 58 and Sections 65.210 through 65.300 of the Kentucky Revised Statutes (collectively the "Act"), in accordance with a Trust Indenture dated as of April 4, 2001, as amended by the First Amendment to Trust Indenture dated as of June 1, 2023 (the "Authorizing Indenture") between the Issuer and Regions Bank, Nashville, Tennessee (the "Trustee") and per Supplemental Trust Indenture No. 105, dated December 22, 2026 (the "Supplemental Indenture No. 105").

Hereinafter the Authorizing Indenture, as amended from time to time, and supplemental indentures associated with the bonds listed in Appendix A hereto, including Supplemental Indenture No. 105, may be collectively referred to as the "Indenture". Pursuant to the Indenture the Series 2026E Bonds rank on a parity with the bonds listed on Exhibit A attached hereto and incorporated herein by reference (the "Prior Bonds").

We have examined such portions of the Constitution, Statutes and laws of the United States, the Constitution, Statutes and laws of the Commonwealth, and such applicable court decisions, regulations, rulings and opinions as we have deemed necessary or relevant for the purposes of the opinions set forth below.

We have also examined records and the transcript of proceedings relating to the authorization and issuance of the Series 2026E Bonds, including a specimen bond, and other relevant matters. We have also made such investigation as we have deemed necessary for the purposes of such opinions and relied upon certificates of officials of the Commonwealth and the Issuer as to certain factual matters.

Terms not defined herein are defined in the Indenture shall have the same meanings herein, unless the context otherwise requires.

Based upon the foregoing, it is our opinion, under the law existing on the date of this opinion, that:

1. The Issuer is an interlocal agency of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky and has the legal right and authority to issue the Series 2026E Bonds.

2. The Indenture has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Issuer enforceable in accordance with its terms.

3. The Supplemental Indenture No. 105 is authorized and permitted by the Indenture and complies with the amendment provisions of the Indenture. All consents or approvals required for the execution and delivery of Supplemental Indenture No. 100 have been obtained. The Supplemental Indenture No. 100 has been duly authorized, executed and delivered by the Issuer and is a valid and binding obligation of the Issuer enforceable upon the Issuer.

4. The Assistance Agreements (the "Assistance Agreements") described in the Supplemental Indenture No. 105 have been duly delivered to and accepted by the Issuer and assigned per the Indenture to the Trustee.

5. The Series 2026E Bonds have been duly authorized and issued by the Issuer and are valid and binding limited and special obligations of the Issuer enforceable in accordance with their terms.

6. The Series 2026E Bonds are payable as to principal, premium, if any, and interest from and are secured by a pledge of and a first lien on the Trust Estate, as defined in the Indenture.

7. The Series 2026E Bonds are special and limited obligations of the Issuer payable solely and only as provided for by the Indenture. The Series 2026E Bonds do not pledge the general credit or taxing power, if any, of the Commonwealth, the Issuer or any other agency or political subdivision of the Commonwealth.

8. Interest payable on the Series 2026E Bonds is includable in gross income for federal income tax purposes.

10. The interest on the Series 2026E Bonds is exempt from income taxation and the Series 2026E Bonds are exempt from ad valorem taxation by the Commonwealth and any of its political subdivisions.

Our opinion set forth above is subject to the qualification that the enforceability of the Indenture, the Assistance Agreements, the Series 2026E Bonds and agreements relating thereto may be limited by bankruptcy, reorganization, moratorium, insolvency, or other similar laws relating to or affecting the enforcement of creditors' rights, and to the exercise of judicial discretion in accordance with general equitable principles.

This opinion is given as of the date hereof and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

EXHIBIT A

Outstanding Parity Bonds of the Flexible Term Finance Program

1) Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001 (the "Series 2001 Bonds") issued pursuant to the Original Indenture;

2) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2005B (the "Series 2005B Bonds") issued pursuant to Supplemental Trust Indenture No. 18, dated as of October 1, 2005 (the "Series 2005B Indenture");

3) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2006D (the "Series 2006D Bonds") issued pursuant to Supplemental Trust Indenture No. 22, dated as of May 31, 2006 (the "Series 2006D Indenture");

4) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2007A (the "Series 2007A Bonds") issued pursuant to Supplemental Trust Indenture No. 25, dated as of January 30, 2007 (the "Series 2007A Indenture");

5) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2007D (the "Series 2007D Bonds") issued pursuant to Supplemental Trust Indenture No. 28, dated as of July 30, 2007 (the "Series 2007D Indenture");

6) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2008C (the "Series 2008C Bonds") issued pursuant to Supplemental Trust Indenture No. 31, dated as of May29, 2008 (the "Series 2008C Indenture");

7) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2010B (the "Series 2010B Bonds") issued pursuant to Supplemental Trust Indenture No. 37, dated as of May 13, 2010 (the "Series 2010B Indenture");

8) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2010C (the "Series 2010C Bonds") issued pursuant to Supplemental Trust Indenture No. 38, dated as of June 10, 2010 (the "Series 2010C Indenture");

9) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2010D (the "Series 2010D Bonds") issued pursuant to Supplemental Trust Indenture No. 39, dated as of November 4, 2010 (the "Series 2010D Indenture");

10) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2011B (the "Series 2011B Bonds"), issued pursuant to Supplemental Trust Indenture No. 41, dated as of April 12, 2011 (the "Series 2011B Indenture");

11) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2011C (the "Series 2011C Bonds"), issued pursuant to Supplemental Trust Indenture No. 42, dated as of November 10, 2011 (the "Series 2011C Indenture");

12) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012B (the "Series 2012B Bonds"), issued pursuant to Supplemental Trust Indenture No. 44, dated as of March 30, 2012 (the "Series 2012B Indenture");

13) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012C (the "Series 2012C Bonds"), issued pursuant to Supplemental Trust Indenture No. 45, dated as of May 2, 2012 (the "Series 2012C Indenture");

14) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D (the "Series 2012D Bonds"), issued pursuant to Supplemental Trust Indenture No. 46, dated as of May 30, 2012 (the "Series 2012D Indenture");

15) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E (the "Series 2012E Bonds"), issued pursuant to Supplemental Trust Indenture No. 47, dated as of August 29, 2012 (the "Series 2012E Indenture");

16) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2012F (the "Series 2012F Bonds"), issued pursuant to Supplemental Trust Indenture No. 48, dated as of November 13, 2012 (the "Series 2012F Indenture");

17) Kentucky Rural Water Finance Corporation Taxable Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012G (the "Series 2012G Bonds"), issued pursuant to Supplemental Trust Indenture No. 49, dated as of December 11, 2012 (the "Series 2012G Indenture");

18) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2013B (the "Series 2013B Bonds"), issued pursuant to Supplemental Trust Indenture No. 51, dated as of February 27, 2013 (the "Series 2013B Indenture");

19) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013C (the "Series 2013C Bonds"), issued pursuant to Supplemental Trust Indenture No. 52, dated as of March 27, 2013 (the "Series 2013C Indenture");

20) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013D (the "Series 2013D Bonds"), issued pursuant to Supplemental Trust Indenture No. 53, dated as of June 5, 2013 (the "Series 2013D Indenture");

21) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013E (the "Series 2013E Bonds"),

issued pursuant to Supplemental Trust Indenture No. 54, dated as of August 13, 2013 (the "Series 2013E Indenture");

22) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2014B (the "Series 2014B Bonds"), issued pursuant to Supplemental Trust Indenture No. 57, dated as of April 10, 2014 (the "Series 2014B Indenture");

23) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2015B (the "Series 2015B Bonds"), issued pursuant to Supplemental Trust Indenture No. 60, dated as of February 19, 2015 (the "Series 2015B Indenture");

24) Kentucky Rural Water Finance Corporation Public Projects Taxable Refunding Revenue Bonds (Flexible Term Program), Series 2015C (the "Series 2015C Bonds"), issued pursuant to Supplemental Trust Indenture No. 61, dated as of March 10, 2015 (the "Series 2015C Indenture");

25) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2015E (the "Series 2015E Bonds"), issued pursuant to Supplemental Trust Indenture No. 63, dated as of May 12, 2015 (the "Series 2015E Indenture");

26) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2016B (the "Series 2016B Bonds"), issued pursuant to Supplemental Trust Indenture No. 65, dated as of May 12, 2016 (the "Series 2016B Indenture");

27) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2016C (the "Series 2016C Bonds"), issued pursuant to Supplemental Trust Indenture No. 66, dated as of October 18, 2016 (the "Series 2016C Indenture");

28) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2016D (the "Series 2016D Bonds"), issued pursuant to Supplemental Trust Indenture No. 67, dated as of November 30, 2016 (the "Series 2016D Indenture");

29) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2017A (the "Series 2017A Bonds"), issued pursuant to Supplemental Trust Indenture No. 68, dated as of July 11, 2017 (the "Series 2017A Indenture");

30) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2019B (the "Series 2019B Bonds"), issued pursuant to Supplemental Trust Indenture No. 72, dated as of August 8, 2019 (the "Series 2019B Indenture");

31) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2020A (the "Series 2020A Bonds"), issued pursuant to Supplemental Trust Indenture No. 73, dated as of January 7, 2020 (the "Series 2020A Indenture");

32) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020C (the "Series 2020C Bonds"), issued pursuant to Supplemental Trust Indenture No. 75, dated as of March 17, 2020 (the "Series 2020C Indenture");

33) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020D (the "Series 2020D Bonds"), issued pursuant to Supplemental Trust Indenture No. 76, dated as of May 6, 2020 (the "Series 2020D Indenture");

34) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020E (the "Series 2020E Bonds"), issued pursuant to Supplemental Trust Indenture No. 77, dated as of September 23, 2020 (the "Series 2020E Indenture");

35) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020G (the "Series 2020G Bonds"), issued pursuant to Supplemental Trust Indenture No. 78, dated as of October 13, 2020 (the "Series 2020G Indenture");

36) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2020H (the "Series 2020H Bonds"), issued pursuant to Supplemental Trust Indenture No. 79, dated as of December 17, 2020 (the "Series 2020H Indenture");

37) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020I (the "Series 2020I Bonds"), issued pursuant to Supplemental Trust Indenture No. 80, dated as of December 29, 2020 (the "Series 2020I Indenture");

38) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2021A (the "Series 2021A Bonds"), issued pursuant to Supplemental Trust Indenture No. 81, dated as of June 8, 2021 (the "Series 2021A Indenture");

39) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2021B (the "Series 2021B Bonds"), issued pursuant to Supplemental Trust Indenture No. 82, dated as of July 21, 2021 (the "Series 2021B Indenture");

40) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2021C (the "Series 2021C Bonds"), issued pursuant to Supplemental Trust Indenture No. 83, dated as of July 27, 2021 (the "Series 2021C Indenture");

41) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2021D (the "Series 2021D Bonds"), issued pursuant to Supplemental Trust Indenture No. 84, dated as of October 19, 2021 (the "Series 2021D Indenture");

42) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2022A (the "Series 2022A Bonds"), issued pursuant to Supplemental Trust Indenture No. 85, dated as of January 27, 2022 (the "Series 2022A Indenture");

43) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2022C (the "Series 2022C Bonds"), issued pursuant to Supplemental Trust Indenture No. 87, dated as of August 25, 2022 (the "Series 2022C Indenture");

44) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024A (the "Series 2024A Bonds"), issued pursuant to Supplemental Trust Indenture No. 89, dated as of February 5, 2024 (the "Series 2024A Indenture");

45) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024B (the "Series 2024B Bonds"), issued pursuant to Supplemental Trust Indenture No. 90, dated as of May 14, 2024 (the "Series 2024B Indenture");

46) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024C (the "Series 2024C Bonds"), issued pursuant to Supplemental Trust Indenture No. 91, dated as of July 9, 2024 (the "Series 2024C Indenture");

47) Rural Water Financing Agency Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2024D (the "Series 2024D Bonds"), issued pursuant to Supplemental Trust Indenture No. 92, dated as of July 30, 2024 (the "Series 2024D Indenture");

48) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024E (the "Series 2024E Bonds"), issued pursuant to Supplemental Trust Indenture No. 93, dated as of October 4, 2024 (the "Series 2024E Indenture");

49) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025A (the "Series 2025A Bonds"), issued pursuant to Supplemental Trust Indenture No. 94, dated as of March 26, 2025 (the "Series 2025A Indenture");

50) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025B (the "Series 2025B Bonds"), issued pursuant to Supplemental Trust Indenture No. 94, dated as of March 26, 2025 (the "Series 2025B Indenture");

51) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025C (the "Series 2025C Bonds"), issued pursuant to Supplemental Trust Indenture No. 95, dated as of June 30, 2025 (the "Series 2025C Indenture");

52) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025D (the "Series 2025D Bonds"), issued pursuant to Supplemental Trust Indenture No. 96, dated as of July 17, 2025 (the "Series 2025D Indenture");

53) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025E (the "Series 2025E Bonds"), issued pursuant to Supplemental Trust Indenture No. 97, dated as of September 30, 2025 (the "Series 2025E&F Indenture");

54) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025F (the "Series 2025F Bonds"), issued pursuant to Supplemental Trust Indenture No. 97, dated as of September 30, 2025 (the "Series 2025E&F Indenture");

55) Rural Water Financing Agency Taxable Public Projects Revenue Bonds (Flexible Term Program), Series 2025G (the "Series 2025G Bonds"), issued pursuant to Supplemental Trust Indenture No. 98, dated as of September 30, 2025 (the "Series 2025G Indenture");

56) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025H (the "Series 2025H Bonds"), issued pursuant to Supplemental Trust Indenture No. 99, dated as of December 18, 2025 (the "Series 2025H&I Indenture");

57) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025I (the "Series 2025I Bonds"), issued pursuant to Supplemental Trust Indenture No. 99, dated as of December 18, 2025 (the "Series 2025H&I Indenture");

58) Rural Water Financing Agency Taxable Public Projects Revenue Bonds (Flexible Term Program), Series 2025J (the "Series 2025J Bonds"), issued pursuant to Supplemental Trust Indenture No. 100, dated as of December 18, 2025 (the "Series 2025J Indenture");

59) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026A (the "Series 2026A Bonds"), issued pursuant to Supplemental Trust Indenture No. 101, dated as of March 31, 2026 (the "Series 2026A Indenture");

60) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026B (the "Series 2026B Bonds"), issued pursuant to Supplemental Trust Indenture No. 102, dated as of June 30, 2026 (the "Series 2026B Indenture");

61) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026C (the "Series 2026C Bonds"), issued pursuant to Supplemental Trust Indenture No. 103, dated as of June 30, 2026 (the "Series 2026C Indenture");

62) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026D (the "Series 2026D Bonds"), issued pursuant to Supplemental Trust Indenture No. 104, dated as of September 29, 2026 (the "Series 2026D Indenture");

63) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026F (the "Series 2026F Bonds"), issued pursuant to Supplemental Trust Indenture No. 106, dated as of December 22, 2026 (the "Series 2026F Indenture"); and

64) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026G (the "Series 2026G Bonds"), issued pursuant to Supplemental Trust Indenture No. 107, dated as of December 22, 2026 (the "Series 2026G Indenture").

APPENDIX F

Form of Continuing Disclosure Agreement

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CONTINUING DISCLOSURE AGREEMENT

Re: Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E.

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the Rural Water Financing Agency (the "Issuer") hereby agrees to provide or cause to be provided through a designated agent (the "Agent"), in a timely manner, to the Electronic Municipal Market Access system ("EMMA") at http://www.emma.msrb.org, its Annual Report (the "Annual Report") which contains certain annual financial data of the Rural Water Financing Agency Flexible Term Program (the "Program") consisting of Program debt service requirements, cash flows and revenues which may be available for debt service, the Issuer's Internal Administration Fund Audit prepared in accordance with generally accepted accounting principles ("GAAP"), and a list of the Program's existing and former participants (the "Participants") generally consistent with the information contained under Appendix B of the Official Statement used in the marketing of its Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026E (the "Bonds"). Such Annual Report will be available by no later than June 30 after the end of each Program year (December 31), beginning with the Program year ending December 31, 2026 and each Program year thereafter and will be available to the Agent, EMMA and to each holder of Bonds who requests such information by written request to the Issuer.

If the Issuer is unable to provide to EMMA the Annual Report by the date required in this Section, then the Issuer shall send a notice to EMMA notifying them of the inability, at that time, to file the Annual Report.

If the Issuer's Program year changes, then the Issuer shall send a notice of such change to EMMA. If such change will result in the Issuer's Program year ending on a date later than the ending date prior to such change, the Issuer shall provide notice of such change to EMMA on or prior to the deadline for filing the Annual Report in effect when the Issuer operated under its prior Program year. Such notice may be provided to EMMA along with the Annual Report, provided that it is filed at or prior to the deadline described above.

In addition, the Issuer hereby agrees to provide or cause to be provided, in a timely manner not in excess of 10 business days after the occurrence of such event, to EMMA, notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds;

(g) modifications to rights of the Bondowners, if material;
(h) Bond calls, if material and tender offers;
(i) defeasances;
(j) release, substitution or sale of property securing repayment of the Bonds, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the Issuer or a borrower;
(m) consummation of a merger, consolidation, or acquisition involving the Issuer or a borrower or the sale of all or substantially all of the assets of the Issuer or a borrower, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material;
(o) incurrence of a financial obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Issuer, any of which affect Bondowners, if material; and/or
(p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Issuer, any of which reflect financial difficulties.

For the purpose of this Agreement "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the EMMA consistent with the Rule.

The Issuer may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if the Issuer determines that such other event is material with respect to the Bonds, but the Issuer does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

As of the date of the Official Statement, the Issuer is in compliance with the reporting requirements of the Rule for all undertakings for which it is consider an "obligated person" as defined in the Rule. Pursuant to the Rule the Program is a pooled financing and an individual Participant in the Program is not considered an "obligated person" as defined in the Rule.

Financial information regarding the Issuer can be obtained from the Treasurer of the Issuer, at 1151 Old Porter Pike, Bowling Green, Kentucky 42103, telephone: (270) 843-2291.

The obligations of the Issuer described above will remain in effect only for such period that (i) the Bonds are outstanding in accordance with their terms and (ii) that the Issuer or any Program Participants remain an obligated person with respect to the Bonds within the meaning of the Rule. The Issuer reserves the right to terminate any obligation to provide notices of material events, as set forth above, if and when the Issuer no longer remains an obligated person with

respect to the Bonds within the meaning of the Rule. The Issuer acknowledges that their undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the Bondowners (including holders of beneficial interests in the Bonds).

The requirements for disclosure herein may be amended, if the Issuer receives an opinion of independent legal counsel to the effect that:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the types of activities in which the Issuer is engaged;

(ii) the amendment would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(iii) such amendment does not materially impair the interests of the Bondowners.

The Agent may, and at the direction of the holders of 50% in the aggregate principal amount of the outstanding Bonds must, or in the alternative any Bondowner may, enforce the Issuer's continuing disclosure undertaking on behalf of such holders; provided that, the right of the Agent or Bondowner to enforce the provisions of the undertaking will be limited to a right to obtain specific enforcement of the Issuer's obligations under its continuing disclosure undertaking and any failure by the Issuer to comply with the provisions of the undertaking will not be a default or an event of default with respect to the Bonds under the Indenture.

Dated: December 22, 2026

RURAL WATER FINANCING AGENCY

By _____
Treasurer

BIDDING TERMS AND CONDITIONS

Bond Sale Notice
Official Terms and Conditions of Bond Sale
Bid Form

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NOTICE OF BOND SALE

$1,170,000

RURAL WATER FINANCING AGENCY
PUBLIC PROJECTS REVENUE BONDS
(FLEXIBLE TERM PROGRAM)
TAXABLE SERIES 2026E

The Rural Water Financing Agency (the "Issuer") will until 11:30 a.m. (E.T.) [10:30 a.m., C.T.] on December 2, 2026 (or at such other time and date as provided in the Official Terms and Conditions of Bond Sale), receive in the Issuer's office at 1151 Old Porter Pike, Bowling Green, Kentucky 42103 electronic or sealed bids for the purchase of $1,170,000 (subject to adjustment upward in the amount of $115,000 or downward in any amount) of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E, dated the date of issuance (the "Bonds"), maturing on August 1, as set forth in the Preliminary Official Statement. Bidding terms are set forth in the Official Terms and Conditions of Bond Sale.

The Issuer reserves the right prior to the sale to revise the principal amount to be offered for sale and the years of maturities pursuant to electronic notification through PARITY.

The Bonds are to be issued subject to the approving legal opinion of Rubin & Hays, Louisville, Kentucky, Bond Counsel. Use of the Official Bid Form is required. The right to reject any or all bids is reserved. Other bidding conditions and terms of the offering are contained in the Official Terms and Conditions of Bond Sale, which together with the Bid Form and the Preliminary Official Statement relating to the Bonds may be obtained from Raymond James and Associates, Inc., 4969 U.S. Hwy 42, Suite 1600, Louisville, Kentucky 40222 Telephone 502-560-1274. */s/ Scott Young*, Secretary, Rural Water Financing Agency.

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OFFICIAL TERMS AND CONDITIONS OF BOND SALE

1. Date and Hour of Award. The Rural Water Financing Agency (the "Issuer") will, until 11:30 a.m. (E.T.) [10:30 a.m. (C.T.)] on December 2, 2026, receive at the office of the Secretary of the Rural Water Financing Agency, 1151 Old Porter Pike, Bowling Green, Kentucky 42103, competitive, electronic or sealed bids for the purchase of $1,170,000 (subject to adjustment upward in the amount of $115,000 or downward in any amount) of the Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E, 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 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, 2027, 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 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 no 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 Series 2026E Bonds maturing on and prior to August 1, 2035, shall not be subject to redemption prior to maturity. The Series 2026E Bonds maturing on or after August 1, 2036 are subject to redemption, in whole or in part, by the Issuer prior to their stated maturity, at any time falling on or after August 1, 2035 at a redemption price equal to 100% of the principal amount of the Series 2026E 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, an interlocal agency of the Commonwealth of Kentucky duly organized and existing under the laws of the Commonwealth of Kentucky, under authority of Chapter 58 and Sections 65.210 through 65.300 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 bonds listed in Exhibit B attached hereto.

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 not being subject to 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 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. No Litigation Certification. The Issuer will certify that to the best of the Issuer's knowledge, there is no controversy or litigation of any nature now pending or threatened (i) restraining or enjoining the issuance, sale, execution, or delivery of the Bonds; (ii) in any way contesting or affecting the validity of the Bonds or any proceedings of the Board of Directors or Issuer taken with respect to the issuance of sale thereof, or the pledge or application of any moneys or security provided for the payment of the Bonds or the due existence or powers of the Board of Directors or Issuer; or (iii) which, if successful, would have a material adverse effect on the financial condition of the Board of Directors or Issuer.

7. No Untrue Statement of Material Fact. The Issuer will certify that in connection with the offering by the Issuer of the Bonds and the subsequent sale and award thereof, that to the best of knowledge and belief of the relevant Issuer official, at the time of acceptance of the purchase proposal for, and at the time of delivery of the Bonds, the Official Statement, and any information furnished by the Issuer supplementary thereto, did not and does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading in any material respect.

8. Rule 15c2-12 Requirements. The Agency 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 Agency has agreed to the Undertaking in a written agreement or contract for the benefit of the holders of the Bonds.

9. 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 $1,146,600 (98% of par) is required for the entire issue of Bonds. The maximum price for the entire issue may not exceed $1,287,000 (110% of par).

C. Bidders shall have the option of specifying that all of the Bonds maturing in any two or more consecutive years as given in the above preliminary schedule (as the principal amounts thereof may be adjusted in accordance herewith) may, in lieu of maturing in each of such years, be combined to compose one or more maturities of

Bonds ("Term Bonds") scheduled to mature in the latest of such years and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts determined in accordance herewith, except for the principal amount of Term Bonds scheduled in the year of maturity of the Term Bonds, which principal amount shall mature in that year. Bidders may specify one or more of such Term Bonds.

D. 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 $1,170,000 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 $115,000 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.

E. The successful bidder will be required to deposit with Regions Bank, Nashville, Tennessee, immediately available funds in the amount of $23,400, prior to the close of business on December 3, 2026, 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.

F. Bidders must state an interest rate or rates in a multiple of 1/100 of 1%.

G. There is no limit on the number of different rates which may be specified by any bidder.

H. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

I. 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 August 1 of the years and in the principal amounts as determined by the Issuer.

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, 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., 4969 U.S. Hwy 42, Suite 1600, Louisville, Kentucky 40222 Telephone: (502) 560-1274. Bids may be enclosed in sealed envelopes marked, respectively, "Bid for Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E" 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 electronic mail to the Financial Advisor per the attention of Nick Roederer at Nick.Roederer@RaymondJames.com 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.

L. 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.

M. 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.

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.

10. 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.

RURAL WATER FINANCING AGENCY

By _____*/s/ Gary Larimore*_____
President

Attest:

By _____*/s/ Scott Young*_____
Secretary

EXHIBIT A TO THE
OFFICIAL TERMS AND CONDITIONS OF BOND SALE

Re: Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E.

Maturing August 1	**Principal Amount***
2027	$ 35,000
2028	100,000
2029	105,000
2030	110,000
2031	120,000
2032	125,000
2033	130,000
2034	140,000
2035	150,000
2036	155,000

** Amounts Subject to Revision*

EXHIBIT B

Outstanding Parity Bonds of the Flexible Term Finance Program

1) Kentucky Rural Water Finance Corporation Multimodal Public Projects Revenue Bonds (Flexible Term Program), Series 2001 (the "Series 2001 Bonds") issued pursuant to the Original Indenture;

2) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2005B (the "Series 2005B Bonds") issued pursuant to Supplemental Trust Indenture No. 18, dated as of October 1, 2005 (the "Series 2005B Indenture");

3) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2006D (the "Series 2006D Bonds") issued pursuant to Supplemental Trust Indenture No. 22, dated as of May 31, 2006 (the "Series 2006D Indenture");

4) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2007A (the "Series 2007A Bonds") issued pursuant to Supplemental Trust Indenture No. 25, dated as of January 30, 2007 (the "Series 2007A Indenture");

5) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2007D (the "Series 2007D Bonds") issued pursuant to Supplemental Trust Indenture No. 28, dated as of July 30, 2007 (the "Series 2007D Indenture");

6) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2008C (the "Series 2008C Bonds") issued pursuant to Supplemental Trust Indenture No. 31, dated as of May29, 2008 (the "Series 2008C Indenture");

7) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2010B (the "Series 2010B Bonds") issued pursuant to Supplemental Trust Indenture No. 37, dated as of May 13, 2010 (the "Series 2010B Indenture");

8) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2010C (the "Series 2010C Bonds") issued pursuant to Supplemental Trust Indenture No. 38, dated as of June 9, 2010 (the "Series 2010C Indenture");

9) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2010D (the "Series 2010D Bonds") issued pursuant to Supplemental Trust Indenture No. 39, dated as of November 4, 2010 (the "Series 2010D Indenture");

10) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2011B (the "Series 2011B Bonds"), issued pursuant to Supplemental Trust Indenture No. 41, dated as of April 12, 2011 (the "Series 2011B Indenture");

11) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2011C (the "Series 2011C Bonds"), issued pursuant to Supplemental Trust Indenture No. 42, dated as of November 10, 2011 (the "Series 2011C Indenture");

12) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012B (the "Series 2012B Bonds"), issued pursuant to Supplemental Trust Indenture No. 44, dated as of March 30, 2012 (the "Series 2012B Indenture");

13) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012C (the "Series 2012C Bonds"), issued pursuant to Supplemental Trust Indenture No. 45, dated as of May 2, 2012 (the "Series 2012C Indenture");

14) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012D (the "Series 2012D Bonds"), issued pursuant to Supplemental Trust Indenture No. 46, dated as of May 30, 2012 (the "Series 2012D Indenture");

15) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012E (the "Series 2012E Bonds"), issued pursuant to Supplemental Trust Indenture No. 47, dated as of August 29, 2012 (the "Series 2012E Indenture");

16) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2012F (the "Series 2012F Bonds"), issued pursuant to Supplemental Trust Indenture No. 48, dated as of November 13, 2012 (the "Series 2012F Indenture");

17) Kentucky Rural Water Finance Corporation Taxable Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2012G (the "Series 2012G Bonds"), issued pursuant to Supplemental Trust Indenture No. 49, dated as of December 11, 2012 (the "Series 2012G Indenture");

18) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2013B (the "Series 2013B Bonds"), issued pursuant to Supplemental Trust Indenture No. 51, dated as of February 27, 2013 (the "Series 2013B Indenture");

19) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013C (the "Series 2013C Bonds"), issued pursuant to Supplemental Trust Indenture No. 52, dated as of March 27, 2013 (the "Series 2013C Indenture");

20) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2013D (the "Series 2013D Bonds"), issued pursuant to Supplemental Trust Indenture No. 53, dated as of June 5, 2013 (the "Series 2013D Indenture");

21) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2014B (the "Series 2014B Bonds"), issued pursuant to Supplemental Trust Indenture No. 57, dated as of April 10, 2014 (the "Series 2014B Indenture");

22) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2015B (the "Series 2015B Bonds"), issued pursuant to Supplemental Trust Indenture No. 60, dated as of February 19, 2015 (the "Series 2015B Indenture");

23) Kentucky Rural Water Finance Corporation Public Projects Taxable Refunding Revenue Bonds (Flexible Term Program), Series 2015C (the "Series 2015C Bonds"), issued pursuant to Supplemental Trust Indenture No. 61, dated as of March 10, 2015 (the "Series 2015C Indenture");

24) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2015E (the "Series 2015E Bonds"), issued pursuant to Supplemental Trust Indenture No. 63, dated as of May 12, 2015 (the "Series 2015E Indenture");

25) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2016B (the "Series 2016B Bonds"), issued pursuant to Supplemental Trust Indenture No. 65, dated as of May 12, 2016 (the "Series 2016B Indenture");

26) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2016C (the "Series 2016C Bonds"), issued pursuant to Supplemental Trust Indenture No. 66, dated as of October 18, 2016 (the "Series 2016C Indenture");

27) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2016D (the "Series 2016D Bonds"), issued pursuant to Supplemental Trust Indenture No. 67, dated as of November 30, 2016 (the "Series 2016D Indenture");

28) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2017A (the "Series 2017A Bonds"), issued pursuant to Supplemental Trust Indenture No. 68, dated as of July 11, 2017 (the "Series 2017A Indenture");

29) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2019B (the "Series 2019B Bonds"), issued pursuant to Supplemental Trust Indenture No. 72, dated as of August 8, 2019 (the "Series 2019B Indenture");

30) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2020A (the "Series 2020A Bonds"), issued pursuant to Supplemental Trust Indenture No. 73, dated as of January 7, 2020 (the "Series 2020A Indenture");

31) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020C (the "Series 2020C Bonds"), issued pursuant to Supplemental Trust Indenture No. 75, dated as of March 17, 2020 (the "Series 2020C Indenture");

32) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020D (the "Series 2020D Bonds"), issued pursuant to Supplemental Trust Indenture No. 76, dated as of May 6, 2020 (the "Series 2020D Indenture");

33) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020E (the "Series 2020E Bonds"), issued pursuant to Supplemental Trust Indenture No. 77, dated as of September 23, 2020 (the "Series 2020E Indenture");

34) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020G (the "Series 2020G Bonds"), issued pursuant to Supplemental Trust Indenture No. 78, dated as of October 13, 2020 (the "Series 2020G Indenture");

35) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2020H (the "Series 2020H Bonds"), issued pursuant to Supplemental Trust Indenture No. 79, dated as of December 17, 2020 (the "Series 2020H Indenture");

36) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2020I (the "Series 2020I Bonds"), issued pursuant to Supplemental Trust Indenture No. 80, dated as of December 29, 2020 (the "Series 2020I Indenture");

37) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2021A (the "Series 2021A Bonds"), issued pursuant to Supplemental Trust Indenture No. 81, dated as of June 8, 2021 (the "Series 2021A Indenture");

38) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Taxable Series 2021B (the "Series 2021B Bonds"), issued pursuant to Supplemental Trust Indenture No. 82, dated as of July 21, 2021 (the "Series 2021B Indenture");

39) Kentucky Rural Water Finance Corporation Public Projects Refunding and Improvement Revenue Bonds (Flexible Term Program), Series 2021C (the "Series 2021C Bonds"), issued pursuant to Supplemental Trust Indenture No. 83, dated as of July 27, 2021 (the "Series 2021C Indenture");

40) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2021D (the "Series 2021D Bonds"), issued pursuant to Supplemental Trust Indenture No. 84, dated as of October 19, 2021 (the "Series 2021D Indenture");

41) Kentucky Rural Water Finance Corporation Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2022A (the "Series 2022A Bonds"), issued pursuant to Supplemental Trust Indenture No. 85, dated as of January 27, 2022 (the "Series 2022A Indenture");

42) Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds (Flexible Term Program), Series 2022C (the "Series 2022C Bonds"), issued pursuant to Supplemental Trust Indenture No. 87, dated as of August 25, 2022 (the "Series 2022C Indenture");

43) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024A (the "Series 2024A Bonds"), issued pursuant to Supplemental Trust Indenture No. 89, dated as of February 5, 2024 (the "Series 2024A Indenture");

44) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024B (the "Series 2024B Bonds"), issued pursuant to Supplemental Trust Indenture No. 90, dated as of May 14, 2024 (the "Series 2024B Indenture");

45) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024C (the "Series 2024C Bonds"), issued pursuant to Supplemental Trust Indenture No. 91, dated as of July 9, 2024 (the "Series 2024C Indenture");

46) Rural Water Financing Agency Public Projects Refunding Revenue Bonds (Flexible Term Program), Series 2024D (the "Series 2024D Bonds"), issued pursuant to Supplemental Trust Indenture No. 92, dated as of July 30, 2024 (the "Series 2024D Indenture");

47) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2024E (the "Series 2024E Bonds"), issued pursuant to Supplemental Trust Indenture No. 93, dated as of October 4, 2024 (the "Series 2024E Indenture");

48) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025A (the "Series 2025A Bonds"), issued pursuant to Supplemental Trust Indenture No. 94, dated as of March 26, 2025 (the "Series 2025A&B Indenture");

49) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025B (the "Series 2025B Bonds"), issued pursuant to Supplemental Trust Indenture No. 94, dated as of March 26, 2025 (the "Series 2025A&B Indenture");

50) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025C (the "Series 2025C Bonds"), issued pursuant to Supplemental Trust Indenture No. 95, dated as of June 30, 2025 (the "Series 2025C Indenture");

51) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025D (the "Series 2025D Bonds"), issued pursuant to Supplemental Trust Indenture No. 96, dated as of July 17, 2025 (the "Series 2025D Indenture");

52) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025E (the "Series 2025E Bonds"), issued pursuant to Supplemental Trust Indenture No. 97, dated as of September 30, 2025 (the "Series 2025E&F Indenture");

53) Rural Water Financing Agency Taxable Public Projects Revenue Bonds (Flexible Term Program), Series 2025F (the "Series 2025F Bonds"), issued pursuant to Supplemental Trust Indenture No. 97, dated as of September 30, 2025 (the "Series 2025E&F Indenture");

54) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2025G (the "Series 2025G Bonds"), issued pursuant to Supplemental Trust Indenture No. 98, dated as of September 30, 2025 (the "Series 2025G Indenture");

55) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025H (the "Series 2025H Bonds"), issued pursuant to Supplemental Trust Indenture No. 99, dated as of December 18, 2025 (the "Series 2025H&I Indenture");

56) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2025I (the "Series 2025I Bonds"), issued pursuant to Supplemental Trust Indenture No. 99, dated as of December 18, 2025 (the "Series 2025H&I Indenture");

57) Rural Water Financing Agency Taxable Public Projects Revenue Bonds (Flexible Term Program), Series 2025J (the "Series 2025J Bonds"), issued pursuant to Supplemental Trust Indenture No. 100, dated as of December 18, 2025 (the "Series 2025J Indenture");

58) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026A (the "Series 2026A Bonds"), issued pursuant to Supplemental Trust Indenture No. 101, dated as of March 31, 2026 (the "Series 2026A Indenture");

59) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026B (the "Series 2026B Bonds"), issued pursuant to Supplemental Trust Indenture No. 102, dated as of June 30, 2027 (the "Series 2026B Indenture");

60) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026C (the "Series 2026C Bonds"), issued pursuant to Supplemental Trust Indenture No. 103, dated as of June 30, 2026 (the "Series 2026C Indenture");

61) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026D (the "Series 2026D Bonds"), issued pursuant to Supplemental Trust Indenture No. 104, dated as of September 29, 2026 (the "Series 2026D Indenture");

62) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026F (the "Series 2026F Bonds"), issued pursuant to Supplemental Trust Indenture No. 106, dated as of December 22, 2026 (the "Series 2026F Indenture"); and

63) Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Series 2026G (the "Series 2026G Bonds"), issued pursuant to Supplemental Trust Indenture No. 107, dated as of December 22, 2026 (the "Series 2026G Indenture").

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BID FORM

Subject to the terms and conditions of the Rural Water Financing Agency (the "Issuer"), providing for the sale of $1,170,000* (subject to an adjustment upward in the amount of $115,000 or downward in any amount) of Rural Water Financing Agency Public Projects Revenue Bonds (Flexible Term Program), Taxable Series 2026E, dated the date of issuance, and in accordance with the Official Terms and Conditions of Bond Sale, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase said Bonds.

We hereby bid for said $_____* principal amount of Bonds, the total sum of $_____ (not less than $1,146,600 nor more than $1,287,000), at the following annual rate(s), payable semiannually:

Maturing August 1	Principal Amount*	Interest Rate	Maturing August 1	Principal Amount*	Interest Rate
2027	$ 35,000	_____%	2032	$125,000	_____%
2028	100,000	_____%	2033	130,000	_____%
2029	105,000	_____%	2034	140,000	_____%
2030	110,000	_____%	2035	150,000	_____%
2031	120,000	_____%	2036	155,000	_____%

**Subject to adjustment*

Bidder's Term Bonds Option: The undersigned hereby elects to specify that all the principal amount of Bonds stated to mature on the following two or more consecutive maturity dates shall be combined to comprise the maturities of Term Bonds indicated below:

Bonds Maturing	Term Bonds Maturing
August 1, ____ through August 1, _____	August 1, ____
August 1, ____ through August 1, _____	August 1, ____
August 1, ____ through August 1, _____	August 1, ____

It is understood that the Issuer will furnish the final, approving legal opinion and opinion regarding tax exemption of Rubin & Hays, Louisville, Kentucky, subject to the provisions as set out in detail in the Official Terms and Conditions of Bond Sale. It is understood that if we are the successful bidder, we will deposit for the account of the Agency with Regions Bank, Nashville, Tennessee, prior to the close of business on the day following the acceptance of our bid, a good faith deposit in the amount equal to $23,400. The amount of the good faith deposit will be deducted (without interest) from the purchase price at the time of delivery of the Bonds.

If we are the successful bidder, we agree to accept and make payment for the Bonds in accordance with the terms of the sale.

Respectfully submitted,

_____
Name of Firm

By _____
Phone No._____

Total interest cost from December 22, 2026 to final maturity	$_____
Plus discount (less premium)	$_____
Net interest cost	$_____
True interest cost (TIC)	_____%

The above computation of net interest cost is submitted for information only and is not a part of this Bid. The determination of the best bid will be made on the basis of the lowest true interest cost (TIC).

ACCEPTANCE OF BID

Accepted by the Rural Water Financing Agency, on December 2, 2026, for a total of $_____ of Bonds at an adjusted price of $_____, with the maturity and interest rate as follows:

Maturing August 1	Principal Amount*	Interest Rate	Maturing August 1	Principal Amount*	Interest Rate
2027	$_____	_____%	2032	$_____	_____%
2028	_____	_____%	2033	_____	_____%
2029	_____	_____%	2034	_____	_____%
2030	_____	_____%	2035	_____	_____%
2031	_____	_____%	2036	_____	_____%

RURAL WATER FINANCING AGENCY

_____

Title:_____

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RATING AGENCY REPORT

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S&P Global
Ratings

130 East Randolph Street
Suite 2900
Chicago, IL 60601
tel 312-233-7000
reference no.: 1946980

November 19, 2026

Rural Water Financing Agency
1151 Old Porter Pike
Bowling Green, KY 42103
Attention: Scott Young, Executive Director

Re: ***US$1,170,000 Rural Water Financing Agency, Kentucky, Public Project Revenue Bonds, (Flexible Terminal Program), Series 2026E, dated: Date of Delivery, due: August 1, 2036***

Dear Scott Young

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "AA-". S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we have released the ratings on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. Any such dissemination shall not be done in a manner that would serve as a substitute for any products and services containing S&P Global Ratings' intellectual property for which a fee is charged.

To maintain the rating, S&P Global Ratings must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. Relevant financial and other information includes, but is not limited to, information about direct bank loans and debt and debt-like instruments issued to, or entered into with, financial institutions, insurance companies and/or other entities, whether or not disclosure of such information would be required under S.E. C. Rule 15c2-12. You understand that S&P Global Ratings relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to: pubfin_statelocalgovt@spglobal.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:
S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

S&P Global Ratings is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing S&P Global Ratings.

Sincerely yours,

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a division of Standard & Poor's Financial Services LLC

jm
enclosures

cc: ***Charles Musson***
Gary Larimore
Nick Roederer
Sam Nagel
Wesley Nealy

S&P Global
Ratings

S&P Global Ratings
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Research Update:

Rural Water Financing Agency, KY Bond Rating Outlook Revised To Stable From Negative On Improved Liquidity

November 19, 2026

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Overview

- S&P Global Ratings revised its outlook to stable from negative and affirmed its 'AA-' long-term rating and underlying rating on Rural Water Financing Agency (RWFA), Kentucky's existing bonds as well affirmed its 'AA-' rating on the agency's bonds outstanding that were initially issued by Kentucky Rural Water Finance Corp. (KRWFC) and assigned to RWFA by the KRWFC in 2023.
- In addition, S&P Global Ratings assigned its 'AA-' long-term rating to the RWFA's , approximately $1.17 million series 2026E, $45.45 million series 2026F, and $27.11 million series 2026G (flexible term program) public projects revenue bonds.
- The outlook revision reflects improved liquidity support for RWFA's debt service reserve fund (DSRF) following the receipt of $2 million in pledged certificates of deposit (CDs) from the Kentucky Rural Water Association (KRWA). In our view, this capital infusion provides sufficient overcollateralization to mitigate concerns regarding increasing program leverage and supports the pool's ability to sustain and strong financial risk profile (FRP), barring any significant deterioration in other material credit factors.

Rationale

Security

The bonds are secured by loan repayments from program borrowers made to the program trustee. Assistance agreements with the municipal borrowers are assigned to the trustee and govern the borrower repayments.

Debt service payments are backed by the combined repayments from the borrower pool and by a DSRF, which consists of maturing investments and their associated earnings. These bonds are supported by approximately $535 million in loans, which facilitate bond repayment. Borrower

repayments, along with administrative fees and interest earnings from reserves, yield an average debt service coverage (DSC) ratio of approximately 1x.

The proceeds from the 2026E bonds will provide a loan to one obligor, proceeds from the 2026F bonds will provide loans to ten obligors, and proceeds from the 2026G bonds will provide loans to two obligors. All obligors receiving these new loans have pledged their general obligation revenue or other revenue to loan repayment.

Following the current debt issuance, there will be approximately $583 million in bonds outstanding, $532 million in pledged loans, and 213 participants enrolled in the agency's flexible term program.

Credit highlights

RWFA was formed under specific Kentucky statutes, which we view as a governmental entity. Under our criteria, we incorporate into our market position the view that one purpose of the agency--formed by an interlocal agreement--is to create financing programs for its members. This is a key factor in our view of the program's overall market position. We believe RWFA's financial risk profile is strong, as reflected by the agency's loss coverage score (LCS), operating performance, and financial policies. Although the program has grown and diversified, we have observed an increase in leverage of the pool that, if increases continue, could affect our view of the pool's LCS. However, in November 2026, RWFA and the Kentucky Rural Water Association (KRWA) reached an agreement where KRWA pledged $2 million in CDs to help support RWFA's DSRF, which increased the program's liquidity and overcollateralization, slightly offsetting our concerns around increasing leverage. With the transfer and assignment of KRWFC's rights, title, and interest in the flexible term program to RWFA, the agency has indicated that all board-approved policies and practices of the flexible term program have remained in place under RWFA. In addition, all existing borrower and program accounts, including the DSRF and the administrative fee fund, were transferred to RWFA. This action did not require any new or amended agreements between the borrowers and the agency. Also, Kentucky law allows for participants in RWFA's program to come from all 50 states. With the current issuance, RWFA management has extended its reach beyond state boundaries, offering loan facilities to obligors in eight states. This expansion has resulted in a geographically diversified loan pool for RWFA.

The rating reflects our view of the program's:

- Administration, in which a governmental entity works with its governing body to address Kentucky public agency policy initiatives to provide cost-effective financing for local entities;
- Overcollateralization, primarily in the form of reserves and expected interest earnings, in line with S&P Global Ratings-calculated LCS at our 'BBB' category stress level;
- Strong operating performance, with no borrower defaults or delinquencies; and
- Generally strong financial management policies and conditions.

Outlook

The stable outlook reflects our view that overcollateralization levels will remain commensurate with the rating and that other program features, especially the financial performance of the agency's loan portfolio, will not deviate from historical trends and practices.

Downside scenario

If reserves become insufficient for the rating, if LCS weakens, or if any other program factors negatively affect the financial risk profile, we could lower the rating. Specifically, the removal of pledged CDs by KRWA could adversely affect our view of the loss coverage score, potentially leading to a downgrade or a change in the outlook. We are also focused on loan delinquencies as a potential downside risk, particularly if reserves are not large enough to absorb losses during a period of stress.

Upside scenario

Conversely, if our view of the financial profile and LCS improves, without deterioration of any other significant credit factor, and the program maintains its enterprise risk factors, we could raise the rating.

Credit Opinion

Enterprise Risk Profile--Very Strong

We view the program's enterprise risk profile as very strong. This is due to a combination of a low industry risk profile for municipal pools and our view of the program's market position as strong. RWFA is an interlocal agency, established under Kentucky law, that is governed by a nine-member board. The agency's board members are the same as the members of KRWFC's board, with one exception. The Kentucky Rural Water Association (KRWA) acts as the financing program sponsor. It is a statewide association offering membership to water and wastewater utilities throughout Kentucky, with more than 300 voting members. RWFA provides financing to entities inside, and increasingly outside, the commonwealth of Kentucky. We believe these factors suggest a moderate level of state support, with some possibility of fluctuations in program demand.

Financial Risk Profile--Strong

We view the program's financial risk profile as strong, reflecting a combination of the adequate LCS and the program’s solid historical operating performance and management policies. Overcollateralization includes annual revenue from pledged administrative fees, excess cash held in miscellaneous funds, and approximately $53 million in debt service reserve (DSR) investments. The program's cash flows are structured so that loan repayments match debt service on the portion of bonds used to make loans, while the DSR and its interest earnings are used for debt service on bonds used to fund the DSR. Overcollateralization arising from the DSR, principal and interest, administrative fees, and trustee-held excess cash all provide sufficient revenue, in our view, to make full payments on all bonds, given the level of defaults consistent with the pool rating. Our LCS applies credit default stress to loan repayments and measures the required draws on DSR principal and other reserves. Accordingly, the scenario envisions that the pool's reserve interest earnings could be reduced in line with the modeled reduction in available DSR principal balances. For the RWFA pool, if a DSR draw occurs, participants must repay it within one year. As further protection, participants must agree to set rates sufficient to provide 1.2x maximum annual DSC on all system obligations.

Program reserves include municipal bonds rated at least 'A+', guaranteed investment contracts (GICs), forward delivery agreements (FDAs), and accrued cash balance amounts. Termination, collateral, and substitution requirements are in effect for both GIC and FDA investment providers.

We view the program's financial policies and practices as ranging from adequate to strong. Management has the flexibility to enter into several loan agreements, including general obligation and revenue pledges, that can involve any governmental agency. Program staff require all participants to submit annual financial statements. In most cases, loan payments are made monthly, with funds on hand at least 30 days before semiannual debt service payment dates. Management prioritizes projects as loan demand develops, with a credit review process for each new loan. The board undertakes bimonthly investment portfolio reviews, with adjustments as needed, depending on either the program's investment strategy or the credit quality of investment counterparties.

Management reports no loan defaults or delinquent payments since the program's inception in 2001.

Credit Snapshot

- Program description: RWFA is an interlocal public agency established under state law, designed to allow participants of the agency to unite for the purposes of financing governmental projects on a pooled basis. Kentucky law allows for agency participants to come from all 50 states as long as they are legally permitted. Currently, the flexible term program borrowers are spread across 14 states. RWFA was created by Kentucky public agencies with the assistance of the KRWA, which is a related entity providing technical assistance but that does not actually make the loans or engage in financing.
- Transition to RWFA: In 2023, RWFA assumed responsibility for the repayment of the previous KRWFC bonds, pursuant to an assignment and assumption agreement. The agreement between KRWFC and RWFA effectively transfers all assets, liabilities, funds, agreements, and obligations of the flexible term program to RWFA, including all the bond obligations and related cash, and funds related to these. Since 2023, RWFA has been the issuer for bonds under the program.
- Flow of funds: The program's cash flows are structured so that loan repayments match debt service on the portion of bonds used to make loans, while the DSRF and its interest earnings are used for debt service on bonds used to fund the DSRF. Overcollateralization arising from the DSRF, principal and interest, administrative fees, and trustee-held excess cash all provide sufficient revenue, in our view, to make full payments on all bonds, given the level of defaults consistent with the pool rating.
- Summary statistics: Following the issuance of the series 2026E, 2026F, and 2026G bonds, there will be $583 million in bonds outstanding within the flexible term finance program. The borrower portfolio consists of 213 distinct loans. The two largest borrowers are Alva Arena Authority, Oklahoma, with $27.4 million of existing loans, representing 5.2% of total loans outstanding; and Warren County Water District, Kentucky, with $26.4 million in existing loans, representing 4.9% of the total loans outstanding.

Ratings List	
New Issue Ratings	
US$1.170 mil pub proj rev bnds (Flexible Terminal Program) ser 2026E due 08/01/2036	
Long Term Rating	AA-/Stable
US$27.105 mil pub proj rev bnds (Flexible Terminal Program) ser 2026G due 08/01/2056	
Long Term Rating	AA-/Stable
US$45.445 mil pub proj rev bnds (Flexible Terminal Program) ser 2026F due 08/01/2056	
Long Term Rating	AA-/Stable
Outlook Action	

Ratings List

	To	From
Municipal Pool		
Rural Water Financing Agency, KY State Revolving Fund	AA-/Stable	AA-/Negative

The ratings appearing below the new issues represent an aggregation of debt issues (ASID) associated with related maturities. The maturities similarly reflect our opinion about the creditworthiness of the U.S. Public Finance obligor's legal pledge for payment of the financial obligation. Nevertheless, these maturities may have different credit ratings than the rating presented next to the ASID depending on whether or not additional legal pledge(s) support the specific maturity's payment obligation, such as credit enhancement, as a result of defeasance, or other factors.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at https://disclosure.spglobal.com/ratings/en/regulatory/ratings-criteria for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceId/504352. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings referenced herein can be found on S&P Global Ratings' public website at www.spglobal.com/ratings.

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