

83-8

BOND ORDINANCE

CITY OF RUSSELLVILLE, KENTUCKY

WATER AND SEWER REVENUE BONDS OF 1983

IN THE AMOUNT OF

\$521,000

ORDINANCE 83-8

I N D E X

CITY OF RUSSELLVILLE, KENTUCKY WATER AND SEWER REVENUE BONDS OF 1983, IN THE AMOUNT OF \$521,000.

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83-8

BOND ORDINANCE

ORDINANCE OF THE CITY OF RUSSELLVILLE, LOGAN COUNTY, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS, AND IMPROVEMENTS TO THE WATERWORKS PORTION OF THE COMBINED AND CONSOLIDATED WATERWORKS AND SEWER SYSTEM OF SAID CITY; AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF FIVE HUNDRED TWENTY-ONE THOUSAND DOLLARS (\$521,000) PRINCIPAL AMOUNT OF CITY OF RUSSELLVILLE WATER AND SEWER REVENUE BONDS OF 1983, FOR THE PURPOSE OF FINANCING THE COST OF THE AFORESAID CONSTRUCTION; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID BONDS OF 1983 MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR SAID BONDS OF 1983 TO RANK ON A PARITY WITH CERTAIN OUTSTANDING BONDS OF 1972, SUBJECT TO THE VESTED RIGHTS AND PRIORITIES IN FAVOR OF CERTAIN OUTSTANDING BONDS OF 1963 AND 1967; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS OF 1983 AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS OF 1983.

WHEREAS, the City of Russellville, a fourth class city, of Logan County, Kentucky, owns and operates the existing combined and consolidated municipal waterworks and sewer system (the "System") serving the City, pursuant to Sections 82.082 and 58.010 through 58.140 of the Kentucky Revised Statutes (the "Act") and in that connection the City presently has outstanding \$240,000 of Bonds designated as City of Russellville Water and Sewer Revenue Bonds, Series of 1972, dated January 23, 1974 (the "Prior Second Lien Bonds"), scheduled to be payable in equal annual installments (\$13,078 per year) of principal and interest on April 1 of each year, beginning April 1, 1983, with the final installment scheduled to be paid on January 23, 2013, and

WHEREAS, the Prior Second Lien Bonds, by their terms, are payable from and secured by a secondary pledge of the gross revenues derived from the operation of the System, subject to the vested rights and priorities in favor of the holders of the following issues of Bonds:

- (a) \$299,000 (\$261,000 after April 1, 1984) of City of Russellville Water and Sewer Revenue Bonds, dated April 1, 1963 (the "Bonds of 1963"), maturing on April 1 in each of the years, 1984 through 1990, inclusive; and
- (b) \$590,000 (being the entire authorized issue) of City of Russellville Water and Sewer Revenue Bonds, dated April 1, 1967 (the "Bonds of 1967", said Bonds of 1963 and 1967 being hereinafter sometimes referred to as the "Prior First Lien Bonds"), maturing on April 1 in each of the years, 1991 through 2001, inclusive;

and

WHEREAS, the Prior Second Lien Bonds were issued to and are now held by the Farmers Home Administration of the Department of Agriculture of the United States Government (the FmHA), and

WHEREAS, said FmHA, as the holder of the Prior Second Lien Bonds, has consented to the issuance by the City of \$521,000 of City of Russellville Water and Sewer Revenue Bonds of 1983 (the "Current Bonds"), ranking on a parity with the Prior Second Lien Bonds, for the purpose of paying the costs of a construction project consisting of extensions, additions, and improvements to the waterworks portion of said combined and consolidated System, in accordance with plans and specifications prepared by Morton-Lyne & Associates, Inc., Consulting Engineers, 217 24th Avenue North, Nashville, Kentucky 37203, now on file in the office of the City Clerk of the City, and

WHEREAS, it is the desire and intent of this City Council at this time to enact this Ordinance pursuant to said Statutes, to authorize and provide for the issuance of the "Current Bonds" for the purpose aforesaid, and to prescribe the covenants of the City, the rights of bondholders, and the details of the issuance and sale of the proposed Current Bonds, and that such proposed Current Bonds be issued to rank on a parity with said Prior Second Lien Bonds, subject to the vested rights and priorities in favor of the holders of the outstanding Prior First Lien Bonds, under and pursuant to the provisions of the Act, and

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF RUSSELLVILLE, KENTUCKY, AS FOLLOWS:

ARTICLE 1.

DEFINITIONS; PURPOSE; CONSTRUCTION PROJECT;  
COMBINED AND CONSOLIDATED SYSTEM; AUTHORIZATION  
OF BONDS; ISSUED AS SECOND LIEN BONDS.

Section 101. Definitions.

As used in this Ordinance, unless the context indicates or requires otherwise:

"ACT" refers to Sections 82.082 and 58.010 through 58.140 of the Kentucky Revised Statutes.

"ALL BONDS" refers collectively to all Bonds outstanding against the System, including the Bonds of 1963, 1967, 1972, and the proposed Current Bonds.

"BEGINNING MONTH" means the month following the month in which the Current Bonds are issued, sold, and delivered to the purchaser thereof.

"BOND," "OWNER," "HOLDER," and "PERSON" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "BONDHOLDER" means and contemplates, unless the context otherwise indicates, the registered owner(s) of the Current Bonds at the time issued and outstanding hereunder, or any of them.

"BONDS OF 1963" refers to the outstanding Bonds of the original authorized issue of \$830,000 of bonds designated as "City of Russellville Water and Sewer Revenue Bonds," dated April 1, 1963.

"BONDS OF 1967" refers to the outstanding Bonds of the original authorized issue of \$590,000 of bonds designated as "City of Russellville Water and Sewer Revenue Bonds," dated April 1, 1967.

"BONDS OF 1972" refers to the outstanding Bonds of the original authorized issue of \$240,000 of bonds designated as "City of Russellville Water and Sewer Revenue Bonds, Series of 1972," dated January 23, 1974.

"BOND ORDINANCE OF 1963" or "1963 BOND ORDINANCE" refers to the Ordinance of the Governing Body of the City enacted on March 19, 1963, authorizing the Bonds of 1963.

"BOND ORDINANCE OF 1967", or "1967 BOND ORDINANCE", refers to the Ordinance of the Governing Body of the City enacted on February 21, 1967, authorizing the Bonds of 1967.

"CITY" refers to the City of Russellville, in Logan County, Kentucky.

"BOND ORDINANCE OF 1972", "1972 BOND ORDINANCE", or "PRIOR SECOND LIEN BOND ORDINANCE" refers to the Ordinance of the Governing Body of the City enacted on June 20, 1972, authorizing the Bonds of 1982.

"CONSTRUCTION PROJECT" or "WATERWORKS CONSTRUCTION PROJECT" or "PROJECT" refers to the construction of extensions, additions, and improvements to the waterworks portion of the existing combined and consolidated waterworks and sewer System of the City, which Construction Project is being financed by the Current Bonds.

"CURRENT BONDS" refers to the \$521,000 of Bonds authorized herein, bearing the designation "City of Russellville Water and Sewer Revenue Bonds of 1983," to be dated as of the date of issuance thereof.

"CURRENT BOND ORDINANCE" refers to this Ordinance, authorizing the Current Bonds.

"DEFINED PRIORITIES", "PRIORITIES", or "SUBJECT TO DEFINED PRIORITIES", refers to the respective vested rights and priorities in favor of the respective holders of the Prior First Lien Bonds.

"DEPOSITORY BANK" means the bank at which the principal of and interest on the Current Bonds will be payable, and which has served and shall continue to serve as the depository of all of the various Funds created in the Prior Second Lien Bond Ordinance, and which Funds will be continued pursuant to this Ordinance, and which shall serve as the depository of the Construction Account created herein, which Bank is The Citizens National Bank, Russellville, Kentucky, or its successor.

"DEPRECIATION FUND" refers to the City of Russellville Water and Sewer "Depreciation Fund," created in Section 8C of the 1963 Bond Ordinance.

"ENGINEER" or "ENGINEERS" refer to the Engineers or any one of them, who prepared the plans and specifications for the Construction Project and who will supervise the construction thereof and/or will furnish full time resident inspection of construction of the Construction Project, and shall be deemed to refer to Morton-Lyne & Associates, Inc., Consulting Engineers, 217 24th Avenue North, Nashville, Tennessee 38=7203, or a member of said firm, or their successor or successors.

"FmHA" or "GOVERNMENT" means the Farmers Home Administration of the Department of Agriculture of the United States Government.

"FULLY REGISTERED BOND" refers to a single or series of negotiable (subject to registration requirements as to transferability, as herein prescribed) Bond(s), payable to the registered owner, of the form set out in this Ordinance under the title "(FORM OF FULLY REGISTERED BOND)".

"GOVERNING BODY" refers to the City Council of the City of Russellville, Kentucky, or such other body as shall be the governing body of said City under the laws of Kentucky at any given time.

"INDEPENDENT CONSULTING ENGINEER" or "CONSULTING ENGINEER" refers to an Independent Consulting Engineer or firm of Engineers of recognized excellent reputation in the field of waterworks and sewer system engineering, and such definition includes the Engineers named above.

"ORIGINAL PURCHASER" means the agency, person, firm, or firms to whom the Current Bonds are awarded at the public sale, or their successor(s), and such definition shall refer to the FmHA if it is the original purchaser of the Current Bonds at said public sale.

"OUTSTANDING BONDS" refers to the outstanding Prior Bonds and/or Current Bonds, and any outstanding parity bonds, and does not refer to, nor include, any bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of bonds.

"PARITY BONDS" means bonds which may be issued in the future, in addition to the \$521,000 of Current Bonds herein specifically authorized, which bonds issued in the future will, pursuant to the provisions of the Prior Bond Ordinance and of this Current Bond Ordinance, rank on a basis of parity with said outstanding Prior Bonds and Current Bonds, as to priority, security, and source of payment, and does not refer to bonds which might be issued so as to rank inferior to the security and source of payment of the Prior Bonds and Current Bonds.

"PRIOR FIRST LIEN BONDS" refers jointly to the outstanding Bonds of 1963 and 1967.

"PRIOR FIRST LIEN BOND ORDINANCE" refers jointly to the 1963 and 1967 Bond Ordinances.

"PRIOR FIRST LIEN SINKING FUND" refers to the City of Russellville "Water and Sewer Bond and Interest Redemption Account," created in Section 8A of the 1963 Bond Ordinance.

"PRIOR FIRST LIEN SINKING FUND RESERVE" refers to the debt service reserve portion of the Prior First Lien Sinking Fund created in Section 8A of the Prior Bond Ordinance.

"PRIOR SECOND LIEN BONDS" refers to the outstanding Bonds of 1972.

"PRIOR SECOND LIEN BOND ORDINANCE" refers to the 1972 Bond Ordinance.

"REVENUE FUND" refers to the "Water and Sewer Revenue Fund" created in Section 8 of the 1963 Bond Ordinance.

"SECOND LIEN SINKING FUND" refers to the "Water and Sewer Revenue Bond, Series 1972, Sinking Fund," created in Section 5A of the 1972 Bond Ordinance.

"SECOND LIEN SINKING FUND RESERVE" refers to the reserve portion of the Second Lien Sinking Fund.

"SYSTEM" or "WATERWORKS AND SEWER SYSTEM" refers to the existing combined and consolidated waterworks and sewer System of the City, together with all extensions, additions, and improvements to said System.

"U. S. OBLIGATIONS" means bonds or notes which are the direct obligations of the United States of America, or obligations the principal of and interest on which are guaranteed by the United States of America.

Section 102. Reaffirmation of Previous Action of City in Combining and Consolidating the Municipal Waterworks and Sewer Systems as a Single Revenue-Producing Public Project or System; Authority; Purpose.

The previous action of the Governing Body taken in the Prior (1963) Bond Ordinance, in ordering that the municipal waterworks and sewer System be operated as a single, combined and consolidated, revenue-producing public project or System, is hereby ratified and confirmed.

The Current Bonds shall be issued, in accordance with the provisions of the Act, for the purpose of defraying the cost (not otherwise provided) of the "Construction Project", as defined above and as set out in the plans and specifications prepared by the Engineers; and so long as any of the Prior Bonds, the Current Bonds, or any parity bonds remain outstanding, said combined and consolidated water and sewer System shall be owned, controlled, operated, and maintained on a combined and consolidated basis for the security and source of payment of the Prior Bonds and the Current Bonds; with full acknowledgement, however, of the Defined Priorities.

Section 103. Construction Award Approved; Work Authorized.

The Governing Body hereby authorizes, approves, ratifies, and confirms its previous action in awarding the contracts for the construction of the Construction Project to the lowest and best bidders and further approves the action of the Governing Body in entering into formal contracts with said bidders, subject to the necessary approvals being obtained. Authority is hereby given for undertaking the construction of the Construction Project according to the plans and specifications heretofore prepared by the Engineers for the City, after all necessary approvals have been obtained.

Section 104. Declaration of Period of Usefulness.

The Governing Body hereby declares that the period of usefulness of the System is more than forty (40) years from the date of completion of the proposed Construction Project.

Section 105. Authorization of Bonds.

It has been heretofore determined that the total cost of the Construction Project, including preliminary expenses, land and rights-of-way, engineering expense, capitalized interest during construction, legal and administrative costs, publication costs, and all incidental expenses, will be not exceeding \$521,000. Therefore, it is hereby determined to be necessary in order for the City to finance the cost of the Construction Project that the City issue a total of \$521,000 of Current Bonds.

Accordingly, for the purpose of financing the cost of the Construction Project, under the provisions of the Act, there are hereby authorized to be issued and sold Five Hundred Twenty-One Thousand Dollars (\$521,000) principal amount of City of Russellville Water and Sewer Revenue Bonds of 1983 (the "Current Bonds").

The Current Bonds shall be dated as of the date of delivery to the purchaser thereof, shall bear interest from such date at such interest rate as may be fixed by supplemental resolution as a result of the advertised sale and competitive bidding for such Bonds, as hereinafter provided, and shall be issued and delivered according to the form of "Fully Registered Bond," as prescribed in Section 205 hereof.

Interest on the Current Bonds shall be payable semi-annually on April 1 and October 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Bonds to the ensuing April 1 or October 1, as the case may be. Principal of the Bonds shall be payable on April 1 of each of the respective years until maturity, as set out in Section 201 hereof.

Section 106. Current Bonds Payable Out of Gross Revenues;  
on a Parity With Prior Second Lien Bonds,  
Subject to Priority of Prior First Lien Bonds.

All of said Current Bonds, the Prior Second Lien Bonds, ranking on a parity therewith, and any additional parity bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable on a parity solely out of a fixed portion of the gross revenues of the combined and consolidated System, and shall be a valid claim of the holders thereof against the Second Lien Sinking Fund, subject to the vested rights and priorities in favor of the Prior First Lien Bonds.

Section 107. Lien on Contracts.

In addition to the inferior revenue pledge securing the Current Bonds, an identical second, lien is hereby created and granted in favor of the Current Bonds on all contracts and on all other rights of the City pertaining to the System, enforceable by assignment to any Receiver or other operator proceeding by authority of any court.

ARTICLE 2.

THE CURRENT BONDS; REGISTERED BONDS;  
PRINCIPAL INSTALLMENTS; EXECUTION;  
PREPAYMENT; AND BOND FORM.

Section 201. Principal Installments.

The principal installments of the Current Bonds shall be as follows:

Due Date  
April 1

*Int  
April 2  
Oct 1*

Principal  
Installments

1985	\$ 5,000
1986	5,000
1987	5,000
1988	5,000
1989	6,000
1990	6,000
1991	6,000
1992	7,000
1993	7,000
1994	7,000
1995	8,000
1996	8,000
1997	9,000
1998	9,000
1999	10,000
2000	10,000
2001	11,000
2002	11,000
2003	12,000
2004	12,000
2005	13,000
2006	13,000
2007	14,000
2008	15,000
2009	16,000
2010	16,000
2011	17,000
2012	18,000
2013	19,000
2014	20,000
2015	21,000
2016	22,000
2017	23,000
2018	24,000
2019	26,000
2020	27,000
2021	28,000
2022	30,000

Section 202. Issuance of Bond(s).

The purchaser of the Current Bonds at the public sale shall take delivery of such Bonds in the form of a single (or a series) of Fully Registered Bond(s), as prescribed in Section 205 below, amounting in the aggregate to the principal amount of the Current Bonds, maturing as to principal in installments as set out above. Such Fully Registered Bond(s) shall be numbered R-1 and consecutively thereafter, R-2, etc., shall be of type composition, shall be on paper of sufficient weight and strength to prevent deterioration until the last day of maturity of any installment of principal as stated therein, and shall conform in size to standard practice. Such Fully Registered Bond(s) shall, upon appropriate execution on behalf of the City as prescribed, constitute a part of the (or the entire) bond issue herein authorized, shall be negotiable (subject to registration requirements as to transferability), without interest coupons, registered as to principal and interest, payable as directed by the registered owner, and shall be in substantially the form hereinafter set forth.

Section 203. Place of Payment and Manner of Execution.

Both principal of and interest on the Current Bonds shall be payable at the place and in the manner set out in the form of such Fully Registered Bond prescribed in Section 205 below. The Bonds shall be executed on behalf of the City by being signed manually by the Mayor, with the Corporate Seal of the City affixed thereto, and attested by the manual signature of the City Clerk.

If either of the officers whose signatures appear on the Current Bonds ceases to be such officer before delivery of said Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided in KRS 58.040 and 61.390.

Section 204. Provisions as to Prepayment.

Except when all of the Current Bonds are held by the Government, installments of principal falling due prior to April 1, 1995, shall not be subject to prepayment. Installments of principal falling due on and after April 1, 1995, shall be subject to prepayment by the City on any interest payment date falling on and after April 1, 1994, upon terms of par plus accrued interest, without any prepayment penalty.

So long as all of the Current Bonds are held by the Government, all or any of the Bonds, or installments in a multiple of \$1,000, may be redeemed at any time in in inverse chronological order of the installments due at face amount plus accrued interest without any prepayment penalty.

Section 205. Bond Form.

The Current Bonds shall be in substantially the following form, with appropriate insertions, omissions, and variations consistent with or as provided or permitted in this Ordinance:

(FORM OF FULLY REGISTERED BOND)

BOND NUMBER R-1

UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY  
COUNTY OF LOGAN  
CITY OF RUSSELLVILLE  
WATER AND SEWER REVENUE BOND OF 1983

No. R-1

\$521,000

KNOW ALL MEN BY THESE PRESENTS:

That the City of Russellville, acting by and through its City Council, a municipal corporation constituting a public body corporate, in Logan County, Kentucky, for value received, hereby promises to pay to

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the registered owner hereof, or to its registered assignee, solely from the special fund hereinafter identified, the sum of

FIVE HUNDRED TWENTY-ONE THOUSAND DOLLARS (\$521,000),

on the first day of April, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
-------------	------------------	-------------	------------------	-------------	------------------

(Here the printer of the Bond will print the maturities of the Bond purchased by the individual purchaser (registered owner) without deduction for exchange or collection charges; and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, at the rate of five percent (5%) per annum, semi-annually on the first days of April and October in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, at the address of the registered owner shown on the registration book of the City.

This Bond\* is issued by the City under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including Sections 82.082 and 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, and pursuant to a duly enacted Bond Ordinance of the City authorizing same (the "Current Bond Ordinance"), to which Current Bond Ordinance reference is hereby made for a description of the nature and extent of the security thereby created, the rights and limitations of rights of the registered owner of this Bond, and the rights, obligations, and duties of said City, for the purpose of financing the cost (not otherwise provided) of the construction of extensions, additions, and improvements to the waterworks portion of the existing combined and consolidated waterworks and sewer system (the "System") of the City.

This Bond ranks on a parity as to security and source of payment with certain outstanding "City of Russellville Water and Sewer Revenue Bonds, Series of 1972", dated January 23, 1974 (the "Prior Second Lien Bonds"), authorized by an Ordinance enacted by the City Council of the City on June 20, 1972 (the "Prior Second Lien Bond Ordinance"), pursuant to the consent of the holder of the Prior Second Lien Bonds, subject to the vested rights and priorities in favor of the holders of certain outstanding Bonds of 1963 and 1967 (the "Prior First Lien Bonds"). Accordingly, this Bond, together with the Prior Second Lien Bonds and any bonds ranking on a parity therewith that may be issued and outstanding under the conditions and restrictions of the Current and Prior Second Lien Bond Ordinances, are and will continue to be payable from and secured by a pledge of a fixed portion of the gross revenues to be derived from the operation of the System, which revenues shall be sufficient to pay the principal of and interest on the Prior Second Lien Bonds, this Bond, and on any additional bonds ranking on a parity herewith, as may be issued and outstanding under the conditions and restrictions set out in said Bond Ordinances, as and when the same become due and payable, and a sufficient portion of which revenues shall be set aside as a special fund for that purpose and identified as the "Water and Sewer Revenue Bond, Series 1972, Sinking Fund," created in said Prior Second Lien Bond Ordinance, subject to the priorities of the Prior First Lien Bonds.

The City has reserved the right to issue additional bonds ranking on a parity as to security and source of payment with this Bond, to finance future extensions, additions, and/or improvements to the System, provided the necessary showings as to the earnings coverage required by the Current Bond Ordinance are in existence and properly certified.

This Bond shall be registered as to principal and interest in the name of the owner hereof, after which it shall be transferable only upon presentation to the City Clerk of the City as the Bond Registrar, with a written transfer duly acknowledged by the registered owner or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the book of the City kept for that purpose.

\*If more than one Bond is issued, all references to "this Bond" will be changed to "these Bonds".

This Bond does not constitute an indebtedness of the City of Russellville within the meaning of any constitutional or statutory provisions or limitations and is payable solely out of the revenues of the System. As provided in the Current Bond Ordinance, the City covenants that so long as any of the Prior (First and Second Lien) Bonds and/or this Bond are outstanding, the municipal waterworks system and the municipal sewer system, which have been heretofore combined and consolidated into a single, revenue-producing public project or System, will be continuously owned and operated by the City as a combined and consolidated revenue-producing undertaking within the meaning of the aforesaid Statutes, for the security and source of payment of the Prior Bonds and of this Bond, and that the City will fix, and if necessary adjust, from time to time, such rates for the services and facilities of the System, and will collect and account for the revenues therefrom sufficient to pay promptly the interest on and principal of the Prior Bonds, this Bond, and all other bonds ranking on a parity with this Current Bond as may be outstanding from time to time, to pay the cost of operation and maintenance of the System, and to provide for the depreciation thereof.

The City, at its option, shall have the right to prepay, on any interest payment date on and after April 1, 1994, in inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in a multiple of One Thousand Dollars (\$1,000), as the City may determine, at a price in an amount equivalent to the principal amount to be prepaid plus accrued interest to the date of prepayment, without any prepayment premium. Notice of such prepayment shall be given by registered mail to the registered owner of this Bond or his assignee, at least 30 days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the registered owner of this Bond.

So long as the registered owner of this Bond is the United States Government, or any agency thereof, the entire principal amount of this Bond, or installments in multiples of \$1,000, may be prepaid at any time in inverse chronological order of the installments due.

Upon default in the payment of any principal or interest payment on this Bond, or upon failure by the City to comply with any other provision of this Bond or with the provisions of the Current Bond Ordinance, the registered owner may, at his option, institute all rights and remedies provided by law or by said Ordinance.

This Bond is exempt from taxation in the Commonwealth of Kentucky.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, happen, and be performed, precedent to and in the issuance of this Bond, do exist, have happened, and have been performed, in due time, form, and manner as required by law, and that the face amount of this Bond, together with all other obligations of the City, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, said City of Russellville, by its City Council, has caused this Bond to be executed by its Mayor, its corporate seal to be hereunto affixed, and attested by its City Clerk, on the date of this Bond, which is

CITY OF RUSSELLVILLE  
Logan County, Kentucky

Attest:

By \_\_\_\_\_  
Mayor

\_\_\_\_\_  
City Clerk

(Seal of City)

PROVISION FOR REGISTRATION

This Bond shall be registered on the registration book of the City kept for that purpose by the City Clerk, as Bond Registrar, upon presentation hereof to said City Clerk, who shall make notation of such registration in the registration blank, and this Bond may thereafter be transferred only upon written transfer acknowledged by the registered owner or his attorney, such transfer to be made on said book and endorsed hereon.

(FORM OF REGISTRATION)

Date of Registration	Name of Registered Owner	Signature of City Clerk of the City of Russellville, Kentucky, Bond Registrar
:	:	:
:	:	:
:	:	:
:	:	:

(FORM OF ASSIGNMENT)

For value received, this Bond is hereby assigned, without recourse and subject to all of its terms and conditions, unto \_\_\_\_\_, this \_\_\_\_\_ day of \_\_\_\_\_, 1983.

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

ARTICLE 3

CONSTRUCTION ACCOUNT; INTERIM FINANCING;  
INVESTMENT OF PROCEEDS; AND FEDERAL  
ARBITRAGE LIMITATIONS.

Section 301. The Construction Account; Fidelity Bond of  
Treasurer; Covenants Applicable if FmHA  
Purchases the Bonds; Application of  
Proceeds of Bonds.

The City Treasurer shall be the custodian of all funds belonging to and associated with the System, and such funds shall be deposited in The Citizens National Bank, Russellville, Kentucky (the "Depository Bank"), which bank is a member of the Federal Deposit Insurance Corporation. All moneys in the Construction Account (hereinafter designated) in excess of the amount insured by the FDIC, shall be secured by the Depository Bank in accordance with U. S. Treasury Department Circular No. 176.

The City Treasurer and/or other City officials shall execute a Fidelity Bond(s) in the amount of not less than \$300,000, which Fidelity Bond(s) shall be effective and secured by a surety company approved by the Farmers Home Administration of the United States Department of Agriculture so long as it is the holder of any of the Current Bonds; the FmHA and the City shall be named co-obligees in such surety bond(s), and the amount thereof shall not be reduced without the written consent of the FmHA; provided that whenever sums in the various accounts (other than the Construction Account) referred to herein shall exceed \$300,000, the Fidelity Bond(s) shall be increased accordingly as requested by and with the approval of the FmHA. The City will segregate and earmark its various funds, consistent with this Ordinance, in such manner as to enable the City to obtain the lowest possible surety premium rate on such Fidelity Bond(s).

A. Covenants Applicable if FmHA Purchases the Bonds.

It is acknowledged that all covenants herein with reference to the necessity for approval of the FmHA, the necessity of observing FmHA procedure, and the necessity of using FmHA Forms, shall apply only if the FmHA is the purchaser of the Current Bonds and only so long as the FmHA holds the Current Bonds thereafter. In the event that the FmHA shall not be the purchaser of the Current Bonds, or, after purchasing same, shall sell or transfer the Current Bonds to a non-governmental holder, all covenants herein with reference to the necessity for approval of the FmHA, the necessity of observing FmHA procedure, and the necessity of using FmHA Forms, shall be inapplicable.

B. Application of Proceeds of Bonds.

The proceeds of said \$521,000 of Current Bonds shall be applied as follows:

(1) Immediate Repayment of Interim Financing.

There shall immediately be paid to the Bank(s) entitled thereto an amount sufficient to pay the interest on and principal of any temporary loans (if any) borrowed by the City in anticipation of the sale and delivery of the Current Bonds, and/or of the receipt of grant proceeds, or the interest on and principal of such temporary loans may be paid simultaneously with the delivery of such Bonds (to the extent of part or all of the proceeds of the Bonds, as may be required by said Bank(s)), in which event the amount to be so deposited into the Construction Account shall be reduced by such amount so paid. Also, at the time of delivery of the Bonds, there shall be paid all amounts then due and payable in connection with the Construction Project and in connection with the issuance of the Bonds.

(2) Balance to be Deposited in Construction Account.

If and to the extent that the proceeds of the Current Bonds shall be in excess of the amount necessary to pay the interest on and principal of the aforesaid temporary loans and the Project costs then due, such excess amount shall immediately be deposited in the "City of Russellville Waterworks Construction Account" (the "Construction Account"), hereby created, which shall be established at the Depository Bank.

(3) Procedure for Withdrawal of Funds from Construction Account.

(a) Prior to the expenditure by the City of any funds from the Construction Account derived from the proceeds of the Bonds, the City must obtain written approval from the FmHA as to such expenditures. The proceeds of said Account shall be withdrawn only on checks signed by the City Treasurer (or by such other official of the City as may be authorized by the Governing Body, provided such other official has executed the appropriate Fidelity Bond as required by Section 301 of this Ordinance), in payment for services and/or materials supplied in connection with the construction of the Project, as evidenced by (1) a certification of the Engineers designated herein, and (2) written approval of the Mayor (or by such other official of the City as may be authorized by the Governing Body).

(b) Prior to the expenditure by the City of any funds from the Construction Account derived from interim financing or from multiple advances from the FmHA, the City must obtain approved invoices and/or Partial Payment Estimates bearing the written approval of the Contractor, the Engineer, and the Mayor, and which invoices and/or Partial Payment Estimates must have been reviewed and approved for payment by the designated FmHA official.

(c) Written approval of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition, and related items. Executed certifications (authorizing payment) shall be retained by the City Treasurer and need not be furnished to the Depository Bank, which shall be authorized to honor checks signed by the City Treasurer.

Periodic Audits of the City's Construction Account records shall be made by FmHA as determined by it to be necessary.

(4) Transfer of Capitalized Interest to Current Sinking Fund.

At or after the time the Bonds have been delivered, there shall be transferred from the Construction Account an amount sufficient to provide for capitalized interest, initially estimated at \$26,000, during the construction of the Construction Project, less whatever amount shall have been theretofore applied to pay interest on interim financing of the Project, as approved by the Engineers and by the FmHA. If and to the extent then needed to pay interest during the remaining period of construction of the Construction Project, such amount so transferred from the Construction Account shall be deposited in the Second Lien Sinking Fund created in the Prior Second Lien Bond Ordinance.

(5) Investment of Funds in Construction Account.

Pending disbursement of amounts on deposit in the Construction Account, all of such funds, or such portion of such amounts on deposit in said Construction Account as is designated by the Governing Body, shall be invested for the benefit of such Construction Account in Certificates of Time Deposit, savings accounts, or U. S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for costs of the Construction Project, as certified by the Engineers, and/or by the FmHA), provided that to the extent that any amounts on deposit in the Depository Bank shall cause the total deposits of the City in said Bank to exceed the amount insured by the FDIC, such excess amount shall be continuously secured by a valid pledge of U. S. Obligations, having an equivalent market value (exclusive of accrued interest), in conformity with KRS 66.480. Investments in Certificates of Time Deposit may be made only if a separate FmHA Form 402-4 Agreement is executed, if the FmHA has purchased any of the Bonds. Any such investments will be a part of the Construction Account, and income from such investments will be credited to the Construction Account. All such investments shall be subject to the limitations set out in Section 303 hereof.

(6) Statements of Contractors, Engineers, and Attorneys as to Payment Required Prior to Delivery of Current Bonds, if Current bonds Purchased by FmHA.

Prior to the delivery of the Current bonds, if FmHA is the purchaser of the Bonds, the City will be required to provide FmHA with statements from the Contractors, Engineers, and Attorneys that they have been paid to date in accordance with their contracts or other agreements and, in the case of any Contractor, that he has paid his suppliers and sub-contractors. Any exceptions must be authorized under FmHA Instructions 1942-A, Subsection 1942.17 (n) (2).

(7) Disposition of Balance in Construction Account After Completion of Project.

When the Construction Project has been completed and all construction costs have been paid in full, as certified by the Engineers for the City, and/or by the FmHA, any balance then remaining in the Construction Account may, with the consent of the State Director of the FmHA, be applied to the cost of constructing additional extensions, additions, and/or improvements to the System, and/or such balance (subject to legal requirements as to possible refund of any allocated portion of the balance derived from grant proceeds) shall be transferred to the Current Sinking Fund, whereupon said Construction Account shall be closed. If such additional construction is to be undertaken by the contractor previously engaged in the construction of the Project, such additional work may be authorized by a change order. Such balance so transferred shall be used by the City immediately to prepay installments due on the Current Bond(s), provided further that any balance insufficient to prepay at least \$1,000 of the principal payment falling due in any year on the Current Bond(s), will be transferred to the Reserve Fund created in the Prior Second Lien Bond Ordinance.

Section 302. Interim Financing Authorization.

(a) Commercial Interim Financing.

The City shall use commercial interim financing for the Project during construction for the portion of cost of the project financed by the Current Bonds, if available at reasonable rates and terms.

The borrowing of up to the aggregate sum of \$521,000 from The Citizens National Bank, Russellville, Kentucky (either alone or through its correspondent bank), and/or from any other banks (collectively and individually referred to as the "Banks"), is hereby authorized; and the Mayor of the City, Ken Smith, or his successor (or such other official of the City as may be designated by the Governing Body of the City), is hereby authorized to execute in the name and on behalf of the City any number of negotiable promissory notes, in such form as may be prescribed

by the lending Banks, including Revenue Bond Anticipation Notes pursuant to KRS 58.150, each Note evidencing an advance of cash funds by the Banks to the City. Each interim financing loan to the City, represented by the respective Notes, shall be based upon and evidenced by (a) a certification of the Engineers designated herein, and (b) written approval of the Mayor or by such other official of the City as may be authorized by the Governing Body; provided, however, that written approval of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition, and related items.

Interim financing shall be disbursed as follows:

(a) At the request of the City, the Banks are and shall be authorized to disburse the proceeds of such Notes by cashier's checks directly to the parties entitled thereto based on the certification specified herein; or

(b) At the request of the City, the Banks are and shall be authorized to deposit the proceeds of such Notes in the Construction Account, in which event amounts of the City on deposit therein shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of U. S. Obligations; and a Fidelity Bond in an amount equal to not less than the maximum amount deposited in such Account must be furnished by the proper official of the City, as provided in Section 301 hereof.

The authority hereby granted to the Mayor includes the execution of renewal Notes in evidence of the renewal and extension of Notes becoming due, provided (1) the aggregate of the principal amount of all such Notes outstanding and payable to the Banks shall not exceed \$521,000, and (2) each Note which is renewed or superseded is simultaneously cancelled by the Banks and transmitted to the City Treasurer. The rate of interest applicable to each Note and to each renewal Note shall not exceed a reasonable rate, which rate is subject to the approval of the FmHA.

Authority is hereby given for said total authorized interim financing of \$521,000 to be the maximum indebtedness which the City may owe to said Banks at any given time; provided, however, that the City may reduce the amount owed by the City to said Banks from time to time as and when funds are available to the City, whether derived from the proceeds of the sale of the Current Bonds, or otherwise, and may reborrow from said Banks additional amounts in anticipation of the further receipt by the City of additional proceeds from said Bonds, in order thus to enable the City to save interest costs by applying the proceeds of the Bonds and/or other funds as received and which are not immediately needed for the payment of costs of the Construction Project, toward the liquidation and/or reduction of said interim financing loans until such time as additional interim financing loans are needed to provide additional funds for costs of the Construction Project as required by the City, subject to the limitation that the total amount owed to said Banks at any given time shall not be in excess of \$521,000.

The City hereby covenants and agrees with said Banks that upon the issuance and delivery of the Current Bonds, the City will apply the proceeds thereof, to whatever extent may be necessary, in payment of the principal amount of all such Notes of the City then held by said Banks, together with interest thereon to the date of such payment; and the first proceeds of said Bonds are hereby pledged therefor, and such pledge shall constitute a first and prior pledge against such proceeds. The City further pledges the proceeds of the revenues of the System to the payment of said interim financing, such pledge ranking on a parity with the Prior Second Lien Bonds, subject to the Defined Priorities.

(b) Possible Multiple Advances by FmHA if Bonds Shall be Purchased by FmHA.

In the event the Bonds are purchased by the FmHA, and in the event the City is unable to obtain a commitment for commercial interim financing for the Project during construction from any Bank at reasonable rates and terms, the Mayor is authorized to request multiple advances ("Multiple Advances") of loan funds from the FmHA.

If the FmHA agrees to make Multiple Advances to the City pending the delivery of the Bonds, the Mayor is hereby authorized to execute in the name and on behalf of the City any number of Bond Anticipation Notes (not to exceed \$521,000 in principal amount), each Note evidencing an advance of funds by the FmHA to the City, such Note or Notes to be in the form prescribed by the FmHA.

Each request for an advance from the FmHA shall be accompanied by (1) a certification of the Engineers designated herein, and (2) written approval of the Mayor or by such other official of the City as may be authorized by the Governing Body; provided, however, that written approval of the Engineers shall not be required for matters not under the jurisdiction of the Engineers, such as legal fees, land acquisition, and related items. The City will also furnish to the FmHA, prior to the receipt of each such advance, whatever additional documentation shall be requested by the FmHA, including a Supplemental Title Opinion (updated) of Local Counsel and a Supplemental Preliminary Legal Opinion (updated) of Bond Counsel.

The proceeds of any Multiple Advances made by the FmHA shall either be (1) disbursed directly to the parties entitled thereto for services and/or materials supplied in connection with the Project, or (2) deposited into the Construction Account and disbursed in accordance with the provisions of Section 301B(3) hereof, in which event amounts of the City on deposit in such Account shall, until expended, to the extent that same shall exceed the amount insured by the FDIC, be fully secured by a pledge of the U. S. Obligations (without the use of a Deposit Agreement of the FmHA, unless requested by the FmHA); and a Fidelity Bond in an amount equal to not less than the maximum amount deposited in such Account must be furnished by the proper official of the City, as provided in Section 301 hereof.

The first proceeds of the Bonds are hereby pledged to the repayment of such Multiple Advances, and such pledge shall constitute a first and prior pledge against such proceeds. The City further pledges the proceeds of the revenues of the System to the repayment of said Multiple Advances, subject to the Defined Priorities.

Section 303. Limitations on Investments of Funds.

The City covenants and certifies, in compliance with Federal arbitrage regulations, as follows:

(a) The City certifies, on the basis of known facts and circumstances in existence on the date of adoption of this Current Bond Ordinance, that it is not expected that the proceeds of the Current Bonds or the revenues of the System will be used in a manner which would cause such Bonds to be arbitrage bonds. The City covenants to the purchasers and/or holders of the Current Bonds that (1) the City will make no use of the proceeds of said Bonds, which, if such use had been reasonably expected on the date of issuance of such Bonds, would have caused such Bonds to be arbitrage bonds, and (2) that the City will comply with (i) all of the requirements of Section 103(c) of the Internal Revenue Code, and (ii) all of the requirements of the applicable Income Tax Regulations thereunder, to whatever extent is necessary to assure that the Current Bonds shall not be treated as arbitrage bonds.

(b) The City certifies, based on information furnished by the Engineers, on known facts, and on reasonable expectations at this time, as follows:

(1) that the City has entered into contracts with the Engineers in connection with the construction of the Project financed by the Current Bonds, and the fees to be paid to such Engineers will exceed at least (i) the sum of \$100,000, or (ii) an amount equal to 2-1/2% of the total cost of the Project;

(2) that work on the Project has commenced or will commence within six months from the date of issuance of the Current Bonds or from the date of the first interim financing loan made under this Ordinance, whichever occurs first;

(3) that the construction of the Project will proceed thereafter to completion with due diligence on the part of the City;

(4) that at least 85% of the spendable proceeds of the Current Bonds will be expended on the costs of the Project within less than three years from the date of issuance of the Bonds or from the alternate date referred to in (b)(2) above;

(5) that it is anticipated that amounts on deposit in the Current Sinking Fund will be used within thirteen (13) months from the date of deposit for the payment of debt service on the Outstanding Bonds; and except for an amount equal to not more than the greater of (a) one-twelfth (1/12) of debt service requirements of the Current Bonds for the then ensuing year, or (b) one year's earnings on the Current Sinking Fund, the Current Sinking Fund will annually be depleted through such application, for current debt service requirements of the Prior Bonds and the Current Bonds;

(6) that it is not anticipated that amounts will be accumulated in any reserve fund(s) anticipated to be used for debt service on the Outstanding Bonds in excess of 15% of (a) the face amounts (par) of the original authorized issue or Series, or (b) the net proceeds thereof if sold at less than 98% of par, of whatever bonds are outstanding against and payable from the revenues of the System;

(7) that it is not reasonably anticipated that amounts accumulated in the Prior Depreciation Fund and/or the Current Depreciation Reserve Fund will be used for payment of debt service on any Outstanding Bonds, even though such Fund(s) will be so available if necessary to prevent a default in the payment of principal and interest on such bonds;

(8) that the original proceeds of the issue will not exceed by more than five percent (5%) (or by any percent) the amount required for the costs of the Construction Project; and therefore there has not been and will not be any overissuance of the Current Bonds; and

(9) that the City has not been advised of any listing or contemplated listing by the Internal Revenue Service determining that such certification with respect to its obligations may not be relied on.

(c) The City covenants that neither the proceeds of the Current Bonds, nor "Non-Exempt Revenues of the System", as defined below, will be invested in investments which will produce a net adjusted yield in excess of the net interest cost (effective yield) of the Current Bonds, if such investment would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 103(c)(2) 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 such Code and/or applicable Regulations permit same to be invested without causing the Current Bonds to be treated as "arbitrage bonds."

"Non-Exempt Revenues" within the meaning of the foregoing shall be deemed to refer to revenues of the System deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Outstanding Bonds, in excess of "Exempt Revenues," which Exempt Revenues are:

(1) amounts deposited in the (Second Lien) Sinking Fund for the purpose of paying debt service on any Outstanding Bonds within 13 months from the date of deposit;

(2) amounts deposited in any reserve earmarked for or anticipated to be used for debt service on Outstanding Bonds, to the extent that such deposits do not cause the total amount of such reserves, deposits, and other excess Non-Exempt Revenues to exceed 15% of the Outstanding Bonds (referred to in (b)(6) above) for which adequate provision was made to obtain the appropriate 15% exemption;

(3) amounts deposited in a Depreciation Fund, Reserve for Replacements, Operation and Maintenance Fund, or any other fund (however designated) reasonably expected to be used for extensions, additions, improvements, repairs, or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose) of Outstanding Bonds.

If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment, such funds shall be subject to the investment limitation referred to in Section 303 above.

Accordingly it is anticipated that there will be no limitation on the permissible yield on investments made from the proceeds of the Current Bonds or from the revenues of the System.

Prior to or at the time of delivery of the Current Bonds, the Mayor and/or the City Treasurer, who are hereby jointly and severally charged with the responsibility for issuing the Current Bonds, are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts (apart from legal conclusions) concerning such anticipated construction, expenditures, and investments, including the execution of necessary and/or desirable certifications of the type contemplated by the "Proposed Arbitrage Regulations," as amended, in order to assure that interest on the Current Bonds will be exempt from all Federal income taxes and that such Bonds will not be treated as arbitrage bonds.

ARTICLE 4

OPERATION OF SYSTEM; FLOW OF FUNDS; CURRENT BONDS ON A PARITY WITH PRIOR SECOND LIEN BONDS, SUBJECT TO PRIORITY OF PRIOR FIRST LIEN BONDS; MONTHLY PAYMENTS OF PRINCIPAL AND INTEREST IF REQUESTED BY FmHA; ALL BONDS SECURED BY PLEDGE OF GROSS REVENUES OF SYSTEM, SUBJECT TO PRIORITIES.

Section 401. Current Bonds on a Parity With Prior Second Lien Bonds by Consent.

It is hereby certified, covenanted, and declared that prior to the issuance of the Current Bonds herein authorized, there will have been procured and filed with the City Clerk (a) a letter from the Farmers Home Administration (FmHA) to the effect that the FmHA agrees to the issuance of these Current Bonds ranking on a parity as to security and source of payment with the Prior Second Lien Bonds, all of which are held by the FmHA, together with (b) a certification signed by the FmHA to the effect that a legend has been typed, stamped, or otherwise affixed on each of the Prior Second Lien Bonds held by the FmHA, evidencing the agreement of the FmHA as the then holder of said Prior Second Lien Bonds, to the issuance of the Current Bonds in the amount of \$521,000, authorized herein, so as to rank on a parity with said Prior Second Lien Bonds, such legend to be in substantially the following form:

The holder of this Bond has consented to the issuance of \$521,000 of Bonds of 1983 ranking on a parity as to security and source of payment with this Bond.

Accordingly, it is hereby found and declared that the \$521,000 of Current Bonds hereby authorized shall rank and be payable on a parity with said outstanding Prior Second Lien Bonds, from a fixed portion of the gross income and revenues of the System, subject to Defined Priorities.

Section 402. Operation of System to Continue as Heretofore; Provisions of Prior Bond Ordinances Incorporated Herein; Adjustments in Required Deposits; Second Lien; Monthly Payments of Principal and Interest if Requested by FmHA So Long as FmHA Holds or Insures the Current Bonds.

All proceedings preliminary to and in connection with the issuance of the outstanding Prior Bonds of the City, including provisions made for the receipt, custody, and application of the proceeds of said Bonds; for the operation of the System on a combined and consolidated revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; for the enforcement and payment of said

Prior Bonds; and all other covenants for the benefit of the bondholders set out in the Prior Bond Ordinances, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of All Bonds, and (subject to the priority of the Prior Bonds) of the Current Bonds herein authorized, the same as if such provisions and proceedings were repeated in full herein; provided, further, that, after the issuance of the Current Bonds, the income and revenues of the System shall be collected, segregated, accounted for, and distributed as follows:

A separate and special fund or account of the City, distinct and apart from all other funds and accounts, was heretofore created by the 1963 Bond Ordinance, which fund has been and is designated and identified as the "Water and Sewer Revenue Fund" (the "Revenue Fund"), in the custody of the City Treasurer, which fund has been deposited with and shall continue to be maintained and deposited with the Depository Bank, so long as any of the Prior Bonds, the Current Bonds, or any parity bonds are outstanding. The City covenants and agrees that it will continue to deposit therein, promptly as received from time to time, all cash income and revenues of the System. The moneys in the Revenue Fund from time to time shall continue to be used, disbursed, and applied by the City only for the purpose and in the manner and order of priorities specified in the Prior Bond Ordinance, as hereinafter modified, all as permitted by the applicable statutes, and in accordance with previous contractual commitments, as follows:

A. Prior First Lien Sinking Fund.

A separate and special fund or account of the City designated "Water and Sewer Revenue Bond and Interest Redemption Fund" (the "Prior Sinking Fund") was created by the 1963 Bond Ordinance, and the same (including the Debt Service Reserve therein, hereinafter referred to as the "Prior First Lien Reserve Fund") shall continue to be maintained as provided in the Prior First Lien Bond Ordinance; and the City covenants and agrees that it will continue to deposit therein from the Revenue Fund whatever amounts are required by the terms of the Prior First Lien Bond Ordinance to be so deposited; and such sums shall be held and applied by the City in the manner required by the Prior First Lien Bond Ordinance.

The Prior First Lien Sinking Fund (including the Debt Service Reserve portion thereof) shall continue to be maintained at the Depository Bank so long as any of the Prior First Lien Bonds are outstanding.

B. Second Lien Sinking Fund.

A special or separate fund or account of the city, distinct and apart from all other funds and accounts, designated and identified as the "Water and Sewer Revenue Bond, Series 1972, Sinking Fund" (the "Second Lien Sinking Fund"), was created by the Prior Second Lien Bond Ordinance, into which it was ordered by the Prior Second Lien Bond Ordinance, and the provisions thereof are hereby reaffirmed, that there shall be set aside and paid into said Second Lien Sinking

Fund on or before the 20th day of each month, on account of the Prior Second Lien Bonds, the sum of \$1,090, being an amount equal to one-twelfth of the annual principal interest payment due on the Prior Second Lien Bonds, on April 1 in each of the years until maturity, estimated to be January 23, 2013.

After the expiration of the month in which interest on the Current Bonds is last payable out of the sum set aside into the Second Lien Sinking Fund as capitalized interest (initially estimated at \$26,000), there shall be transferred from the Revenue Fund on or before the 20th day of each month, in addition to the amount (\$1,000) sufficient to pay the debt service requirements on the Prior Second Lien Bonds, sums equal to not less than:

- (a) Beginning with and including the month in which the Current Bonds are delivered and paid for, a sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on the Current Bonds; plus
- (b) Beginning on April 20, 1985, a sum equal to one-twelfth (1/12) of the principal of the Current Bonds falling due on the next succeeding April 1.

It was further ordered by the Prior Second Lien Bond Ordinance that after the required monthly transfers are made into the Second Lien Sinking Fund, there shall be further transferred from the Revenue Fund in each month, and deposited into the Second Lien Sinking Fund the additional sum of One Hundred Nine Dollars (\$109.00) per month, and that such deposits shall continue to be made until there would be accumulated in the Second Lien Sinking Fund an additional debt service reserve (the "Second Lien Reserve Fund"), the sum of Thirteen Thousand Eighty Dollars (\$13,080), after which no further deposits were required to be made in said Fund except to replace withdrawals.

It is now hereby ordered that the amount so required to be deposited into the Second Lien Sinking Fund for the purposes of the Second Lien Reserve Fund shall be increased to \$369.00 per month, and that such deposits shall continue to be made until there shall have been accumulated in the Second Lien Sinking Fund Reserve, the sum of \$44,280, after which no further deposits shall be required to be made into said Fund except to replace withdrawals.

If the city for any reason shall fail to make any monthly deposits as required by any of the foregoing, then an amount equal to the deficiency shall be set apart and deposited into the Second Lien Sinking Fund out of the first available gross revenues in the ensuing month or months, which amount shall be in addition to the monthly deposit required above during such succeeding month or months.

In the event additional parity bonds are issued pursuant to the conditions and restrictions set forth in this Current Bond Ordinance, the monthly deposits into said Second Lien Sinking Fund shall be increased to provide for payment of the additional interest on such parity bonds and the principal thereof as the same respectively become due.

Amounts from time to time in the Second Lien Sinking Fund may be in cash, in which event the same shall, to the extent not insured by FDIC, be secured by a valid pledge of U. S. Obligations, as defined herein, or the same may, upon order of the Governing Body, be invested and reinvested in U. S. Obligations maturing not later than the date on which such funds are needed to pay principal and interest on outstanding bonds. Income from any such investments shall be accumulated in the Prior Second Lien Sinking Fund and may be invested in the same manner.

Said Second Lien Sinking Fund and said Second Lien Reserve Fund have heretofore been pledged and are hereby pledged for the payment of interest on and principal of the Prior Second Lien Bonds and of the Current Bonds and are subject to a lien and charge in favor of the holders of the Prior Second Lien Bonds, the Current Bonds, and any parity bonds, subject to Defined Priorities.

No further payments need to be made into the Second Lien Sinking Fund or into the Second Lien Reserve Fund whenever and so long as the amount of the Prior Second Lien Bonds and the Current Bonds shall have been retired, that the amount then held in such funds is equal to the entire amount of interest and principal that will be payable to and at the time of retirement, maturity, or redemption of all of the Prior Second Lien Bonds and the Current Bonds.

C. City to Make Principal and Interest Payments on Current Bonds on a Monthly Basis so Long as FmHA Holds or Insures all of the Current Bonds.

So long as all of the Current Bonds are held or insured by the FmHA, the City shall, if requested by the FmHA, make payments of amounts equal to the total of (1) and (2) of Section 401B above, being the total of the monthly principal and interest requirements on the Current Bonds, in monthly payments to the FmHA or to the insured owner of the Current Bonds, out of the Current Sinking Fund; provided further that at the option of any other owner of all of the Current Bonds, such payments shall similarly be made in monthly payments to such owner.

D. Operation and Maintenance Fund.

A special and separate Fund of the City was heretofore created by the Prior (1963) Bond Ordinance, distinct and apart from all other Funds and accounts of the City, designated and identified as the "Operation and Maintenance Fund", and the same is hereby ratified and continued for the benefit of the System and of all bonds payable from the income and revenues of the System. So long as any bonds payable from the revenues of the System remain outstanding and unpaid,

there shall continue to be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers required by Subsections A and B above (which are cumulative), sufficient funds to meet the Current Expenses of operating and maintaining the System, pursuant to the Annual Budget, for which provision is hereinafter made, and to accrue an operation and maintenance reserve equal to estimated requirements for a three-month period pursuant to the Annual Budget.

E. Depreciation Fund.

A separate and special fund or account of the City was created in Section 8C of the Prior (1963) Bond Ordinance, which fund was designated "Depreciation Fund", which Fund is hereby ratified, confirmed, and ordered to be continued so long as any of the Prior Bonds, the Current Bonds, and any parity bonds are outstanding. The Prior Bond Ordinances required and it is hereby required that, after observing the priority of deposits set out in Subsections A, B, and D above, which are cumulative, that there shall be set apart and paid into the Depreciation Fund each month, the sum of \$1,000 from the remaining funds in the Revenue Fund, which payments shall continue, or be restored, until there has been accumulated and is being maintained the sum of \$60,000 in said Depreciation Fund.

It was provided in said Prior Bond Ordinances, and is hereby reaffirmed, that after a balance of \$60,000 shall have been accumulated in the Depreciation Fund, the monthly deposits therein may be discontinued, but such deposits shall be resumed whenever authorized disbursements therefrom shall reduce the balance below \$60,000, and such deposits shall then be continued until such balance is restored.

F. Surplus Revenues.

When all of the transfers required by A, B, D, and E above have been made, if there is a balance of income and revenues remaining in the Revenue Fund in excess of estimated amounts to be so transferred and paid into said special funds during the succeeding two months, such excess shall be deemed and considered surplus revenues, and all or any part of such excess may be paid into the Prior First Lien Sinking Fund or may be used for extensions and improvements to the System or for any other lawful corporate purpose.

ARTICLE 5.

COVENANTS OF CITY TO BONDHOLDERS.

So long as any of the Current Bonds are outstanding and unpaid, the City covenants as follows:

Section 501. Rates and Charges.

The rates and charges for all services and facilities rendered by the System shall be reasonable and just, taking into account and consideration the cost and value of the System (including all extensions, additions, and improvements thereto), the cost of maintaining, repairing, and operating same, and the amounts necessary for the payment of principal of and interest on all bonds outstanding against the System, and there shall be charged such rates and charges as shall be adequate to meet the requirements of this and ARTICLE 4 hereof.

The City covenants that it will not reduce the rates and charges for the services rendered by the System without first filing with the City Clerk a certification of an Independent Consulting Engineer, as defined herein, that the annual net revenues (defined as gross revenues less current expenses) of the then existing System for the fiscal year preceding the year in which such reduction is proposed, as such annual net revenues are adjusted, after taking into account the projected reduction in "annual net revenues" anticipated to result from any such proposed rate decrease, are equal to not less than 120% of the average annual debt service requirements for principal and interest on all of the then outstanding bonds payable from the revenues of the System, calculated in the manner specified in Section 603 hereof.

Section 502. Books and Accounts.

If and to the extent not now fully required by the Prior Bond Ordinances, the City shall install and maintain proper records and accounts relating to the operation of the System and its financial affairs; and the holders of any of the Prior Bonds or of the Current Bonds, or their authorized representatives, shall have the right at all reasonable times to inspect the facilities of the System and all records, accounts, and data relating thereto. An annual audit on a fiscal year basis shall be made of the books and accounts pertinent to the System by a Certified Public Accountant licensed in Kentucky. No later than sixty days after the close of each fiscal year, copies of such audit reports certified by such Accountant shall be promptly mailed to the Government without request, so long as the Government is the holder of any of the Current Bonds, and to any bondholder that may have made a written request for same. Monthly operating reports shall be furnished to the FmHA and to any bondholder requesting same, whenever and so long as the City is delinquent in any of the covenants set out herein. Quarterly operating reports shall be furnished to such parties at all other times.

Section 503. System Henceforth to Continue to be Operated on Fiscal Year Basis.

While any of the Prior Bonds, the Current Bonds, and any parity bonds are outstanding and unpaid and to the extent not now prohibited by law, the System shall continue to be operated and maintained on a fiscal year basis, commencing on April 1 of each year and ending on March 31 of the succeeding year, which period shall also constitute the fiscal year and budget year for the operation and maintenance of the System. Not later than 60 days after the beginning of each fiscal year, beginning immediately after the issuance of the Current Bonds, the City and its Governing Body agree to cause to be prepared a detailed statement of income and expenditures for the past year, a current financial statement and a "Proposed Annual Budget of Current Expenses" of the System for the then fiscal year, itemized on the basis of monthly requirements. A copy of said "Proposed Annual Budget of Current Expenses" shall be mailed to any bondholder who may request in writing a copy of such Budget, and to the Government without request if the Government is the holder of any of the Current Bonds.

Current expenses shall include all reasonable and necessary expenses of operating, repairing, maintaining, and insuring the System, but shall exclude depreciation, and payments into the Prior First Lien Sinking Fund, the Second Lien Sinking Fund, the Prior First Lien Reserve Fund, the Second Lien Reserve Fund, and the Depreciation Fund. The City covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that the City will not expend any amount or incur any obligation for operation or maintenance and repair in excess of the amounts provided for Current Expenses in the Annual Budget, except upon resolution by the Governing Body of the City that such expenses are necessary to operate and maintain the System. At the same time and in like manner, the City shall prepare an estimate of gross revenues to be derived from the operation of the System for said fiscal year, and, to the extent that said gross revenues are insufficient (a) to pay debt service requirements on all Outstanding Bonds during the ensuing fiscal year, (b) to accumulate and maintain all required reserves enumerated herein, and (c) to pay Current Expenses, the City shall revise the rates and charges sufficiently to provide the required funds.

If the holders of at least 50% in amount of the outstanding Prior Bonds and Current Bonds, or the Government so long as it is the holder of any of said Bonds, so request, the Governing Body shall hold an open hearing not later than thirty days before the beginning of the ensuing fiscal year, at which time any bondholder may appear by agent or attorney and may file written objections to such proposed budget. Notice of the time and place of such hearing shall be mailed at least 15 days prior to the hearing to each registered bondholder and to the Government.

The City and its Governing Body covenant that annually within four months after the beginning of each Fiscal Year, the annual budget of current expenses for the then current fiscal year will be adopted substantially in accordance with the preliminary or proposed annual budget, and that no expenditures for operation and maintenance expenses of the System in excess of the budgeted amount shall be made during such fiscal year unless directed by said City by a specific ordinance or resolution duly adopted.

Section 504. General Covenants.

The City through its Governing Body hereby covenants and agrees with the holders of the Current Bonds that:

- (1) It will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky;
- (2) It will make and collect reasonable and sufficient rates and charges for services and facilities rendered by the System;
- (3) It will segregate the revenues and income from the System and make application thereof consistent with and as provided by this Ordinance;
- (4) Unless the written request of the holders of a majority in amount of the outstanding Current Bonds plus all of the outstanding Prior Bonds, has been obtained, the City agrees not to sell, lease, mortgage, or in any manner dispose of any integral part of the System, including any and all appurtenances thereto and extensions, additions, and/or improvements that may be made thereto, until all of the Prior Bonds and all of the Current Bonds shall have been paid or provided for in full as provided herein; subject to the provisions of Section 606 hereof;
- (5) It will maintain in good condition and continuously operate the System and appurtenances thereto and will charge such rates and charges for the services rendered thereby so that the gross income and revenues of the System will be sufficient at all times to pay the interest on and principal of the Prior Bonds, the Current Bonds, and any additional parity bonds, as same become due, to pay the cost of operating and maintaining the System, and to provide for an adequate depreciation account;

- (6) It will carry and maintain insurance on properties of the System subject to loss or damage in amounts and against hazards substantially in accordance with the practices of other districts, cities, or corporations which own and maintain water and sewer systems under similar conditions; and so long as the Government is the holder of any of the Current Bonds, the Government will be listed as co-beneficiary on any such policy; and the City shall further comply with the insurance requirements of Section 506 hereof (involving insurance on motors, tanks, and structures);
- (7) It will, pursuant to KRS 96.934 and other applicable legal provisions, cause rates and charges for sewer services provided by the System to be billed simultaneously with rates and charges for water service furnished to sewer customers by the System, and will provide that water service will be discontinued to any premises where there is a failure to pay any part of the aggregate charges so billed, including such penalties and fees for disconnection and/or reconnection as may be prescribed from time to time.

Section 505. Other Covenants Applicable So Long as FmHA Holds Any Bonds, Loan Resolution.

So long as the FmHA shall hold any of the Current Bonds, the City shall comply with such FmHA regulations, requirements, and requests as shall be made by the FmHA, including the furnishing of operating and other financial statements, in such form and substance and for such periods as may be requested by the FmHA, the carrying of insurance of such types and in such amounts as the FmHA may specify, with insurance carriers acceptable to the FmHA, and compliance with all of the terms and conditions of the Loan Resolution (FmHA Form 442-47) executed by the City, which is hereby ratified and affirmed.

Section 506. Insurance of Motors, Tanks, and Structures.

If and to the extent not now fully required by the Prior Bond Ordinance, the City shall (a) immediately after the adoption of this Ordinance, and (b) at the time of final acceptance of the Construction Project from the contractor(s), insure all electric motors, elevated water storage tanks, sewage treatment facilities, lift stations, pumping stations, and major structures of the System, in an amount recommended by the City's Engineers and approved by the FmHA, so long as the FmHA is the holder of any of the Current Bonds, for the hazards usually covered in such area, and shall similarly insure same in an amount recommended by the City's Engineers, without the necessity of approval by the FmHA if and whenever the City has bonds outstanding against the System and none of such bonds are held by the FmHA.

ARTICLE 6.

INFERIOR BONDS AND PARITY BONDS

Section 601. Inferior Bonds.

Except as provided below in this Section, the City shall not, so long as any of the Current Bonds (and any bonds ranking on a parity) are outstanding, issue any additional bonds payable from the revenues of the System unless the security and pledge of the revenues to secure such additional bonds are made inferior and subordinate in all respects to the security of the Current Bonds and any parity bonds.

The City expressly reserves the right at any time or times to issue its bonds or other obligations payable from the revenues of the System and not ranking on a basis of equality with the Current Bonds, without any proof of previous earnings or net revenues, provided that the consent of the FmHA must be obtained prior to the issuance of any inferior bonds so long as the FmHA holds any of the Prior Bonds, the Current Bonds or any additional parity bonds, and provided further that (after the initial completion of the Construction Project) such inferior bonds may be issued only for the purpose of providing for future extensions, additions, and/or improvements to the System, and only in express recognition of the priorities, liens, and rights created and existing for the security, source of payment, and protection of the Prior Bonds, the Current Bonds, and any additional parity bonds.

Section 602. Parity Bonds to Complete the Construction Project.

The City hereby certifies, covenants, and agrees that in the event that the cost of completion of the construction of the Project, as hereinbefore described, shall exceed the moneys available to the City from any and all sources, the City shall have the right, if necessary, to provide for such excess, and only such excess, through the issuance of parity bonds, provided the City has obtained a certification from the Engineers to the effect that it is necessary to issue the desired amount of additional parity bonds in order to enable the City to pay the cost (not otherwise provided) of the completion of the Construction Project, and provided the City has either complied with the provisions of Section 603 below, or has obtained the consent of (a) the FmHA as the owner of the Prior Second Lien Bonds, and (b) the FmHA if it is the purchaser of the Current Bonds, or the consent of the holders of at least three-fourths (3/4) in principal amount of the Current Bonds outstanding if the Current Bonds have been issued, sold, and delivered and are held by holders other than the FmHA.

Section 603. Parity Bonds to Finance Future Extensions, Additions, and/or Improvements; Conditions or Showings Required.

The City further reserves the right to add new waterworks and/or sewer and/or related auxilliary facilities and/or to finance future extensions, additions, and/or improvements to the System by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable on a parity with the Current Bonds, from the revenues of the System, subject to the priority of the Prior First Lien Bonds, provided:

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

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

(3) The annual net revenues (defined as gross revenues less essential operation and maintenance expenses) of the then existing System for the fiscal year preceding the year in which such parity bonds are to be issued, adjusted as hereinafter provided, shall equal at least one hundred twenty percent (120%) of the average annual debt service requirements for principal of and interest on all outstanding bonds payable from the revenues of the System, including such requirements of the Prior Bonds, the Current Bonds, any parity bonds then outstanding, plus the anticipated 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 bonds to be issued shall, regardless of whether such additional bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such parity bonds being payable in approximately equal annual installments.

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

- (i) any revision in the schedule of rates or charges being imposed at the time of the issuance of any such additional parity bonds, and
- (ii) any increase in the "annual net revenues" to be realized from the proposed extensions, additions, and/or improvements being financed (in whole or in part) by such additional parity bonds; provided all such adjustments shall be based upon and included in a certification of an Independent Consulting Engineer, as defined herein.

(5) Compliance with Section 603 (1) through (4) shall not be necessary for the issuance of parity bonds if the City has obtained (a) the written consent of the FmHA for the issuance of such parity bonds, if the FmHA is the owner of all of the Prior Second Lien Bonds and all of the Current Bonds at the time of issuance of such parity bonds; or (b) the written consent of the holders of three-fourths in amount of the then outstanding Current Bonds and any other parity bonds, together with the written consent of the FmHA if it is the owner of any Current Bonds and any parity bonds. Provided that if the City obtains the written consent of the holders of all Current Bonds and of all parity bonds outstanding against the System, no other prerequisite need be complied with by the City in order to issue parity bonds.

(6) Reference is made to Section 608 hereof as to the necessity of obtaining the written consent of the FmHA for the issuance of future bonds encumbering the System while the FmHA holds any bonds payable from the revenues of the System.

Section 604. Covenants to be Complied With at Time of Issuance of Parity Bonds.

The City hereby covenants and agrees that in the event any additional parity bonds are issued, the City shall:

(1) Adjust the monthly amount to be deposited into the Current Sinking Fund on the same basis as that prescribed in the provisions establishing such Fund, to reflect the average annual debt service requirements of the additional parity bonds;

(2) Adjust the minimum annual amount to be deposited monthly into the Current Reserve Fund on the same basis as that prescribed in the provisions establishing such Fund, taking into account the future debt service requirements of all second lien bonds which will then be outstanding against the System; and

(3) Make such additional parity bonds payable as to principal on April 1 of each year in which principal falls due, and payable as to interest on April 1 and October 1 of each year until the final maturity of such parity bonds.

Section 605. Prepayment Provisions (Conditions) Applicable to Parity Bonds.

If, in connection with any subsequently issued series of bonds secured by a parity lien on the revenues of the System, it is provided that excess revenues in the Revenue Fund shall be used to prepay bonds in advance of scheduled maturity, or if the City at its option undertakes to prepay outstanding bonds in advance of scheduled maturity, it is agreed and understood that no such prepayment will be effected without the approval of the FmHA.

Section 606. Priority of Lien; Permissible Disposition of Surplus or Obsolete Facilities; Conditions.

The City covenants and agrees that so long as any of the Prior Bonds and/or Current Bonds are outstanding, the City will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided above, the City will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Prior Bonds or the Current Bonds. Notwithstanding the foregoing, the City may at any time permanently abandon the use of, or sell at fair market value, any part of the facilities of the System, provided that:

- (a) The City is in compliance with all covenants and undertakings in connection with all of the bonds then outstanding and payable from the revenues of the System, and the required Reserve(s), for such respective bonds has (have) been fully established.
- (b) It will, in the event of any such sale, apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing prepayment of bonds in advance of maturity, or (2) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System, as hereinbefore provided;
- (c) It certifies, in good faith, prior to the abandonment of use, that the facility or facilities to be abandoned are no longer economically feasible of producing net revenues;
- (d) It certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding fiscal year, plus the estimated net revenues of the facility or facilities, if any, then scheduled to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of additional parity bonds; and
- (e) Notwithstanding any other provisions hereof, so long as any of the Prior Bonds and/or the Current Bonds are held by the United States Government, the City shall not dispose of its title to the System or to any part thereof, without first obtaining the written consent of the Government.

Section 607. City Not to Issue Any Additional Bonds Ranking on a Parity With Prior First Lien Bonds or Ranking Superior to Current Bonds.

So long as the FmHA shall hold any of the Current Bonds, and so long as any of the Current Bonds are outstanding, the City covenants not to issue any bonds ranking on a parity with the outstanding Prior First Lien Bonds, or to issue any other bonds ranking superior in security to the security of the Current Bonds.

Section 608. City Shall Not Issue Any Future Bonds or Obligations Against the System Without The Written Consent of The FmHA, So Long As FmHA Holds Any Bonds Against the System.

Notwithstanding any other provisions of this Ordinance, the City agrees that so long as the FmHA holds any bonds outstanding against and/or payable from the revenues of the System, the City will not issue any future Bonds, Notes, or other obligations against, secured by, or payable from the revenues of the System without the written consent of the FmHA.

ARTICLE 7.

DEFAULT; CONSEQUENCES.

Section 701. Events of Default.

The following items shall constitute an "event of default" on the part of the City:

- (a) The failure to pay principal of the Current Bonds or the Prior Bonds when due and payable, either at maturity or by proceedings for redemption.
- (b) The failure to pay any installments of interest on the Current Bonds or the Prior Bonds when the same shall become due and payable or within 30 days thereafter.
- (c) The failure of the City to fulfill its obligations pursuant to this Ordinance or pursuant to the Prior Bond Ordinance.
- (d) The failure to promptly repair, replace, or reconstruct facilities of the System that have been damaged and/or destroyed.

- (e) The entering of any order or decree with the consent or the acquiescence of the City, appointing a Receiver of all or any part of the System or any revenues thereof; or if such order or decree shall have been entered without the acquiescence or consent of the City, its failure to have the order vacated, discharged, or stayed on appeal within 60 days after entry.
- (f) The default by the City in the due or punctual performance of any other of the covenants, conditions, agreements, and provisions contained in the Current Bonds, the Prior Bonds, or in this Ordinance.

Section 702. Consequences of Act of Default.

Any holder of the Current Bonds may enforce and compel the performance of all duties and obligations of the City set forth herein. Upon the occurrence of an event of default, then upon the filing of a suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a Receiver to administer the System on behalf of the City with power to charge and collect rates sufficient to provide for the payment of operating and maintenance expenses and for the payment of principal of and interest on the Prior Bonds and the Current Bonds, and to provide and apply the income and revenues in conformity with this Ordinance and with the laws of the Commonwealth of Kentucky.

The City hereby agrees to transfer to any bona fide Receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or payment of the City's obligations, all contracts and other rights of the City pertaining to the System, conditionally, for such time only as such Receiver or operator shall operate by authority of the Court. Upon the occurrence of an event of default, the holder of any of the Bonds may require the governing body of the City by injunction to raise the rates a reasonable amount, consistent with the requirements of this Ordinance.

ARTICLE 8.

CONTRACTUAL PROVISIONS; MISCELLANEOUS PROVISIONS

Section 801. This Ordinance Contractual With Bondholders.

The provisions of this Ordinance constitute a contract between the City and its Governing Body and the holders of the Current Bonds as may be outstanding from time to time; and after the issuance of any of said Bonds, no change, alteration, or variation of any kind, of the provisions of this Ordinance shall be made in any manner which will affect a holder's rights except as herein provided or except with the written consent of all bondholders until such time as all of the Current Bonds and the interest thereon have been paid in full or fully provided for; provided that the Governing Body of the City may adopt any Ordinance for any purpose not inconsistent with the terms of this Ordinance and which shall not impair the security of the holders of the Current Bonds, 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; and provided further, that the holders of seventy-five percent (75%) in principal amount of the Current Bonds at any time outstanding shall have the right to consent to, and approve the adoption of ordinances, resolutions, or other proceedings, modifying or amending any of the terms or provisions contained in this Ordinance, subject to the conditions that (a) this Ordinance shall not be so modified in any manner that may adversely affect the rights of the holders of any of the Prior Bonds, nor in any manner that may adversely affect the rights of any certain holders of the Current Bonds without similarly affecting the rights of all holders of such Current Bonds (and any parity bonds) then outstanding, or to reduce the percentage of the number of holders whose consent is required to effect a further modification; and (b) no such change may be effected without the consent of the FmHA, so long as the FmHA holds any of the Prior Bonds and/or Current Bonds.

Section 802. All Current Bonds are Equal.

The Current Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among any of the Current Bonds regardless of the fact that they may be actually issued and delivered at different times.

Section 803. City Obligated to Refund Current Bonds Held by Government Whenever Same is Feasible; Defeasement Prohibited.

So long as the Government is the holder of any of the Current Bonds, if it appears to the Government that the City is able to refund such Bonds in whole or in part, by obtaining a loan for such purposes from responsible cooperative or private credit sources, or to sell bonds of the City in the

open market, at reasonable rates and terms, for loans or bond issues for similar purposes and periods of time, the City will, upon request of the Government, obtain such loan and/or issue such bonds in sufficient amount to repay the Government, and will take all such action as may be required in connection with such loan.

Also, so long as the Government is the holder of any of the Current Bonds, the City shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the lien of the Current Bonds, without immediately prepaying all of the then outstanding Current Bonds.

Section 804. Ordinance Requiring Sewer Connections is Contractual.

It is hereby represented that the City has heretofore enacted a Sewer Connection Ordinance requiring that all sources of flowable sewage within the City limits be connected to the municipal sewer system if connection is available, or as soon as the same may be made available; declaring that all unconnected sources of flowable sewage, where sewers are or may hereafter be made available, shall constitute a public nuisance which shall be abated; and establishing penalties and effective dates; and it is hereby covenanted that no changes shall be made in the requirements specified in said Sewer Connection Ordinance so long as any of the Prior Bonds, the Current Bonds, or any parity bonds, are outstanding.

Section 805. Authorization of the Use of City Streets in the Construction and Maintenance of the Construction Project.

The use of all City streets, highways, alleys, and public ways for the construction and maintenance of the Construction Project, is hereby authorized, without the necessity of further permits, licenses, or other certifications from the City.

Section 806. Authorization of Condemnation to Acquire Easements and/or Sites.

In the event that (a) any necessary deeds of easement to allow water line construction over the property of any property owner, or (b) any necessary deed to the necessary site of any water facility of the Project shall not be obtained through negotiations within 10 days after the date of enactment of this Ordinance and in the event that (1) such water lines cannot be located within the rights-of-way of the State and/or County road involved, and/or (2) such water facilities cannot be located on a site already owned by the City, Local Counsel employed by the City is hereby authorized and directed to file condemnation actions to obtain such necessary easements, rights-of-way, and/or sites forthwith, without further authorization or direction from this Governing Body of the City. Local Counsel is further directed to follow the same condemnation procedure in the event that it becomes necessary, through change orders, line

extensions, and/or errors in the location of property lines and/or property owners, to obtain additional easements, rights-of-way, and/or sites for completion of the Project and whenever the necessary deed of easement and/or deed to site is not obtained by negotiation at least 20 days prior to the date on which construction is contemplated in or on the respective easement, right-of-way, and/or site.

The City further approves the payment from the proceeds of the Bonds available therefor allocated to the costs of the Project to pay any judgment, award, or compromise, determined by Local Counsel with the acquiescence of the City Governing Body and the Mayor, toward the costs of such easements, rights-of-way, and/or sites, provided, in each instance, that the payment of such funds to satisfy any judgment, award, or compromise, must first be approved by the FmHA; and it is hereby determined that if and to whatever extent the funds available from the proceeds of the Bonds, grants, and other supplemental funds, shall be inadequate to pay any judgment, award, or compromise amount for such easements, rights-of-way, and/or sites, or if the City is unable to obtain the approval of the FmHA for any such payments, the City shall make such additional amount available from the General Fund of the City and/or any other available City resources.

ARTICLE 9.

SALE OF CURRENT BONDS.

Section 901. Sale of Current Bonds.

The City Clerk of the City is hereby authorized and directed to cause notice of the receipt of bids for the purchase of the Current Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Bonds to be sold, the time of the sale, and other details concerning the Bonds and the sale, and shall inform prospective bidders that a copy of the Official Notice of Sale of Bonds, setting out the schedule of principal installments, security of the Bonds, provisions as to redemption prior to maturity, and related information, may be obtained from the City. Such Official Notice shall contain the following bidding requirements for bids for the purchase of the Current Bonds:

- A. Bidders are required to bid a cash price of not less than par value (\$521,000) for the Bonds.
- B. Bidders must name a single interest rate for the entire issue, which rate must be in a multiple of 1/8% or 1/10%. No specific maximum rate is applicable.
- C. Bids will be considered only for the entire \$521,000 of Bonds.
- D. Bidders (except the FmHA) are required to deposit a good faith check by cashier's check or certified check in the minimum amount of \$10,420 (2% of the face amount of the Bonds), which good faith deposit will be applied as partial payment for the Bonds, or as liquidated damages in the event that such bidder, if successful, fails to comply with the terms of his bid.
- E. The FmHA will submit a bid for the purchase of the Bonds. In the event that a bid(s) from non-governmental bidder(s) shall be received, the rate and terms of which are determined by the FmHA to be reasonable, then said FmHA bid will be withdrawn.
- F. The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to the final maturity of the Bonds.

- G. The successful bidder shall take delivery of the Bond Issue in the form of a single or series of Fully Registered Bond(s), payable to the successful bidder or his assignee, in amounts consistent with the schedule of principal installments.
- H. Bids (except a bid of the FmHA) must be made on uniform Bid Forms, and bidders interested in bidding for the Bonds with knowledge that the last maturity of the Bonds is April 1, 2022, may obtain Bid Forms and the Statement of Essential Facts from the City Clerk. All bids must be made unconditionally and in conformity with the terms of the sale. Bids must be enclosed in sealed envelopes marked "Bid for City of Russellville Water and Sewer Revenue Bonds of 1983," and bids must be received by the City Clerk prior to the date and hour stated in the Notice of Bond Sale.
- I. The City expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the Bonds at the office of the City Clerk within 45 days after notice is given of the award. If said Bonds are not ready for delivery and payment within forty-five days from the aforesaid date of sale, the successful bidder shall be relieved of any liability to accept delivery of the Bonds, except that additional time may be required for delivery if the Bonds are purchased by the FmHA.
- J. The City reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity in the bidding and to reject any or all bids.
- K. The Bonds will be tendered within said 45-day period, and the purchaser will receive the approving legal opinion of Rubin & Hays, Municipal Bond Attorneys, Louisville, Kentucky, as to the legality and tax-exemption of said Bonds, without additional cost to the purchaser.

In the event that there is no bid or that all bids are rejected, the City may readvertise the sale pursuant to this Ordinance.

Section 902. Possible Adjustment in Date of Current Bonds, Maturities, Prepayment Provision, and Other Dates, With Consent of Purchaser if Delivery is Delayed.

In the event that delivery of the Current Bonds authorized herein is delayed for any reason until after January 1, 1984 (or January 1, 1985), the name of the Bonds may, pursuant to Resolution adopted by the Governing Body of the City, with the written consent of the purchaser of the Bonds, be changed to "City of Russellville Water and Sewer Revenue Bonds of 1984" (or "Bonds of 1985"), with maturities, the applicable prepayment date, and all other dates being adjusted accordingly.

ARTICLE 10.

CONCLUDING PROVISIONS

Section 1001. Severability Clause.

If any section, paragraph, clause, or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Ordinance.

Section 1002. All Provisions in Conflict Repealed.

All motions, ordinances, and orders, or parts thereof, in conflict with the provisions of this Ordinance, are to the extent of such conflict hereby repealed. It is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds of the City payable or secured in any manner by all or any part of the income and revenues of said System or any part thereof, and which have not been heretofore issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered. If part hereof is invalid, the remainder shall continue in effect. The City covenants to repeat any required procedure previously taken invalidly.

Section 1003. Effective Immediately Upon Enactment of This Ordinance and Publication of a Certified Summary Thereof.

This Ordinance shall take effect and be effective immediately upon its enactment and upon publication of a certified summary hereof, as provided by law.

Given first reading on April 5, 1983.

Given second reading and enacted on April 19, 1983.

\_\_\_\_\_  
Mayor

(Seal of City)

Attest:

\_\_\_\_\_  
City Clerk

CERTIFICATION

I, PEGGY S. JENKINS, hereby certify that I am the duly qualified and acting City Clerk of the City of Russellville, Kentucky, that the foregoing Ordinance is a true copy of an Ordinance given first reading by the City Council of the City at a meeting on April 5, 1983, and given second reading and duly enacted by the City Council of said City, signed by the Mayor of said City and attested under Seal by me as City Clerk, at a properly convened meeting of said City Council held on April 19, 1983, as shown by the official records of said City in my custody and under my control, that a certified summary of said Ordinance has been ordered to be published as required by law, and that said Ordinance appears as a matter of public record in said official records.

I further certify that said meetings were duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820, and 61.825, that a quorum was present at each of said meetings, that said Ordinance has not been modified, amended, revoked, or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as City Clerk and the official Seal of said City this 19th day of April, 1983.

(Seal of City)

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City Clerk