

BOND ORDINANCE 84-14

CITY OF RUSSELLVILLE, KENTUCKY

WATER AND SEWER REVENUE BONDS

SERIES OF 1984

DATED SEPTEMBER 1, 1984

I N D E X

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
1	DEFINITIONS.	2
2	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.	6
3	CONSTRUCTION AWARD APPROVED; RATIFICATION OF PREVIOUS ACTION IN COMMENCING CONSTRUCTION.	6
4	AUTHORIZATION OF BONDS; MATURITIES.	7
5	BONDS ISSUED AS FULLY REGISTERED BONDS; REGISTERED OWNERS.	7
6	PLACE OF PAYMENT; MANNER OF EXECUTION; AND PROVISIONS AS TO PRIOR REDEMPTION.	8
7	MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.	11
8	AUTHENTICATION OF BONDS.	11
9	CURRENT BONDS PAYABLE OUT OF REVENUES ON A PARITY WITH PRIOR SECOND LIEN BONDS; SUBJECT TO DEFINED PRIORITIES.	11
10	BOND FORM.	12
11	COMPLIANCE WITH PARITY REQUIREMENTS OF PRIOR SECOND LIEN BOND ORDINANCES; CONSENT OF FmHA.	16
12	PROVISIONS OF PRIOR BOND ORDINANCES INCORPORATED HEREIN; ADJUSTMENTS IN REQUIRED DEPOSITS.	17
	A. Prior First Lien Sinking Fund.	18
	B. Second Lien Sinking Fund.	18
	C. Current Bond Payment Account.	18
	D. Operation and Maintenance Fund.	20
	E. Depreciation Fund.	20
	F. Surplus Revenues.	21
13	PROVISION PERMITTING ADDITIONAL PARITY BONDS; CONSENT OF FmHA REQUIRED.	21
14	RATES AND CHARGES FOR SERVICES OF THE SYSTEM.	23
15	SALE OF BONDS.	24
16	ACCEPTANCE OF BID FOR PURCHASE OF BONDS.	26
17	DISPOSITION OF PROCEEDS OF BONDS; INTERIM FINANCING IF NEEDED.	27

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
18	INVESTMENTS; LIMITATION ON INVESTMENT OF FUNDS.	29
19	DEFEASANCE OF BONDS; NO DEFEASANCE OF BONDS HELD BY GOVERNMENT.	30
20	COVENANT TO REQUIRE USE OF SEWER SYSTEM.	31
21	SIGNATURES OF OFFICERS.	31
22	APPOINTMENT AND DUTIES OF BOND REGISTRAR, TRANSFER AGENT, AND PAYEE BANK.	31
	(a) Duties as Bond Registrar (and Transfer Agent)	31
	(b) Duties as Payee Bank	32
23	CONTRACTUAL NATURE OF ORDINANCE.	33
24	PROVISIONS IN CONFLICT REPEALED.	33
25	SEVERABILITY CLAUSE.	33
26	EFFECTIVE DATE OF ORDINANCE	34
	CERTIFICATION	35
	ACCEPTANCE BY SOUTHERN DEPOSIT BANK, REGISTRAR AND PAYEE BANK	35

BOND ORDINANCE

ORDINANCE OF THE CITY OF RUSSELLVILLE, LOGAN COUNTY, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS, AND IMPROVEMENTS TO THE COMBINED AND CONSOLIDATED WATERWORKS AND SEWER SYSTEM OF SAID CITY; AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF FOUR HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$475,000) PRINCIPAL AMOUNT OF CITY OF RUSSELLVILLE WATER AND SEWER REVENUE BONDS, SERIES OF 1984, DATED SEPTEMBER 1, 1984, FOR THE PURPOSE OF FINANCING THE COST OF THE AFORESAID CONSTRUCTION; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID BONDS OF 1984 MAY BE ISSUED AND OUTSTANDING; PROVIDING FOR SAID BONDS OF 1984 TO RANK ON A PARITY WITH CERTAIN OUTSTANDING BONDS OF 1972 AND 1983, 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 1984 AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF SAID BONDS OF 1984.

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 the following issues of Bonds:

- (a) \$261,000 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, 1985 through 1990, inclusive;
- (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;
- (c) City of Russellville Water and Sewer Revenue Bonds, Series of 1972, dated January 23, 1974, in the original principal amount of \$240,000 (the "Bonds of 1972"), payable in equal annual installments (\$13,078 per year) of principal and interest on April 1 of each of the years, 1985 through 2012, with the final installment scheduled to be paid on January 23, 2013; and

- (d) City of Russellville Water and Sewer Revenue Bonds of 1983, dated February 23, 1984 (the "Bonds of 1983", said Bonds of 1972 and 1983 being hereinafter sometimes referred to as the "Prior Second Lien Bonds"), maturing on April 1 in each of the years, 1985 through 2022, inclusive;

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 Prior First Lien Bonds, and

WHEREAS, all of 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 \$475,000 of City of Russellville Water and Sewer Revenue Bonds, Series of 1984, dated September 1, 1984 (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 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,

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

SECTION 1. 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.

"BOND", "OWNER", "HOLDER", and "PERSON" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "BONDHOLDER" or "BONDOWNER" 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.

"BONDS OF 1983" refers to the outstanding Bonds of the original authorized issue of \$521,000 of bonds designated as "City of Russellville Water and Sewer Revenue Bonds of 1983", dated February 23, 1984.

"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.

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

"BOND ORDINANCE OF 1983" or "1983 BOND ORDINANCE" refers to the Ordinance of the Governing Body of the City enacted on April 19, 1983, authorizing the Bonds of 1983.

"BOND REGISTRAR", "REGISTRAR", "TRANSFER AGENT", "PAYEE BANK" or "CONSTRUCTION ACCOUNT DEPOSITORY" refers to the bank which shall constitute the Bond Registrar, Transfer Agent, and Payee Bank with respect to the Current Bonds, which Bank shall have the duties and responsibilities of (a) issuing semiannual checks in payment of interest requirements as to the Bonds, (b) paying the principal (and premium, if any) of same at maturity or applicable redemption prior to maturity upon surrender of the Bonds, (c) authenticating, issuing, and delivering the Bonds to the original purchasers of same in accordance with the sale of the Bonds, at the direction of the Issuer, (d) maintaining the Bond Register, (e) handling exchanges, cancellations, reissuance, redemption, and all appurtenant duties of a Bond Registrar and Transfer Agent with respect to the Bonds, as hereinafter set out, and (f) serving as a depository of the Construction Account created herein. The Bond Registrar, Transfer Agent, and Payee Bank hereby designated is the Southern Deposit Bank, Russellville, Kentucky. Provided, however, it is understood that the Issuer reserves the

right to designate a different FDIC instrumentality to perform any and all of such functions of Bond Registrar, Transfer Agent, and Payee Bank as to the Bonds. Such Bank shall also serve as the Depository (the "Construction Account Depository") of the Construction Account created herein.

"CERTIFIED PUBLIC ACCOUNTANTS" refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky, and may include Accountant(s) regularly employed to audit the financial affairs of the System and/or of other City financial matters. Until otherwise directed by the Governing Body, such term shall be deemed to refer to the firm of Williams, Walker & Horton, 166-1/2 South Main Street, Russellville, Kentucky 42276.

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

"CONSTRUCTION ACCOUNT DEPOSITORY" refers to the "Bond Registrar".

"CONSTRUCTION PROJECT" or "CURRENT CONSTRUCTION PROJECT" or "PROJECT" refers to the construction of extensions, additions, and improvements to 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 \$475,000 of Bonds authorized herein, bearing the designation "City of Russellville Water and Sewer Revenue Bonds, Series of 1984, dated September 1, 1984".

"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 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, which Bank is The Citizens National Bank, Russellville, Kentucky, or its successor.

"ENGINEER" or "INDEPENDENT CONSULTING ENGINEER" refers to an Independent Consulting Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks and sewer engineering. Until otherwise directed by the Governing Body, such term shall be deemed to refer to Morton-Lyne & Associates, Inc., Consulting Engineers, 217 24th Avenue North, Nashville, Tennessee 37203, 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.

"FISCAL AGENT" refers to the firm of J. J. B. Hilliard, W. L. Lyons, Inc., 545 South Third Street, Louisville, Kentucky 40202.

"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.

"INTEREST PAYMENT DATE(S)" shall mean April 1 and October 1 of each year, commencing April 1, 1985.

"ORIGINAL PURCHASERS" or "PURCHASERS" refers to the original purchasers of the Current Bonds at the public sale, including all members of their purchasing syndicate or group.

"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 \$475,000 of Current Bonds herein specifically authorized, which bonds issued in the future will, pursuant to the provisions of the Prior Second Lien Bond Ordinances and of this Current Bond Ordinance, rank on a basis of parity with said outstanding Prior Second Lien 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 Second Lien Bonds and Current Bonds.

"PRIOR FIRST LIEN BONDS" refers collectively 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 1963 Bond Ordinance.

"PRIOR SECOND LIEN BONDS" refers collectively to the outstanding Bonds of 1972 and 1983.

"PRIOR SECOND LIEN BOND ORDINANCE" refers jointly to the 1972 and 1983 Bond Ordinances.

"REGULAR RECORD DATE" shall mean, (a) with respect to any Interest Payment Date, the close of business on March 15 or September 15, as the case may be, next preceding such Interest Payment Date, whether or not such March 15 or September 15 is a business day.

- (ii) A sum equal to one-twelfth (1/12) of the principal of the Current Bonds falling due on the next succeeding April 1, except that from September 15, 1984, through March 15, 1985, inclusive, such sum in each month shall be equal to one-seventh (1/7) of the first principal installments due on the Current Bonds on April 1, 1985.

It was further ordered by the 1972 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 (increased to \$369.00 in the 1983 Bond Ordinance), 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"), in the amount of Thirteen Thousand Eighty Dollars (\$13,080, increased to \$44,280 in the 1983 Bond Ordinance), 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 \$604.00 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 \$72,480, 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 such 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. Current Bond Payment Account.

On or before the 15th days of March and September in each year, the Depository Bank shall transfer from the Second Lien Sinking Fund and from the Second Lien Reserve Fund, if necessary, a sum equal to the interest or a sum equal to the principal and interest, as the case may be, becoming due and payable at the Payee Bank on the Current Bonds on the ensuing April 1 or October 1, and deposit the same in an account at the Payee Bank entitled "City of Russellville 1984 Water and Sewer Bond and Interest Payment Account" (the "Current Bond Payment Account"), hereby created, to be maintained at the Payee Bank and held by such Bank as a trust fund to be drawn upon to pay maturing interest payments, or maturing principal and interest payments, as the case may be, of the Current Bonds, in accordance with the provisions of Section 6 hereof.

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, there shall be set apart and paid into the Depreciation Fund in 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.

SECTION 13. PROVISION PERMITTING ADDITIONAL PARITY BONDS; CONSENT OF FmHA REQUIRED.

The Current Bonds shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Current Bonds, regardless of the fact they may be actually issued and delivered at different times, and provided further that the lien and security of and for any bonds or obligations hereafter issued that are payable from the income and revenues of the System, shall, except as set out herein, be subject to the priority of the Prior Bonds and the Current Bonds as may from time to time be outstanding; provided the City has in the 1983 Bond Ordinance, reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the Prior Second Lien Bonds and with the Current Bonds, subject to Defined Priorities, but only under the conditions specified in Sections 603, 604, and 605 of the 1983 Bond Ordinance, which conditions are hereinafter repeated, taking into account the issuance of the Current Bonds, as follows:

The City reserves the right to add new waterworks and/or sewer facilities, and/or related auxiliary 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 from, the revenues of the System pledged to the Prior Second Lien Bonds and the Current Bonds, 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) Reference is made to Section 14 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.

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.

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.

The City readopts, ratifies, and confirms the provisions of Section 606 of the 1983 Bond Ordinance, entitled "Priority of Lien, Permissible Disposition of Surplus or Obsolete Facilities; Conditions."

Notwithstanding any of the other provisions herein contained, no bonds in addition to the Current Bonds may be issued on a parity as to security with the Prior Second Lien Bonds without the express written consent of the FmHA or its successor in interest as the owner of the Prior Second Lien Bonds. The appropriate reference to this shall be inserted in the form of and other instruments relating to the Current Bonds.

SECTION 14. RATES AND CHARGES FOR SERVICES OF THE SYSTEM.

While any of the Prior Bonds, Current Bonds, or any bonds ranking on a parity therewith, remain outstanding and unpaid, the rates for all services and facilities rendered by the System to the City and to its citizens, corporations, or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of said System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of all Bonds and the accruing interest on all such Bonds as may be outstanding under the provisions of this Ordinance, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Ordinance. Compensation for services and facilities rendered to the City shall be paid for out of the corporate funds of the City by monthly payments into the Revenue Fund the same as other income and revenues of the System are paid, and shall then be apportioned among the various funds. Prior to the issuance of the Current Bonds a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Ordinance has been established and adopted.

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 13 hereof.

The City also covenants to cause a report to be filed with the City Council within four months after the end of each fiscal year by (a) Certified Public Accountants, or (b) Independent Consulting Engineers, setting forth what was the precise percentage ("coverage") of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds payable from the revenues of the System, produced or provided by the net revenues of the System in that fiscal year, calculated in the manner specified in Section 13 hereof; and the City covenants that if and whenever such report so filed shall establish that such coverage of net revenues for such year was less than 120% of the maximum debt service requirements, the City shall increase the rates by an amount sufficient, in the opinion of such Engineers and/or Accountants, to establish the existence of or immediate projection of, such minimum 120% coverage.

SECTION 15. SALE OF BONDS.

The Current Bonds shall be sold at public sale at a regular, adjourned regular, or special, called meeting of the Governing Body, after public advertisement as required by law, informing prospective bidders that they may obtain from the City Clerk or from the Fiscal Agent, a copy of the Official Terms and Conditions of Sale of Bonds, setting out the following specific terms and conditions:

- A. Bids will be considered only for the entire \$475,000 of Bonds, at a minimum price of \$466,187.50 (98-1/4% of par), plus accrued interest from the date of the Bonds (September 1, 1984) to the date of delivery.
- B. Each proposal shall be accompanied by a good faith check in the amount of \$9,500, which shall be represented by a certified check or bank cashier's check in that amount, payable to the order of the City of Russellville, Kentucky.
- C. Bidders must state an interest rate or rates in a multiple of 1/8, 1/10, or 1/20 of 1%, and there is no stated maximum interest rate.
- D. There shall be no limit on the number of different rates which may be specified in any bid and there shall be no maximum differential between the highest and lowest interest rates stipulated in any bid.
- E. All Bonds of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.
- F. Interest rates must be on an ascending scale, in that the interest rate for Bonds of any maturity may not be less than the interest rate stipulated for any preceding maturity.

- G. The right to reject bids for any reason deemed advisable by the City Council, and the right to waive any possible informalities, irregularities, or defects in any bid which, in the judgment of the City Council, with the advice of the Fiscal Agent, shall be minor or immaterial, is expressly reserved.
- H. Bids must be made on forms, which, together with an Official Statement, may be obtained at the office of the City Clerk or from the Fiscal Agent, J. J. B. Hilliard, W. L. Lyons, Inc., 545 South Third Street, Louisville, Kentucky 40202. Bids must be enclosed in sealed envelopes marked "Proposal for City of Russellville Water and Sewer Revenue Bonds, Series of 1984", and bids must be received by the City Clerk prior to the date and hour stated above.
- I. CUSIP identification numbers will be printed on said Bonds, if requested by the purchaser, at the expense of the purchaser. The purchaser of said Bonds will in any event pay the CUSIP Service Bureau charge for the assignment of CUSIP numbers. Neither the failure to print a CUSIP number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereto to accept delivery of and pay for the Bonds in accordance with the terms of the purchase agreement.
- J. Delivery will be made at a place designated by the purchaser in Louisville, Kentucky, at no additional cost to the purchaser, or elsewhere in the Continental United States at such purchaser's expense; PROVIDED, HOWEVER, the purchaser shall bear any bank service charge for processing the delivery of the Bonds and closing the transaction.
- K. It is anticipated that the City may tender the Bonds in the form of a single fully registered Master Bond or similar documents to the original purchasers of the bonds (the "Original Purchasers"), in which event, within not more than 3 days following such delivery such Original Purchasers will be issued fully registered Bond Certificates (in the denomination of \$5,000 or any multiple of same within the same maturity) in such names as shall have been properly designated to the Bond Registrar.
- L. It shall be the responsibility of the Original Purchasers to furnish or cause to be furnished to the Payee Bank/Registrar at least 3 days prior to the date of delivery of the Bonds, a list of the names, addresses, social security numbers or employer identification numbers, principal amount, and maturities of each of the parties to whom the Bonds are to be registered. In the event of the failure to so deliver such list, the Bonds delivered to the Original Purchasers shall be registered in the name or names of such

Original Purchasers or their designated representatives appearing as the first name on the successful Bid Form, or otherwise appropriately designated, and shall be issued in denominations corresponding to the principal amount of each respective maturity, as shall be determined by the Payee Bank/Registrar. The Registrar shall issue and deliver to each respective member of the Original Purchasers, within 3 business days after the initial delivery of the Bonds (or of the Master Bond referred to above) fully registered Bond Certificates for each registered owner designated as above provided.

- M. Upon wrongful refusal of the purchaser to take delivery of and pay for the Bonds when tendered for delivery, the amount of the good faith check shall be forfeited by such purchaser, and such amount shall be deemed liquidated damages for such default, provided, however, if said Bonds are not ready for delivery and payment within forty-five (45) days from the date of sale herein provided for, said purchaser shall be relieved of any liability to accept the Bonds hereunder.

It shall not be necessary that the published "Notice of Bond Sale" set forth any or all of the special conditions stated herein, but the substance thereof shall be made apparent to prospective bidders in one or more of the appropriate documents, viz., the "Notice of Bond Sale", the "Official Terms and Conditions of Sale of Bonds", and/or in the "Bid Form".

A suggested form of "Notice of Bond Sale", a suggested form of "Official Terms and Conditions of Sale of Bonds", and a suggested form of "Bid Form", having been prepared in advance, in accordance with the instructions of the Fiscal Agent, by Rubin & Hays, Municipal Bond Attorneys, Louisville, Kentucky, and the same having been found to conform to the above conditions, the same are hereby approved. The Notice of Bond Sale shall be signed by the City Clerk, and may be used for the purpose of publishing notice of the sale of the Bonds. Copies of said documents shall be furnished to a list of known interested bidders and to any interested parties who may request same.

SECTION 16. ACCEPTANCE OF BID FOR PURCHASE OF BONDS.

Upon the date and at the hour set forth for the opening and consideration of purchase bids, as provided in the instruments hereinabove approved, the sealed bids received by the City Clerk shall be publicly opened and publicly read by the presiding officer. If there shall be one or more bids that conform in all respects to the prescribed terms and conditions, the same shall be compared and the City Council agrees that if it accepts any bid, it will, on the same day that such bids are received, accept the best of such bids, as measured in terms of the lowest interest cost to the City, as calculated in the manner prescribed in the "Official Terms and Conditions of Sale of Bonds".

If upon the basis of the foregoing, the City Council shall accept a purchase bid for the Current Bonds, the City Council shall adopt a Resolution to that effect and supply proper evidence of such acceptance to the bidder submitting the accepted purchase bid, and thereupon arrangements shall be made for the Bonds to be printed in accordance therewith.

SECTION 17. DISPOSITION OF PROCEEDS OF BONDS;
INTERIM FINANCING IF NEEDED.

Whenever the Current Bonds shall have been sold and delivered, the proceeds shall be applied as follows:

- (a) The amount received from the purchaser representing accrued interest from September 1, 1984, to the date of delivery, shall immediately be deposited into the Sinking Fund.
- (b) There shall next be paid any and all expenses incident to the issuance, sale, and delivery of the Current Bonds, including the fee of the Fiscal Agent, J. J. B. Hilliard, W. L. Lyons, Inc., 545 South Third Street, Louisville, Kentucky 40202, the fee of Bond Counsel, Rubin & Hays, Suite 300, 209 South Fifth Street, Louisville, Kentucky 40202, the fee of Local Counsel, James C. Milam, 100 Park Square, Russellville, Kentucky 42276, and such other appropriate expenses as may be approved by the City Council.
- (c) To the extent that the City shall have found it necessary and profitable to expend funds for various items of construction costs relating to the Current Construction Project prior to the issuance, sale, and delivery of the Bonds, the aggregate of all of such expenditures shall be reimbursed to the City, upon written approval of the Engineers for the City, and countersigned by the Mayor. If and to the extent not reimbursed at the time of delivery of the Bonds, such amounts may subsequently be reimbursed, with the same written approval, out of the Construction Account created in sub-section (d) below.
- (d) The balance of the proceeds remaining shall be deposited in a special construction account, hereby created, entitled "City of Russellville 1984 Water and Sewer Project Construction Account" (the "Construction Account"), which Account shall be maintained at the Depository Bank; and the amount on deposit in said Construction Account shall be applied to the extent necessary, to pay the cost of construction of the Current Construction Project.

The amount deposited in said Construction Account shall, to the extent that same may cause the aggregate deposits of said City in the Depository Banks to be in excess of the amount insured by the FDIC, be collaterally secured by direct obligations of the United States of America, or any of its agencies, having a market value equivalent to such deposit, or such Depositories may invest for the benefit of such account whatever portion of such Account is designated by the City Council, in such obligations, maturing at such time or times as to

make such funds available when needed for construction purposes, or in Certificates of Deposit, secured (to the extent of the amount in excess of the amount insured by the FDIC) by direct obligations of the United States Government, or any of its agencies, in accordance with KRS 66.480. Said Depository shall be obligated to send written notice to the City of the need for investment directions if and whenever funds in excess of \$10,000 shall remain uninvested for a period of more than ten days.

Payment from the Construction Account for costs in connection with the Current Construction Project shall be made only upon vouchers approved by the Engineers having charge of supervising such construction, and countersigned by the Mayor, said Engineers to certify in each instance that the voucher represents a sum actually earned by and due to the proposed payee under a contract with said City for work performed and/or materials furnished in connection with the Project, or represents a sum necessary to be expended for land and/or rights of way necessary to be acquired by the City in connection with said Project, provided all checks drawn against said Construction Account shall be signed by the City Treasurer, countersigned by the Mayor, and accompanied by such voucher before being honored by said Depository of the Construction Account. The aforementioned officials are hereby authorized to execute such checks from time to time, in the necessary amounts, upon the aforesaid certification being executed by the Engineers, countersigned as set out above, and presented to them, or to their duly authorized agents or representatives, without the necessity of any further meetings, authorizations, ordinances, or motions by the City Council of the City.

Such checks shall be fully negotiable, and the aforesaid Bank shall be authorized to honor and pay the same, if said certification of the Engineers is attached thereto, provided said Bank assumes the responsibility for the propriety of all endorsements, or if all endorsements to it are guaranteed by another responsible FDIC bank.

No expenditure shall be made from the Construction Account except for proper and authorized expenses relating to the construction of the Current Construction Project in accordance with the plans and specifications approved by the City, for which construction contracts have been awarded by the City to insure the completion of the Project.

Pending disbursement for the authorized purposes, the proceeds of the Current Bonds shall be subject to a first and paramount lien and charge in favor of the holder or holders of the Current Bonds, and for their future security.

After completion of the Current Construction Project, as certified by the Engineers, any balance then remaining on deposit in the Construction Account shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Current Bonds from Federal income taxation, upon orders of the City Council, be transferred to the Second Lien Sinking Fund and added to the Second Lien Sinking Fund Reserve, or transferred to the Depreciation Fund, to be used for the purposes thereof.

If the Engineers shall certify to the City that funds are needed prior to delivery of the Current Bonds to pay costs of the Project, the Mayor of the City shall be authorized on behalf of the City to borrow sums from the Depository Banks and/or from other FDIC banks, and to execute Notes in evidence thereof, secured by a pledge of the first proceeds of the Current Bonds when delivered and by a pledge of the revenues of the System, subject to the priority of the Prior Bonds. The proceeds of such Notes shall be deposited in the Construction Account and disbursed in that manner set out in this Section.

SECTION 18. INVESTMENTS; LIMITATION ON INVESTMENT 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 issue 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 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 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 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;

(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 95% 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;

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

(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 issues 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 Depreciation Fund or the Operation and Maintenance Fund will be used for payment of debt service on any Outstanding Bonds, even though such Fund will be so available if necessary to prevent a default in the payment of principal and interest on such Bonds;

(8) 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.

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 the City Treasurer, who are jointly and severally charged with the responsibility for the issuance of the Current Bonds, are jointly and severally 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.

SECTION 19. DEFEASANCE OF BONDS; NO DEFEASANCE OF BONDS HELD BY GOVERNMENT

The City reserves the right, at any time, to cause the pledge of the revenues securing the Prior First Lien Bonds, the Current Bonds, and all Parity Bonds (except Bonds owned by the Government), to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or direct or fully guaranteed obligations of the United States Government, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such outstanding bonds, both as to principal and as to interest, on the next optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on such outstanding bonds to and on said date, or (b) to pay all principal and interest requirements on such outstanding bonds as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body of the City. Such investment shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the City shall take all steps necessary to publish notice of the redemption of such outstanding bonds on the next applicable redemption

date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary. Provided no such defeasement shall be accomplished through the use of amounts on deposit in the Sinking Fund Reserve or through any other funds if such defeasement would, in the opinion of recognized Bond Counsel, adversely affect the exemption of interest on any of the Outstanding Bonds, from Federal income taxation.

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

SECTION 20. COVENANT TO REQUIRE USE OF SEWER SYSTEM.

The City agrees that during the time any of the Current Bonds or any bonds issued on a parity therewith as to security in accordance with the provisions herein contained, are outstanding, it will take all such steps as may be necessary to cause the owners of all properties abutting upon any sewer lines of the City to connect thereto and to keep connected thereto all sanitary sewage drain pipes on such properties. The foregoing covenant shall be in favor of and enforceable by the holders of the Current Bonds and all parity bonds in accordance with the provisions herein contained. If the City fails to take such steps it may be required to do so by such bondholders.

SECTION 21. SIGNATURES OF OFFICERS.

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

SECTION 22. APPOINTMENT AND DUTIES OF BOND REGISTRAR, TRANSFER AGENT, AND PAYEE BANK.

The Southern Deposit Bank, Russellville, Kentucky, is hereby designated as the Bond Registrar, Transfer Agent, and Payee Bank.

(a) Duties as Bond Registrar (and Transfer Agent).

Its duties as Bond Registrar (and Transfer Agent) shall be as follows:

(1) To authenticate the Temporary Bond or Bonds or Master Bond or Bonds, if any, authorized herein.

(2) To register all of the Bonds (including those issued in exchange for any Temporary Bond or Master Bond, if any) in the names of the respective owners thereof in accordance with Section 103(j) of the Internal Revenue Code;

(3) Upon being supplied with a properly authenticated assignment satisfactory to the Bond Registrar (in the sole discretion of such Bond Registrar), to transfer the ownership of Bonds from one registered Bondowner to another within three (3) business days of the receipt of such proper assignment by the Bond Registrar;

(4) To cancel and destroy (or remit to the City for destruction, if so requested by the City) all exchanged, matured, retired, and redeemed Bonds, and to maintain adequate records relevant thereto.

(b) Duties as Payee Bank.

(1) To hold the Current Bond Payment Account in accordance with the provisions of Section 12C hereof;

(2) To remit, but only to the extent that all required funds are made available to the Payee Bank by the City, semiannual interest payments directly to the registered owner of each Bond by regular United States mail. Said interest payments shall be deposited in the United States mail no later than each interest due date. Matured or redeemed Bonds shall be payable upon presentation to the Payee Bank. For interest payment purposes, the Payee Bank shall be entitled to rely on its records as Bond Registrar as to the ownership of each Bond as of the 15th day of the month preceding an interest due date, and the Payee Bank's check shall be drawn and mailed accordingly;

(3) To notify the owner of each Registered Bond to be redeemed and to redeem Bonds prior to their stated maturity upon their presentation in accordance with the provisions of Section 6 of this Ordinance upon receiving sufficient funds; and

(4) To supply the City with a written accounting evidencing the payment of interest on and principal of the Bonds within 30 days following each respective due date.

The Registrar/Payee Bank shall be entitled to the advice of Counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Registrar/Payee Bank shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Ordinance, or the responsibility for the consequences of any oversight or error of judgment.

The Registrar/Payee Bank may at any time resign from its duties set forth in this Ordinance by filing its resignation with the Issuer Clerk and notifying the original purchaser or purchasers of the Bonds. Thereupon, the Issuer shall designate a successor Registrar/Payee Bank which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Registrar/Payee Bank, provision shall be made for the orderly transition of the books, records, and accounts relating to the Bonds to the successor Registrar/Payee Bank in order that there will be no delinquencies in the payment of interest or principal due on the Bonds.

The Registrar/Payee Bank shall indicate its acceptance of its duties as Registrar and Payee Bank by signing the Acceptance of The Citizens National Bank at the conclusion of this Ordinance.

SECTION 23. CONTRACTUAL NATURE OF ORDINANCE.

The provisions of this Ordinance shall constitute a contract between the City and the holders of the Current Bonds, and after the issuance of any of the Current Bonds, no change, variation, or alteration of any kind, in the provisions of this Ordinance shall be made in any manner, except for the purpose of curing any ambiguity or of curing, correcting, or supplementing any defective or inconsistent provisions contained herein or in any proceeding pertaining hereto, and, except as herein provided, until such time as all of the Current Bonds and the interest thereon have been paid in full; provided, however, that the holders of eighty percent (80%) in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions, ordinances, or other proceedings, modifying or amending any of the terms or provisions contained in this Current Bond Ordinance; provided, however, that no such modifications or amendments shall be made which will permit: (a) an extension of the maturity of any of the Prior Second Lien Bonds or Current Bonds or of any Parity Bonds, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge of the Prior Second Lien Bonds and the Current Bonds, or (d) a preference or priority of any Prior Second Lien Bonds or Current Bond or Bonds or Parity Bonds over any other bond or bonds, or (e) a reduction in the aggregate principal amount of the Prior Second Lien Bonds or Current Bonds required to consent to any such modification or amendment, or (f) impair in any way the rights of the holders of the Current Bonds.

SECTION 24. PROVISIONS IN CONFLICT REPEALED.

All ordinances, resolutions, and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed, and it is hereby specifically ordered and provided that except for the permissible issuance of Parity Bonds pursuant to Section 10 hereof, any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

SECTION 25. 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.

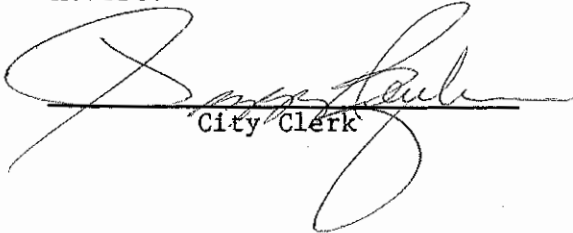
SECTION 26. EFFECTIVE DATE OF ORDINANCE.

This Ordinance shall take effect from and after its enactment, approval, and publication as provided by law.

Given first reading on August 21, 1984.

Given second reading and enacted on September 4, 1984.

Attest:



City Clerk

Mayor

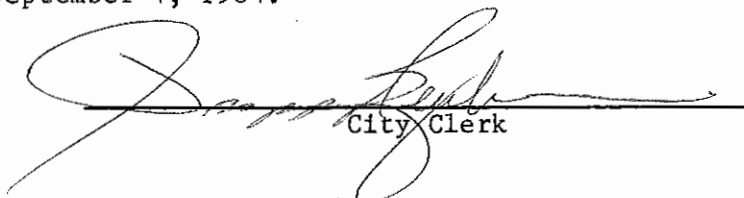
CERTIFICATION

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 at a properly convened meeting of the City Council of the City on August 21, 1984, 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 September 4, 1984, as shown by the official records of said City in my custody and under my control, that a Notice of Enactment and 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 September 4, 1984.

(Seal of City)


City Clerk

ACCEPTANCE BY THE SOUTHERN DEPOSIT BANK,
REGISTRAR AND PAYEE BANK

The undersigned, Southern Deposit Bank, hereby agrees to the provisions of the foregoing Ordinance to the extent there are contained therein provisions as to the rights and duties of it as Bond Registrar, Transfer Agent, and Payee Bank.

Dated: September ____, 1984.

SOUTHERN DEPOSIT BANK

By _____
Signature

Title

(Seal of Bank)

(MASTER BOND FORM)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF LOGAN
CITY OF RUSSELLVILLE
_____ % WATER AND SEWER REVENUE BOND
SERIES OF 1984

NO. 1MB

PRINCIPAL AMOUNT: \$475,000

KNOW ALL MEN BY THESE PRESENTS:

That the City of Russellville (the "Issuer"), in the Commonwealth of Kentucky, for value received, hereby promises to pay to

the registered owners hereof, their successors, or their registered assigns, solely from the special fund hereinafter identified, the principal sum of

FOUR HUNDRED SEVENTY-FIVE THOUSAND DOLLARS (\$475,000)

in the years and in the respective principal installments hereinafter set out, and to pay interest on said respective principal installments from the date hereof, such interest to be paid semiannually on the first days of April and October in each year until payment of the respective principal installments, at the following respective interest rates:

<u>Year</u>	<u>Principal Installments October</u>	<u>Interest Rates</u>
1985	\$25,000	
1986	15,000	
1987	15,000	
1988	20,000	
1989	20,000	
1990	25,000	
1991	25,000	
1992	30,000	
1993	30,000	
1994	35,000	
1995	40,000	
1996	40,000	
1997	45,000	
1998	50,000	
1999	60,000	

Interest on this Bond is payable by check of the Registrar and Paying Agent, Southern Deposit Bank, Russellville, Kentucky, payable to the registered owner(s) of this Bond at its last registered address set out above, or on file with the Registrar. Principal and redemption premium, if any, of this Bond is payable at the main office of the Registrar in Russellville, Kentucky. This Bond shall be transferrable only upon the presentation and surrender hereof at the main office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner(s) or their authorized representative.

This Bond is issued as a temporary Bond to represent the entire authorized issue of \$475,000 of Bonds authorized by an Ordinance (the "Bond Ordinance") of the Issuer, under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, which \$475,000 of Bonds shall be issued in the form of the registered Bond contained in the Bond Form attached

hereto (which is copied from the Bond Ordinance). All of the terms and conditions of said Bond Form attached hereto are incorporated in this Bond by reference and shall apply fully to this Bond. It is acknowledged that this is a temporary Bond and that it is intended that this Bond shall be exchanged for an equivalent principal amount of printed fully registered Bonds in the form of Bond Form attached hereto within three days from the date hereof, although there is no deadline date for such exchange. Such exchange may be made for fully registered Bonds in the denominations of \$5,000 or any multiple thereof within a single maturity. This Bond shall be signed manually in the manner set out below, and Bonds issued in exchange for this Bond shall be considered to be Bonds in substitution hereof and to constitute the equivalent of a portion hereof even if such Bonds are issued solely with facsimile signatures of Issuer officers and facsimile seal, provided the Certificate of Registrar (as to Authentication) on each Bond shall be signed manually by the Registrar.

This Bond shall not be valid or obligatory for any purpose or be entitled to any security or benefit under the Bond Ordinance unless this Bond is authenticated by the Bond Registrar by the due execution of the Certificate of Registrar manually endorsed hereon.

Following the initial delivery of this Master Bond, the Bonds shall ultimately be issued in the form of fully registered Bond Certificates in substantially the same form as the Bond Form set forth in the Bond Ordinance, except for the manner of execution. All of the terms and conditions of said Bond Certificates are incorporated in this Master Bond by reference and shall apply fully to this Master Bond. Such Bond Certificates shall be issued in the denomination of \$5,000 or any multiple thereof within the same maturity.

IN WITNESS WHEREOF, said City of Russellville, in the Commonwealth of Kentucky, has caused this Bond to be executed on its behalf with the manual signature of its Mayor and its Corporate Seal to be affixed hereto, and attested with the manual signature of its City Clerk, all as of September 1, 1984, and by such execution, the City shall be deemed to have complied with the provisions of KRS 61.390, and such execution shall be deemed to constitute manual execution by such City officials of each of the printed Bonds (with printed facsimile signatures) issued in substitution and exchange therefor, subject to authentication by the execution by the Registrar of the Certificate of Registrar on each such printed Bond.

THIS BOND IS DATED SEPTEMBER 1, 1984.

CITY OF RUSSELLVILLE, KENTUCKY

By _____
Mayor

Attest:



City Clerk

(Seal of City)

(FORM OF CERTIFICATE OF REGISTRAR)

CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Bonds referred to in the within Bond and in the Bond Ordinance authorizing same.

SOUTHERN DEPOSIT BANK
Russellville, Kentucky

By _____
Authorized Officer

ENDORSEMENT OF REGISTERED OWNER(S)

The undersigned as the registered owner(s) of this Master Bond hereby transfers and surrenders this Master Bond to Southern Deposit Bank, Russellville, Kentucky, as Bond Registrar, in exchange for printed Bonds in an equivalent amount issued to owners designated by the undersigned to the Bond Registrar.

Dated this _____, 1984.

Authorized Signature

Title

"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.

SECTION 2. 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 3. CONSTRUCTION AWARD APPROVED; RATIFICATION OF PREVIOUS ACTION IN COMMENCING CONSTRUCTION.

The City Council hereby authorizes, approves, ratifies, and confirms its previous action in (a) awarding the contracts for the construction of the Current Construction Project to the lowest and best bidders, (b) entering into formal contracts with said bidders, and (c) undertaking the construction of the Construction Project according to the plans and specifications heretofore prepared for the City.

SECTION 4. AUTHORIZATION OF BONDS; MATURITIES.

For the purpose of financing the costs of the Construction Project, there are hereby authorized to be issued and sold, Four Hundred Seventy-Five Thousand Dollars (\$475,000) principal amount of City of Russellville Water and Sewer Revenue Bonds, Series of 1984, dated September 1, 1984. Said \$475,000 of Bonds shall mature serially on April first of the respective years, as set out below, and shall bear interest payable semiannually on the first days of April and October of each year, except that the first interest payment shall represent 7 months' interest falling due on April 1, 1985, at an interest rate or rates to be fixed by Order of the Governing Body as a result of the advertised sale of the Bonds.

The maturities of said \$475,000 of Bonds shall be as follows:

<u>Maturity Date</u> <u>April 1,</u>	<u>Principal</u> <u>Maturity</u>
1985	\$25,000
1986	15,000
1987	15,000
1988	20,000
1989	20,000
1990	25,000
1991	25,000
1992	30,000
1993	30,000
1994	35,000
1995	40,000
1996	40,000
1997	45,000
1998	50,000
1999	60,000

SECTION 5. BONDS ISSUED AS FULLY REGISTERED BONDS; REGISTERED OWNERS.

The Bonds shall be issued only in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof within a single maturity, and shall be numbered consecutively from R-1 upward. Each initially issued Bond and each Bond issued prior to the first interest payment date, April 1, 1985 (seven months), on the Bonds shall be dated as of and shall bear interest from September 1, 1985. Each Bond issued (as a result of exchange or transfer) after such first Interest Payment Date on the Bonds shall be dated as of and shall bear interest from the Interest Payment Date next preceding the date on which such Bond is issued, unless such Bond is issued on an Interest Payment Date, in which case it shall be dated as of and shall bear interest from such date of issue; provided, however, that if at the time of issuance of any Bond the interest thereon is in default, such Bond shall be dated as of the date to which interest has been paid in full.

The person in whose name any Bond is registered on the Bond Register maintained by the Bond Registrar, at the Regular Record Date with respect to an Interest Payment Date, shall be entitled to receive the interest payable on such Interest Payment Date (unless such Bond shall have been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Regular Record Date and prior to such Interest Payment Date, except in the event of default.

SECTION 6. PLACE OF PAYMENT; MANNER OF EXECUTION; AND PROVISIONS AS TO PRIOR REDEMPTION.

The principal of (and premium, if any) and interest on the Bonds shall be payable in lawful money of the United States of America as they respectively become due, whether at maturity or by prior redemption. Principal of each Bond is payable upon surrender of same at the main office of the Payee Bank and Bond Registrar, the Southern Deposit Bank, Russellville, Kentucky. Interest on the Bonds shall be paid by check mailed by the Payee Bank to the persons entitled thereto as of the end of business on the 15th day of the month preceding each applicable Interest Payment Date, at the respective addresses appearing on the Bond Register.

So long as any Bonds remain outstanding, the Registrar shall keep at its principal office a Bond Register showing and recording a register of the owners of the Bonds and shall provide for the registration and transfer of Bonds in accordance with the terms of this Ordinance, subject to such reasonable regulations as the Registrar may prescribe.

The Bonds shall be executed on behalf of the City with the duly authorized reproduced facsimile signature of the Mayor, and the reproduced facsimile of its corporate seal shall be imprinted thereon and attested by the reproduced facsimile signature of the City Clerk; and said officials, by the execution of appropriate certifications, shall adopt as and for their own proper signatures, their respective facsimile signatures on said Bonds; provided the Authentication Certificate of Registrar must be executed by the manual signature of the Registrar on each Bond before such Bond shall be valid, as set out in Section 8 below.

These Bonds may be delivered initially in the form of a single, fully registered "Master Bond" in the full principal amount of the entire bond issue, registered in the name of the Original Purchasers in substantially the form attached to and made a part of this Bond Ordinance as Exhibit A. Such Master Bond shall be convertible through the issuance of Bond Certificates to the persons designated by the respective Original Purchasers. Based on such format, with the Master Bond being signed with the manual signature of the Mayor of the City, and with the Official Seal of the City affixed and attested with the manual signature of the City Clerk, and with the Authentication Certificate of Registrar thereon being signed by the Bond Registrar, the actual Bond Certificates may be executed in the manner heretofore described in this Section, without the manual signature of either the Mayor or the City Clerk.

It is hereby determined by the City, upon the advice of Bond Counsel, that the manual execution of the Master Bond by the City Officials shall constitute compliance with the statutory requirement of one manual signature as to each subsequent "exchange Bond" issued in substitution and exchange for the Master Bond or in exchange for any subsequent exchange Bond.

The Bond Registrar shall have the right to order the preparation of whatever number of Bond Certificates as, in the sole discretion of the Bond Registrar, shall be deemed necessary in order to enable the Bond Registrar to maintain an adequate reserve supply of such Bond Certificates to effect properly the continuing transfers and exchanges of ownership of Bond Certificates as same are sold, exchanged, and/or otherwise surrendered in the future. No further action regarding the authorization or execution of additional Bond Certificates shall be required by the Governing Body, the Mayor, or the City Clerk.

At least 3 business days prior to the delivery of the Master Bond, each of the Original Purchasers ("Purchasers") shall furnish to the Bond Registrar the name, address, social security number or taxpayer identification number, principal amount, and maturities of each party to whom the Bonds shall have been resold and in whose name the Bonds are to be registered. The Bond Registrar shall then issue and deliver to each respective Purchaser, not more than 3 business days following the delivery of the Master Bond to the Original Purchasers, fully registered Bond Certificates for each registered owner so designated in substantially the same form as that set out in Section 10 hereof.

Pending the preparation of the definitive Bonds the Issuer may execute and, upon the Issuer's request, the Registrar shall authenticate and deliver one or more temporary (or Master) Bond(s) which are printed, lithographed, typewritten, mimeographed, or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in lieu of which they are delivered, in fully registered form without coupons, and with such appropriate insertions, omissions, substitutions, and other appropriate and necessary variations as the officers of the City executing such temporary Bond(s) may determine, as evidenced by their signing such temporary Bond(s).

Until exchanged for Bonds in definitive form, such temporary and/or Master Bond(s) shall be entitled to the benefit and security of this Ordinance. The City shall, without unreasonable delay, prepare, execute, and deliver printed Bonds to the Purchasers and/or their designees, and thereupon, upon the presentation and surrender of the temporary or Master Bond(s), such printed Bonds shall be delivered to the Purchasers and/or their designees in exchange therefor. Such exchange shall be made without the making of any charge therefor to any owner of the Bonds.

All Bonds shall be exchangeable and transferable upon the presentation and surrender thereof at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination of \$5,000 and/or a multiple thereof within a single maturity, in an aggregate principal amount or amounts equal to the unpaid principal amount of the Bond or Bonds presented for exchange.

The Registrar shall be and is hereby authorized to (authenticate and) deliver exchange Bonds in accordance with the provisions of this Section 6. Each exchange Bond delivered in accordance with this Section 6 shall constitute an original contractual obligation of the Issuer and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

Bonds maturing on and after April 1, 1993, shall be subject to redemption by the City prior to maturity, in whole or in part, in the inverse order of their maturities (less than all of a single maturity to be selected by lot), on any interest payment date falling on or after April 1, 1992, upon payment of face amount plus all accrued interest maturing on and prior to the redemption date, plus a redemption premium in an amount equal to two percent (2%) of the face amount of the Bonds called for redemption.

In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion or portions of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof, if the maturity is one of the maturities called for redemption. Upon surrender of any Bond for redemption in part, the Registrar shall (authenticate and) deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

The Registrar shall give notice of any redemption by sending such notice by certified or registered mail not less than 30 and not more than 60 days prior to the date fixed for redemption, to the registered owner of each Bond to be redeemed in whole or in part at the address shown on the Bond Register as of the date of mailing of such notice. Such notice shall state the redemption date, the redemption price, the amount (or number of months) of accrued interest payable on the redemption date, the place at which the Bonds are to be surrendered for payment, and, if less than all of the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice.

Prior to each redemption date, the Registrar shall make provision, to the extent funds are then available therefor, for the payment of the redemption price of the Bonds to be redeemed on such date by setting aside and holding in trust an amount sufficient to pay such redemption price. Upon presentation and surrender of any such Bond at the main corporate trust office of the Registrar on or after the date fixed for redemption, the Registrar shall pay the redemption price of such Bond (including accrued interest) from the funds set aside for such purpose.

All of said Bonds as to which the City reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date.

SECTION 7. MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

If any Bond shall be mutilated, lost, stolen, or destroyed, the City may execute, authenticate, and deliver a new Bond of like maturity and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen, or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the City, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the City satisfactory evidence of the ownership of such Bond and of such loss, theft, or destruction, together with indemnity satisfactory to the Registrar. If any such Bond shall have matured, the City (through the Registrar) may pay the same instead of issuing a new Bond. The City and/or the Registrar may charge the owner of such Bond its (their) reasonable fees and expenses in this connection.

SECTION 8. AUTHENTICATION OF BONDS.

The Bonds, after execution by the City, shall be delivered to the Bond Registrar. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Ordinance unless and until such Bond has been duly authenticated by the Registrar by the execution of the Authentication Certificate of Registrar appearing on such Bond. Such Certificate appearing on any Bond shall be deemed to have been duly executed by the Registrar if manually signed by an authorized officer of the Registrar. It shall not be required that the same officer of the Registrar sign such Certificate on all of the Bonds.

The City Officers shall execute and deliver to the Registrar a sufficient quantity of Bonds to enable the Registrar to hold a quantity of Bonds, after the initial delivery of the \$475,000 authorized issue, for future authentication and exchange for such Bonds as may be exchanged and transferred from time to time.

SECTION 9. CURRENT BONDS PAYABLE OUT OF REVENUES ON A PARITY WITH PRIOR SECOND LIEN BONDS; SUBJECT TO DEFINED PRIORITIES.

All of the Current Bonds, with interest thereon, and any additional Parity Bonds that may be issued and outstanding under the conditions and restrictions of the Prior Second Lien Bond Ordinances and of this Current Bond Ordinance, are to be issued in anticipation of the revenues to be derived from the operation of said combined and consolidated waterworks and sewer System, all as hereinafter more specifically provided, shall be payable out of the Second Lien Sinking Fund created in the 1972 Bond Ordinance, on a parity basis with the Prior Second Lien Bonds, and shall be a valid claim of the holders thereof against said Second Lien Sinking Fund and against a sufficient portion of the gross revenues of the System pledged to said Fund, subject to Defined Priorities.

SECTION 10. BOND FORM.

The aforesaid authorized issue of Bonds in the amount of \$475,000 shall be in substantially the following form.

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF LOGAN
CITY OF RUSSELLVILLE
_____ % WATER AND SEWER REVENUE BOND
SERIES OF 1984

NO. R-_____

CUSIP:

DATE OF ORIGINAL ISSUE:

\$ _____
Principal Amount

INTEREST RATE:

MATURITY DATE:

KNOW ALL MEN BY THESE PRESENTS: That the City of Russellville, (the "Issuer"), in the Commonwealth of Kentucky, for value received, hereby promises to pay, solely from the special fund hereinafter identified, to

the registered owner, or his or its registered assigns, as hereinafter identified, upon presentation and surrender of this Bond, the principal sum of

DOLLARS,

on the Maturity Date specified above, and to pay interest on said sum at the per annum Interest Rate specified above, semiannually from the Date of Original Issue or from the most recent interest payment date preceding the date of or on which this Bond was authenticated, unless this Bond is authenticated on an interest payment date to which interest has been paid, in which event it shall bear interest from that date, on April 1 and October 1 of each year, unless redeemed (prepaid) prior thereto as hereinafter provided. The principal of and premium, if any, on this Bond are payable upon surrender of this Bond, at maturity or at earlier redemption prior to maturity, in lawful money of the United States of America at the main office of the Southern Deposit Bank, Russellville, Kentucky (the "Payee Bank" and the "Bond Registrar"). Interest due on this Bond shall be paid by check or draft mailed by regular U. S. mail postmarked no later than the due date thereof by the Payee Bank to the registered owner hereof at the address shown as of the 15th day of the month preceding each interest payment date on the Bond Register kept by the Payee Bank, which is also the Bond Registrar.

This Bond is part of an authorized issue of Four Hundred Seventy-Five Thousand Dollars (\$475,000) principal amount of Bonds (said Bonds being hereinafter sometimes collectively referred to as "the Bonds" or as "these Bonds") issued by the Issuer pursuant to an Ordinance duly enacted (the "Current Bond Ordinance") under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky; and more specifically, Sections 82.082 and 58.010 through 58.140 of the Kentucky Revised Statutes (the "Act"), for the purpose of financing the cost of the construction of extensions, additions, and improvements

to the combined and consolidated municipal waterworks and sewer system (the "System") of the Issuer, as is more fully identified in the Current Bond Ordinance.

This Bond ranks on a parity as to security and source of payment with certain outstanding (a) "City of Russellville Water and Sewer Revenue Bonds, Series of 1972", dated January 23, 1974 (the "Bonds of 1972"), authorized by an Ordinance enacted by the City Council of the Issuer on June 20, 1972 (the "1972 Bond Ordinance"), and (b) "City of Russellville Water and Sewer Revenue Bonds of 1983", dated February 23, 1984 (the "Bonds of 1983") authorized by an Ordinance enacted by the City Council of the Issuer on April 19, 1983 (the "1983 Bond Ordinance", said 1972 and 1983 Bond Ordinances being hereinafter sometimes jointly referred to as the "Prior Second Lien Bond Ordinances", and said Bonds of 1972 and 1983 being hereinafter sometimes collectively referred to as the "Prior Second Lien Bonds"), pursuant to the consent of the owner of all 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 1972 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 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.

These Bonds are issuable as fully registered Bonds in the denomination of \$5,000 and any authorized multiple thereof within a single maturity.

This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing at the main office of the Bond Registrar, but only in the manner and subject to the limitations, provided in the Bond Ordinance, and upon surrender and cancellation of this Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative. Upon such transfer being made, a new fully registered Bond or Bonds of the same series and the same maturity of authorized denomination, for the same aggregate principal amount, will be issued to the transferee in exchange for this Bond.

The Issuer and the Bond Registrar may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of principal hereof, premium, if any, and interest due hereon and for all other purposes, and neither the Issuer nor the Bond Registrar shall be affected by any notice to the contrary.

Bonds maturing on or after April 1, 1993, shall be subject to redemption by the Issuer prior to maturity, in whole or in part, in the inverse order of their maturities (less than all of a single maturity to be selected by lot), on any interest payment date falling on or after April 1, 1992, upon payment of face amount plus all accrued interest maturing on and prior to the redemption date, plus a redemption premium in an amount equal to 2% of the face amount of the Bonds called for redemption.

In the event that a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$5,000 or an integral multiple thereof. Upon surrender of any Bond for redemption in part, the Bond Registrar, in accordance with the Bond Ordinance, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

The Registrar shall give notice of any redemption by sending such notice by certified or registered mail not less than 30 and not more than 60 days prior to the date fixed for redemption, to the registered owner of this Bond at the address shown on the Bond Registrar as of the date of mailing of such notice.

This Bond is exempt from taxation in 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 amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or the Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, said City of Russellville, in the Commonwealth of Kentucky, has caused this Bond to be executed on its behalf with the duly authorized reproduced facsimile signature of the Mayor of said City, and the reproduced facsimile of its Corporate Seal to be imprinted hereon and attested by the reproduced facsimile signature of its City Clerk, dated as of the first day of September, 1985; provided, however, that this Bond shall not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the Bond Ordinance pursuant to which it was authorized until the Authentication Certificate of Registrar printed hereon shall have been executed by the manual signature of a duly authorized representative of the Registrar.

Attest: By (Facsimile Signature)
Mayor
(Facsimile Signature)
City Clerk

(Facsimile Seal)

THE AUTHENTICATION DATE OF THIS BOND IS: _____

(FORM OF AUTHENTICATION CERTIFICATE OF REGISTRAR)

AUTHENTICATION CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Bonds referred to in the within Bond and in the Bond Ordinance authorizing same.

SOUTHERN DEPOSIT BANK
Russellville, Kentucky, Bond Registrar

By _____
Authorized Officer

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto _____
the within Bond and hereby irrevocably constitutes and appoints _____
attorney to transfer said Bond on the books kept for registration and transfer of said Bond, with full power of substitution in the premises.

Dated: _____

In the presence of:

SECTION 11. COMPLIANCE WITH PARITY REQUIREMENTS OF PRIOR SECOND LIEN BOND ORDINANCES; CONSENT OF FmHA.

It is hereby recognized that the 1972 Bond Ordinance did not make provision for the issuance of parity bonds and the FmHA, as the owner of all of the Bonds of 1972, consented to the issuance of the Bonds of 1983 ranking on a parity with the Bonds of 1972, and consented to the inclusion in the 1983 Bond Ordinance of requirements for the issuance of additional bonds ranking on a parity with all of the Prior Second Lien Bonds.

In accordance with the requirements of Section 603 of the 1983 Bond Ordinance, it is hereby certified, covenanted, and declared:

(a) That the Construction Project shall upon completion constitute a part of the System, and the revenues of the new facilities constituting the Construction Project are pledged as additional security for the Current Bonds as well as for the Prior Second Lien Bonds, subject to Defined Priorities.

(b) The annual net revenues (defined as gross revenues less essential operation and maintenance expenses) of the existing System for the fiscal year preceding the year in which the Current Bonds are to be issued, adjusted as hereinafter provided, are equal to 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, plus the anticipated requirements of the proposed Current Bonds.

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

- (1) any revision in the schedule of rates or charges being imposed at the time of the issuance of the Current Bonds, and
- (2) any increase in the "annual net revenues" to be realized from the proposed Construction Project being financed (in whole or in part) by the Current Bonds; provided all such adjustments shall be based upon and included in a certification of an Independent Engineer, as defined herein.

It is also 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 (based on compliance with whatever is required by the FmHA) 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 \$475,000, 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 \$475,000 of Bonds of 1984 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.

Accordingly, based on the foregoing compliance with the requirements of the 1983 Bond Ordinance, and the consent of the FmHA, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with the outstanding Prior Second Lien Bonds from a fixed portion of the gross income and revenues of the combined and consolidated water and sewer System, subject to Defined Priorities.

SECTION 12. PROVISIONS OF PRIOR BOND ORDINANCES INCORPORATED
HEREIN; ADJUSTMENTS IN REQUIRED DEPOSITS.

All proceedings preliminary to and in connection with the issuance of the Prior Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the Prior Bonds; for the operation of said combined and consolidated waterworks and sewer system on a revenue-producing basis; for the segregation, allocation, and custody of the revenues derived from the operation of the System; and for the enforcement and payment of the Prior Bonds; and all other covenants for the benefit of the 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 First Lien 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 Ordinances, 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 Ordinances; 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 Ordinances 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 Ordinances.

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 1972 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 following amounts:

- (a) The sum of \$1,090, being an amount equal to one-twelfth (1/12) of the annual principal and interest payment due on the Bonds of 1972, on April 1 in each of the years of maturity, with the final payment due on January 23, 2013; plus
- (b) A sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on the Bonds of 1983; plus
- (c) A sum equal to one-twelfth (1/12) of the principal of the Bonds of 1983 falling due on the next succeeding April 1.

In addition to the payments required by paragraphs (a), (b), and (c) above, beginning September 15 1984, and on the 15th day of each month thereafter until the Current Bonds shall have been retired, there shall also be set aside into the Second Lien Sinking Fund, sums not less than:

- (i) A sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on the Current Bonds, except that from September 15, 1984, through March 15, 1985, such sum shall be equal to one-seventh (1/7) of the first interest payment due on the Current Bonds on April 1, 1985; plus