

ORDINANCE NO. 72-2

BOND ORDINANCE

AN ORDINANCE OF THE CITY OF RUSSELLVILLE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF THREE HUNDRED THIRTY-FIVE THOUSAND DOLLARS (\$335,000) (PLUS OR MINUS UP TO \$35,000) PRINCIPAL AMOUNT OF CITY OF RUSSELLVILLE WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 1992, DATED FEBRUARY 15, 1992, UNDER THE PROVISIONS OF CHAPTER 82 AND SECTIONS 58.010 THROUGH 58.140 OF THE KENTUCKY REVISED STATUTES, FOR THE PURPOSE OF DEFRAYING THE COST OF THE REFUNDING OF CERTAIN OBLIGATIONS OF THE COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM

WHEREAS, the City of Russellville (the "City"), a fourth class city, of Logan County, Kentucky, presently owns and operates the combined and consolidated water and sewer system (the "System") of said City, and

WHEREAS, the City has heretofore issued its City of Russellville, Kentucky Water and Sewer Revenue Bonds of 1984, dated September 1, 1984 (the "Series 1984 Bonds") in the original authorized amount of \$475,000 authorized by an ordinance adopted by the City Council of the City on September 4, 1984 (the "1984 Bond Ordinance") of which there are presently outstanding \$330,000 of said Series 1984 Bonds, and

WHEREAS, the City has heretofore issued its City of Russellville, Kentucky Water and Sewer Revenue Bonds, Series of 1972 dated January 23, 1974 (the "Series 1972 Bonds") in the original authorized amount of \$240,000 authorized by an ordinance adopted by the City Council of the City on June 20, 1972 (the "1972 Bond Ordinance") of which there are presently outstanding \$122,298 of said Series 1972 Bonds, and

WHEREAS, the City has heretofore issued its City of Russellville, Kentucky Water and Sewer Revenue Bonds, dated April 1, 1967 (the "Series 1967 Bonds") in the original authorized amount of \$590,000 authorized by an ordinance adopted by the City Council of the City on February 21, 1967 (the "1967 Bond Ordinance") of which there are presently outstanding \$550,000 of said Series 1967 Bonds, and

WHEREAS, the City desires to currently refund and redeem the outstanding Series 1984 Bonds on April 1, 1992, and

WHEREAS, it is deemed necessary and advisable for the best interests of the City that the City Council authorize the issuance and sale of \$335,000 of City of Russellville Water and

Sewer Refunding Revenue Bonds, Series 1992, dated February 15, 1992 (the "Current Bonds"), for the purpose of defraying the cost (not otherwise provided) of refunding and redeeming on April 1, 1992 the outstanding Series 1984 Bonds, and

WHEREAS, under the provisions of Chapter 82 and Sections 58.010 through 58.140 of the Kentucky Revised Statutes, the City is authorized to issue the Current Bonds to provide such funds for the purpose aforesaid,

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

SECTION 1. DEFINITIONS. As used in this Ordinance, unless the context requires otherwise:

"ACT" refers to Sections 82.082 and Sections 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 1967, 1972 and the proposed Current Bonds.

"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 1984" refers to the outstanding Bonds of the original authorized issue of \$475,000 of bonds designated as "City of Russellville, Kentucky Water and Sewer Revenue Bonds, dated September 1, 1984.

"BOND ORDINANCE OF 1984" or "1984 BOND ORDINANCE" refers to the Ordinance authorizing the Series 1984 Bonds, which Ordinance was enacted by the City Council of the City on September 4, 1984.

"BOND ORDINANCE OF 1972" or "1972 BOND ORDINANCE" refers to the Ordinance authorizing the Series 1972 Bonds, which Ordinance was enacted by the City Council of the City on June 20, 1972.

"BOND ORDINANCE OF 1967" or "1967 BOND ORDINANCE" refers to the Ordinance authorizing the Series 1967 Bonds, which Ordinance was enacted by the City Council of the City on February 21, 1967.

"BONDOWNER" or "OWNER" means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Current Bonds at the time issued and outstanding hereunder.

"BOND REGISTRAR", "DEPOSITORY BANK", "TRANSFER AGENT", or "PAYEE BANK" refers to the bank which shall constitute the Bond Registrar, Depository Bank, Transfer Agent and Payee Bank with respect to the Current Bonds, which Depository Bank shall have the duties and responsibilities of (a) issuing semiannual checks in payment of interest requirements as to the Current Bonds, (b) paying the principal (and redemption price, if any) of same at maturity or applicable redemption prior to maturity upon surrender of the Current Bonds, (c) authenticating, issuing and delivering the Current Bonds to the original purchasers of same in accordance with the sale of the Current Bonds, at the direction of the City (d) maintaining the Current Bonds register, (e) handling exchanges, cancellations, reissuance, redemption and all apparent duties of a Bond Registrar and Transfer Agent with respect to the Current Bonds, as hereinafter set out, and (f) serving as a depository in which all the Funds created in the Prior Bond Ordinance have been, are and will continue to be deposited. The Bond Registrar, Depository Bank, Transfer Agent and Payee Bank hereby designated is The Southern Deposit Bank, Russellville, Kentucky; provided, however, it is understood that the City reserves the right to designate a different Federal Deposit Insurance Corporation instrumentality to perform any and all of such functions of Bond Registrar, Depository Bank, Transfer Agent and Payee Bank as to the Current Bonds.

"CERTIFIED PUBLIC ACCOUNTANTS" refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in affairs of the System and/or of other City financial matters. Until otherwise directed by the governing body of the City, such term shall be deemed to refer to the firm of York, Neel and Company, Certified Public Accountants, 1113 Bethel Street, Hopkinsville, Kentucky 42240.

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

"CITY COUNCIL" means the City Council of the City or such other body as shall be the governing body of said City under the laws of Kentucky at any given time.

"CURRENT BONDS" refers to the \$335,000 of City of Russellville Water and Sewer Refunding Revenue Bonds, Series 1992, dated February 15, 1992, authorized herein.

"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.

"DEPRECIATION FUND" refers to the Depreciation Fund created in the Bond Ordinance of 1967 which requires the monthly deposit therein of one-sixtieth (1/60th) of the total amount required to be maintained therein until there is accumulated therein the required amount, which amount shall be determined at the time of issuance of any Parity Bonds, with the advice of an independent consulting engineer employed by the City.

"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.

"FISCAL AGENT" refers to the firm of J.J.B. Hilliard, W.L. Lyons, Inc., 501 South Fourth Avenue, Louisville, Kentucky 40202.

"FUNDS" refers to the Revenue Fund, the Sinking Fund, the Operation and Maintenance Fund, the Depreciation Fund and the Debt Service Reserve Fund.

"GOVERNING BODY" refers to the City Council of the City, 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" shall mean April 1 and October 1 of each year, commencing October 1, 1992.

"OUTSTANDING BONDS" refers to the outstanding Prior Bonds, and/or Current Bonds and any outstanding parity Bonds, and does not refer to any Bonds for the payment of the principal and interest of which sufficient funds will have been deposited and earmarked for payment of any such bonds.

"PARITY BONDS" means bonds issued in the future, which bonds issued in the future will, pursuant to the provisions of the Prior Second Lien Bond Ordinance and this Current Bond Ordinance, rank on a basis of parity with the Current Bonds and the Prior Second Lien Bonds, and shall not be deemed to include, nor to prohibit the issuance of, bonds ranking inferior in security to the Current Bonds and the Prior Second Lien Bonds.

"PRIOR FIRST LIEN BONDS" refers collectively to the outstanding Bonds of 1967.

"PRIOR FIRST LIEN BOND ORDINANCE" refers to the 1967 Bond Ordinance.

"PRIOR FIRST LIEN SINKING FUND" refers to the City of Russellville "Water and Sewer Bond and Interest Redemption Account", created in the 1967 Bond Ordinance.

"PRIOR FIRST LIEN SINKING FUND RESERVE" refers to the debt service reserve portion of the Prior First Lien Sinking Fund created in the 1967 Bond Ordinance.

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

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

"PRIOR BOND ORDINANCE" refers collectively to the 1967 Bond Ordinance and the 1972 Bond Ordinance.

"PRIOR BONDS" refers to the Series 1967 Bonds and the Series 1972 Bonds.

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

"RECORD DATE" shall mean 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.

"REVENUE FUND" refers to the "Water and Sewer Revenue Fund" created the 1967 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" refers to the City water and sewer systems which have been heretofore combined and consolidated into a single revenue-producing public water and sewer system, together with all future extensions, additions and improvements to said System.

SECTION 2. AUTHORIZATION OF BONDS. For the purpose of defraying the costs (not otherwise provided) of the Refunding Program, there are hereby authorized to be presently issued and sold Three Hundred Thirty-Five Thousand Dollars (\$335,000) (plus or minus up to \$35,000) principal amount of City of Russellville Water and Sewer Refunding Revenue Bonds, Series 1992, dated and bearing interest from February 15, 1992. In order to provide sufficient revenues to undertake the refunding of the Bonds of 1984 the principal amount of the Current Bonds shall be adjusted

upward or downward as deemed necessary by the Governing Body on the date of the sale of the Current Bonds. Said Current 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, beginning on October 1, 1992, 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 Current Bonds shall be as follows:

| <u>Maturity Date</u> <u>April 1,</u> | <u>Principal</u> <u>Maturity</u> |
|-----------------------------------------|-------------------------------------|
| 1993 | \$40,000 |
| 1994 | 45,000 |
| 1995 | 50,000 |
| 1996 | 50,000 |
| 1997 | 55,000 |
| 1998 | 55,000 |
| 1999 | 40,000 |

SECTION 3. BONDS ISSUED AS FULLY REGISTERED BONDS; REGISTERED OWNERS. The Current 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 Current Bond shall bear interest from the Interest Payment Date to which interest has been paid next preceding the date on which such Current Bond is authenticated by the Registrar, unless such Current Bond is authenticated on an Interest Payment Date to which interest has been paid, in which event it shall bear interest from such date, or if such Current Bond is authenticated prior to the first Interest Payment Date, such Current Bond shall bear interest from February 15, 1992.

The person in whose name any Current Bond is registered on the bond register maintained by the Bond Registrar, at the Record Date with respect to an Interest Payment Date, shall be entitled to receive the interest payable on such Interest Payment Date (unless such Current Bond shall have been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Current 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 of the Current Bonds.

SECTION 4. PLACE OF PAYMENT; MANNER OF EXECUTION; AND PROVISION AS TO PRIOR REDEMPTION. The principal of (and redemption price, if any) and interest on the Current 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 Current Bond is payable upon

surrender of same at the main office of the Payee Bank and Bond Registrar. Interest on the Current Bonds shall be paid by check mailed by the Payee Bank to the Bondowners as of the Record Date, at the respective addressed appearing on the bond register.

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

The Current Bond 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 Current Bonds; provided the Authentication Certificate of Registrar must be executed by the manual signature of the Bond Registrar on each Current Bond before such Current Bond shall be valid.

The Bond Registrar shall have the right to order the preparation of whatever number of Current 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 certificates to effect properly the continuing transfers and exchanges of ownership of the Current Bonds as same are sold, exchanged and/or otherwise surrendered in the future. No further action regarding the authorization or execution of additional certificates shall be required by the Governing Body, the Mayor or the City Clerk.

At least 5 business days prior to the delivery of the Current Bonds, the Purchasers shall furnish to the Bond Registrar the name, address, social security number or taxpayer identification number of each party to whom the Current Bonds shall have been resold and in whose name the Current Bonds are to be registered and the principal amounts and maturities thereof. The Bond Registrar shall then issue and deliver to the Purchasers, on the closing date, fully registered Current Bond certificates for each registered owner so designated.

Pending the preparation of printed Current Bonds the City may execute and, upon the City's request, the Bond Registrar shall authenticate and deliver one or more temporary Current Bond which may be printed, lithographed, typewritten, mimeographed or otherwise reproduced, in any denomination, substantially of the tenor of the printed Current 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 Current Bonds may determine, as evidenced by their signing such temporary Current Bonds.

All Current Bonds shall be exchangeable and transferable upon the presentation and surrender thereof at the office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, for a Current Bond or Current 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 Current Bond or Current Bonds presented for exchange. The Bond Registrar shall be and is hereby authorized to (authenticate and) deliver exchange Current Bonds in accordance with the provisions of this Section 5. Each exchange Current Bond delivered in accordance with this Section 5 shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Current Bond Ordinance to the same extent as the Current Bond or Current Bonds in lieu of which such exchange Current Bond is delivered.

The Current Bonds are not subject to optional redemption prior to maturity.

SECTION 5. REAFFIRMATION OF DECLARATION OF COMBINED AND CONSOLIDATED SYSTEM. The previous action of the City (declared and reaffirmed in the Prior Bond Ordinance) in declaring the existing waterworks, sewer, electric and garbage disposal systems of the City to constitute a combined and consolidated revenue-producing public project or System within the meaning of Sections 58.010 through 58.140 of the Kentucky Revised Statutes, is hereby authorized, approved, ratified and confirmed; and so long as any of the Prior Bonds, Current Bonds or any parity bonds shall remain outstanding, said System shall be owned, controlled, operated, and maintained on a revenue-producing basis, for the security and source of payment of the Prior Bonds, Current Bonds and any parity bonds, under the authority hereinbefore stated.

SECTION 6. MUTILATED, LOST, STOLEN OR DESTROYED CURRENT BONDS. If any Current Bond shall be mutilated, lost, stolen or destroyed, the City may execute, authenticate and deliver a new Current Bond of like maturity and tenor in lieu of and in substitution for the Current Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Current Bond, such mutilated Current Bond shall first be surrendered to the City, and in the case of any lost, stolen or destroyed Current Bond, there shall be first furnished to the City satisfactory evidence of the ownership of such Current Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Bond Registrar. If any such Current Bond

shall have matured, the City (through the Bond Registrar) may pay the same instead of issuing a new Current Bond. The City and/or the Bond Registrar may charge the owner of such Current Bond its (their) reasonable fees and expenses in this connection.

SECTION 7. AUTHENTICATION OF BONDS. The Current Bonds, after execution by the City, shall be delivered to the Bond Registrar. No Current Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Current Bond Ordinance unless and until such Current Bond has been duly authenticated by the Bond Registrar by the execution of the Authentication Certificate of Bond Registrar appearing on such Current Bond. Such Certificate appearing on any Current Bond shall be deemed to have been duly executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar. It shall not be required that the same officer of the Bond Registrar sign such Certificate on all of the Current Bonds.

The City shall deliver to the Bond Registrar a sufficient quantity of Current Bonds in blank to enable the Bond Registrar to hold a quantity of Current Bonds in blank, after the initial delivery of the Current Bonds, for future authentication and exchange for such Current Bonds as may be exchanged and transferred from time to time.

SECTION 8. CURRENT BONDS PAYABLE OUT OF REVENUES ON A PARITY WITH SERIES 1972 BONDS. 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 Bond Ordinance of 1972 and of this Current Bond Ordinance, are to be issued in anticipation of the revenues to be derived from the operation of said System, all as hereinafter more specifically provided, shall be payable out of the Second Lien Sinking Fund created in the Bond Ordinance of 1972, on a parity basis with the Series 1972 Bonds, and shall be a valid claim of the holders thereof against said Sinking Fund and against a sufficient portion of the gross revenues of the System pledged to said Sinking Fund subject to the vested rights and priorities in favor of the holders of the Series 1967 Bonds.

SECTION 9. BOND FORM. The Current Bonds shall be issued in substantially the following form:

UNITED STATE OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF LOGAN
CITY OF RUSSELLVILLE
WATER AND SEWER REFUNDING REVENUE BOND
SERIES 1992

NO. _____

DOLLARS

\$ _____

INTEREST RATE MATURITY DATE DATE OF ORIGINAL ISSUE CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

KNOW ALL MEN BY THESE PRESENTS: That the City of Russellville (the "City"), in the Commonwealth of Kentucky, for value received, hereby promises to pay to the Registered Owner named above, or registered assigns or legal representatives, as herein provided, solely from the special fund hereinafter identified, upon presentation and surrender of this Bond, the Principal Amount specified above, on the Maturity Date specified above, and to pay interest on said sum at the per annum Interest Rate specified above, from the interest payment date to which interest has been paid next preceding the date on which this Bond is authenticated, unless this Bond is authenticated on an interest payment date to which interest has been paid, in which event this Bond shall bear interest from such date, or if this Bond is authenticated prior to the first interest payment date, this Bond shall bear interest from the Date of Original Issue set out above, semiannually on April 1 and October 1 of each year, commencing on October 1, 1992, until payment of the Principal Amount, except as the provisions hereinafter set forth with regard to redemption prior to maturity may be and become applicable hereto. The principal amount of this Bond (and redemption price, if redeemed prior to maturity) is 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 "Bond Registrar"). Interest due on this Bond shall be paid by check or draft by 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 Bond Registrar.

This Series 1992 Bond is part of a duly authorized issue of _____ Dollars (\$ _____), principal amount of City of Russellville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1992 (the "Series 1992 Bonds") issued by the City 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, Section 82.082 and Sections 58.010 through 58.140 of the Kentucky Revised Statutes (the "Act"), for the purpose of providing funds to refund and redeem on April 1, 1992 the City of Russellville, Kentucky Water and Sewer Revenue Bonds of 1984 (the "1984 Bonds") payable from and secured by a second pledge of the gross revenues of the existing combined and consolidated municipal water and sewer system (the "System") of the City, thereby defeasing the

obligations of the City in regard thereto, as is more fully set forth in the Current Bond Ordinance.

The Series 1992 Bonds rank on a parity as to security and source of payment with the outstanding City of Russellville, Kentucky Water and Sewer Revenue Bonds, dated January 23, 1972 (the "Series 1972 Bonds"), authorized by an Ordinance enacted by the City Council of the City on June 20, 1974 (the "1972 Bond Ordinance") subject to the vested rights and priorities of the City of Russellville Water and Sewer Revenue Bonds dated April 1, 1967 (The "Prior First Lien Bonds") authorized by an ordinance enacted by the City Council of the City on February 21, 1967 (the "Prior First Lien Ordinance"). The 1972 Bond Ordinance provides and the Current Bond Ordinance reaffirms, that so long as any of the Series 1972 Bonds, the Series 1992 Bonds and/or any additional bonds ranking on a parity therewith, are outstanding, the System shall be owned and operated as a combined and consolidated revenue-producing public project or System within the meaning of Sections 58.010 through 58.140 of the Kentucky Revised Statutes, for the security and source of payment of any and all of such outstanding Series 1972 Bonds, the Series 1992 Bonds and any additional parity bonds.

It is provided in and by the 1972 Bond Ordinance and in and by the Current Bond Ordinance that additional bonds ranking on a parity with the Series 1972 Bonds and with the Series 1992 Bonds, may be issued and outstanding upon the conditions and restrictions provided in the 1972 Bond Ordinance and in the Current Bond Ordinance; and these Series 1992 Bonds, together with the 1972 Bonds and any additional parity bonds, as may be hereafter issued and outstanding from time to time under the parity conditions and restrictions of the 1972 Bond Ordinance and the Current Bond Ordinance, are and will continue to be payable from and secured by a second pledge of a fixed portion of the gross income and revenues to be derived from the operation of the System, which fixed portion of said gross income (after first satisfying the requirements of the Prior First Lien Bonds and the Prior First Lien Ordinance) and revenues shall be sufficient to pay the principal of and interest on all of said outstanding Series 1972 Bonds, the Series 1992 Bonds and any additional parity bonds as and when the same become due and payable, and which shall be set aside as a special fund for that purpose and identified as the "City of Russellville Water and Sewer Bond and Interest Redemption Fund of 1972" (the "Sinking Fund").

The City covenanted in the Current Bond Ordinance that so long as any of the Series 1972 Bonds, the Series 1992 Bonds and/or any additional parity bonds are outstanding, the System will be continuously owned and operated as a revenue-producing undertaking, and that the City will fix, charge, and adjust from time to time as needed, such rates for the services and facilities of the System so that the income and revenues therefrom will be sufficient to pay all of the Prior First Lien Bonds, the Series 1972 Bonds, the Series 1992 Bonds and any

additional parity bonds, and the interest thereon, as the same become due, to pay the cost of operation and maintenance of the System, and to provide for the depreciation thereof.

The Series 1992 Bonds do not constitute an indebtedness of the City of Russellville, Kentucky, within the meaning of any constitutional or statutory provisions or limitations, but are payable as to both principal and interest solely out of the revenues of the System, as aforesaid.

These Series 1992 Bonds are issuable as fully registered bonds in the denomination of \$5,000 and any authorized multiple thereof within a single maturity.

This Series 1992 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 Current Bond Ordinance, and upon surrender and cancellation of this Series 1992 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 Series 1992 Bond or Series 1992 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 Series 1992 Bond.

The City 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, redemption price, if any, and interest due hereon and for all other purposes, and neither the City nor the Bond Registrar shall be affected by any notice to the contrary.

The Series 1992 Bonds are not subject to optional redemption prior to maturity.

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 the Series 1992 Bonds, have existed, have happened and have been performed, in due time, form and manner as required by law, that the amount of this Series 1992 Bond, together with all other obligations of said City, does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky, and that a sufficient portion of the gross income and revenues of the System has been pledged to and will be set aside into the Sinking Fund by the City for the prompt payment of the principal of and interest on this Series 1992 Bond and all of the Series 1992 Bonds, and all other bonds ranking on a parity therewith, including the Series 1972 Bonds and those which may be issued hereafter.

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 15th day of February, 1992; provided, however, that this Series 1992 Bond shall not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the Current 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 Bond Registrar.

Attest: By (Facsimile Signature)
Mayor

(Facsimile Signature)
City Clerk

(Facsimile Seal)

(FORM OF AUTHENTICATION CERTIFICATE OF REGISTRAR)

AUTHENTICATION CERTIFICATE OF REGISTRAR

This is to certify that this Bond is one of the Series 1992 Bonds referred to in the within Bond and in the Current Bond Ordinance authorizing same.

The Authentication Date of this Series 1992 Bond is:

THE 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 Series 1992 Bond and hereby irrevocably constitutes and appoints _____

_____ attorney to transfer said Series 1992 Bond on the books kept for registration and transfer of this Series 1992 Bond, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By: _____

Social Security Number or
other taxpayer
identification number:

Notice: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

SECTION 10. COMPLIANCE WITH PARITY REQUIREMENTS OF PRIOR SECOND LIEN BOND ORDINANCE. 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 Current Bonds ranking on a parity with the Bonds of 1972, and consented to the inclusion in the Current Bond Ordinance of requirements for the issuance of additional bonds ranking on a parity with the Prior Second Lien Bonds.

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 certificate from the Farmers Home Administration (FmHA) to the effect that the FmHA agrees to the issuance of these Current Bonds ranking on a parity as to security and source of payment with the Prior Second Lien Bonds, all of which are held by the FmHA, and agrees to have a legend 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 \$335,000 authorized herein, so as to rank on a parity with said Prior Second Lien Bonds.

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

SECTION 11. 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 1967 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 1967 Bond Ordinance, and the same (including the Debt Service Reserve therein, hereinafter referred to as the "Prior First Lien Reserve Fund") shall continue to be maintained as provided in the Prior First Lien Bond Ordinance; and the City covenants and agrees that it will continue to deposit therein from the Revenue Fund whatever amounts are required by the terms of the Prior First Lien Bond 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 Ordinance.

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

B. Second Lien Sinking Fund.

A special or separate fund or account of the city, distinct and apart from all other funds and accounts, designated and identified as the "Water and Sewer Revenue Bond, Series 1972, Sinking Fund" (the "Second Lien Sinking Fund"), was created by the 1972 Bond Ordinance, into which 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:

- (i) A sum equal to one-sixth ($1/6$) or such lesser or greater amount necessary to accumulate an amount to pay, the next succeeding interest installment to become due on the Prior Second Lien Bonds, and the Current Bonds; plus
- (ii) A sum equal to one-twelfth ($1/12$) or such lesser or greater amount necessary to accumulate an amount to pay the principal of the Prior Second Lien Bonds and the Current Bonds on the next succeeding principal payment date.

It is now hereby ordered that the amount heretofore required to be deposited into the Second Lien Sinking Fund for the purposes of the Second Lien Reserve Fund shall continue to be deposited therein in the amount of \$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 held 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. Operation and Maintenance Fund.

A special and separate Fund of the City was heretofore created by the Prior (1967) 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.

D. Depreciation Fund.

A separate and special fund or account of the city was created in the Prior (1967) 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 C 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.

E. Surplus Revenues.

When all of the transfers required by A, B, C, and D 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 12. ADDITIONAL PARITY BONDS. 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 said Prior 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, but only under the conditions specified in the Prior Bond Ordinance, which conditions are hereinafter repeated, taking into account the issuance of the Current Bonds.

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;

(a) 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 the outstanding Prior Second Lien Bonds and Current Bonds.

(b) 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.

(c) 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.

(d) 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.

(e) Reference is made 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 Second Lien 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 Second Lien Sinking Fund Reserve 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.

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.

The City reserves the right to issue parity bonds to refund or refinance any part or all of the Prior Second Lien Bonds and the Current Bonds, provided that prior to the issuance of such additional parity bonds for that purpose, there shall have been procured and filed with the City Clerk of the City a statement by a Certified Public Accountant, as defined herein, reciting the opinion based upon necessary investigation that:

- (a) after the issuance of such parity bonds, the annual net revenues, as adjusted and defined above, of the then existing system for the fiscal year preceding the date of issuance of such parity bonds, after taking into account the revised debt service requirements resulting from the issuance of such parity bonds and from the elimination of the bonds being refunded or refinanced thereby, are equal to not less than 120% of the maximum debt service requirements then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the then outstanding bonds

payable from the revenues of the system,
calculated in the manner specified above; or

- (b) in the alternative, that the maximum debt service requirements for the Prior Second Lien Bonds, the Current Bonds, any then previously issued parity bonds and the proposed parity refunding bonds, in any year of maturities thereof after the redemption of the bonds scheduled to be refunded through the issuance of such proposed parity refunding bonds, shall not exceed the maximum debt service requirements applicable to the then outstanding Prior Second Lien Bonds, the Current Bonds and any then previously issued parity bonds for any year prior to the issuance of such proposed parity bonds and the redemption of the Current Bonds to be refunded.

SECTION 13. RATES AND CHARGES FOR SERVICES OF THE SYSTEM. While any of the Prior Bonds, Current Bonds, or any bonds ranking on 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 14. 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 Statement relating to the sale of the Current Bonds and the Official Terms and Conditions of Sale of the Bonds and Official Bid Form, setting out the terms and conditions for the sale of the Current Bonds.

A suggested form of Official Terms and Conditions of Sale of Bonds, Notice of Bond Sale, Bid Form and Official Statement, having been prepared in advance, in accordance with the instructions of the Fiscal Agent, by Bond Counsel 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 Current 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 15. ACCEPTANCE OF BID FOR PURCHASE OF CURRENT 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 sale shall be compared and the Governing Body 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 net interest cost to the City, and determine the exact principal amount, principal maturities and rates of interest which the Current Bonds shall bear.

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

SECTION 16. DISPOSITION OF PROCEEDS OF CURRENT BONDS.

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 February 15, 1992, to the date of delivery, shall immediately be deposited into the Second Lien 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 and such other appropriate expenses as may be approved by the Mayor.
- (c) The balance of the proceeds remaining shall be deposited in the Second Lien Sinking Fund which shall be applied to the extent necessary, and to redeem on April 1, 1992, all of the remaining outstanding Bonds of 1984 at a redemption price of 102% of the principal amount redeemed.

SECTION 17. LIMITATIONS 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 Current Bonds to be arbitrage bonds. The City covenants to the Purchasers and/or Owners of the Current Bonds that (1) the City will make no use of the proceeds of said Current Bonds, or the revenues of the System, which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds", and (2) that the City will comply with (i) all of the requirements of Section 148 of the Internal Revenue Code of 1986 (the "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 it is anticipated that amounts on deposit in the Sinking Fund will be used within thirteen (13) months from the respective date of deposit therein for the payment of debt service on the Outstanding Bonds and that except for an amount equal to not more than the greater of (a) one-twelfth (1/12) of debt service requirements of the Outstanding Bonds for the then ensuing year or (b) one year's earnings on the Sinking Fund, the Sinking Fund will annually be depleted through such application, for current debt service requirements of the Outstanding Bonds;

(2) 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 payable from the revenues of the System in excess of (a) 15% of the face amounts (par) of the original authorized issue of Prior Bonds issued prior to August 16, 1986 or net proceeds if sold at less than 98% of par or 125% of the average annual debt service on such bonds, and (b) 10% of the face amounts (par) of the original authorized issue of the Current Bonds and any Prior Bonds issued after February 156, 1986;

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

(4) That is is not reasonably anticipated that amounts accumulated in the Revenue Fund Reserve will be used for payment of debt service on any Outstanding Bonds even through such amounts will be so available if necessary to prevent a default in the payment of principal and interest on such Outstanding Bonds;

(5) that the original proceeds of the Current Bonds will not exceed by any amount, the amount required for the costs of the Refunding Program; and there has therefore been no overissuance of the Current Bonds; and

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

(c) The City covenants that neither the proceeds of the Current Bonds, nor "Non-Exempt Revenues of the City" (hereinafter defined), will be invested in investments which will produce a net adjusted yield in excess of the net interest cost

(effective yield) of the Current Bonds, if such investment would cause the Current Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable Regulations applicable thereto; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever such Code and such applicable Regulations permit same to be invested without causing the Current Bonds to be treated as "arbitrage bonds".

"Non-Exempt Revenues" within the meaning of the foregoing shall be deemed to refer to revenues of the City deposited in any of the funds earmarked for or reasonably expected to be used for the payment of debt service on the Outstanding Bonds, in excess of "Exempt Revenues" (hereinafter defined). Exempt Revenues shall consist of the following:

- (1) amounts deposited in the Sinking Fund for the purpose of paying debt service on any Outstanding Bonds within 13 months from the date of deposit;
- (2) amounts deposited in any reserve earmarked for or anticipated to be used for debt service on Outstanding Bonds, to the extent that such deposits do not cause the total amount of such reserves, deposits and other excess Non-Exempt Revenues, to exceed the limitations referred to in (b)(2) above, for which adequate provision will have been made to comply with such limitations; and
- (3) amounts deposited in the Depreciation Fund, Revenue Fund Reserve, Operation and Maintenance Fund or any other fund (however designated) reasonably expected to be used for extensions, additions, improvements, repairs or replacements to the System, and not reasonably expected to be used to pay debt service (even if pledged to be used to pay debt service in the event of the unexpected inadequacy of other funds pledged for that purpose) of Outstanding Bonds.

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 excluded from gross income for Federal income tax

purposes and that such Current Bonds will not be treated as "arbitrage bonds".

SECTION 18. DEFEASANCE OF BONDS. The City reserves the right, at any time, to cause the pledge of the revenues securing the Prior Bonds, the Current Bonds and all Parity Bonds, 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 non-callable obligations of the United States of America, 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 investments 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 (1) no such defeasement shall be accomplished through the use of amounts on deposit in the Debt Service Reserve Fund or through any other funds if such defeasement would, in the opinion of recognized Bond Counsel, adversely affect the exclusion of interest on any of the Outstanding Bonds from gross income for Federal income tax purposes and (2) no such defeasement shall require that any Current Bonds be redeemed in advance of maturity if a right to defease the Current Bonds without redemption in advance of maturity shall have become vested.

SECTION 19. CONTRACTUAL NATURE OF ORDINANCE. The provisions of this Current Bond Ordinance shall constitute a contract between the City and the Owners 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 Current Bond 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 Owners of eighty percent (80%) in principal amount of the Current Bonds may agree to a modification or amendment to 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 Bonds or Current Bonds or of any Parity Bonds, (b) a reduction in the principal amount of any Current Bond or the redemption price or the rate of interest thereon, (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 Bonds and the Current Bonds, (d) a preference or priority of any Prior Bonds, Current Bonds or Parity Bonds over any other bond or bonds, (e) a reduction in the aggregate principal amount of the Prior Bonds or Current Bonds required to consent to any such modification or amendment, or (f) impair in any way the rights of the Owners of the Current Bonds.

SECTION 20. SIGNATURES OF OFFICERS. If any of the officers whose signatures or facsimile signatures appear on the Current Bonds cease to be such officers before delivery of the Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if said officers had retained in office until delivery, as provided in KRS 58.040 and KRS 61.390.

SECTION 21. 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. The Bond Registrar and Transfer Agent shall have the following duties

(1) To authenticate the Current Bonds authorized herein.

(2) To register all of the Current Bonds in the names of the respective owners thereof;

(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 Current Bonds from one registered Bondowner to another within three (3) business days of the receipt of such proper assignment by the Bond Registrar; and

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

B. Duties as Payee Bank. The Payee Bank shall have the following duties:

(1) To hold the Sinking Fund 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 Current 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 Current 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 Current 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 Current Bond to be redeemed and to redeem Current Bonds prior to their stated maturity upon their presentation in accordance with the provisions of Section 5 of this Current Bond 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 Current Bonds within 30 days following each respective due date.

The Bond 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 Bond 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 Current Bond Ordinance, or the responsibility for the consequences of any oversight or error of judgment.

The Bond Registrar/Payee Bank may at any time resign from its duties set forth in this Current Bond Ordinance by filing its resignation with the City Clerk and notifying the Purchaser of the Current Bonds. Thereupon, the City shall designate a successor Bond 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 Bond Registrar/Payee Bank, provision shall be made for the orderly transition of the books, records and accounts relating to the Current Bonds to the successor Bond Registrar/Payee Bank in order that there will be no delinquencies in the payment of interest or principal due on the Current Bonds.

The Bond Registrar/Transfer Agent/Payee Bank shall indicate its acceptance of its duties as Bond Registrar, Transfer Agent and Payee Bank by signing the acceptance by the Logan-Agricultural Deposit Bank & Trust Co. at the conclusion of this Current Bond Ordinance.

SECTION 22. DESIGNATION AS "QUALIFIED TAX-EXEMPT OBLIGATIONS". The City hereby certifies that it does not reasonably anticipate that the total principal amount of "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code which the City, or any subordinate entity of the City, will issue during the calendar year during which the Current Bonds are issued, will exceed \$10,000,000; and therefore the City hereby designates the Current Bonds issued pursuant to this Current Bond Ordinance as "qualified tax-exempt obligations".

SECTION 23. 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 13 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 24. SEVERABILITY CLAUSE. If any section, paragraph, clause, or provision of this Current Bond Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Current Bond Ordinance.

SECTION 25. EFFECTIVE DATE OF ORDINANCE. This Current Bond Ordinance shall be introduced at a meeting of the Governing Body and remain on file for at least one week for public inspection in the completed form in which it shall be put on its final enactment and if enacted shall be published by title and summary in a Notice of Enactment and Summary of Ordinance and shall be in full force and effect immediately following publication of such Notice.

Introduced and Given First Reading, February 18, 1992. Given Second Reading and Final Enactment, February 27, 1992.



Mayor


Attest:


City Clerk

CERTIFICATE OF CITY CLERK

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 and correct copy of an Ordinance authorizing the issuance of \$335,000 (plus or minus up to \$35,000) of City of Russellville Water and Sewer Refunding Revenue Bonds, Series 1992, dated February 15, 1992, that said Ordinance was introduced and given first reading by the City Council of said City on February 18, 1992, and that it was placed and remained on file in my office for public inspection in that identical, completed form until February 27, 1992, on which date it was given its second reading and final enactment by said Board, 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 such Ordinance has been ordered to be published by title and summary in a Notice of Enactment and Summary, in the form attached hereto, and 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 February 27, 1992.


Peggy S. Jenkins
City Clerk

(Seal of City)

ACCEPTANCE BY THE SOUTHERN DEPOSIT
BANK, AS BOND REGISTRAR,
TRANSFER AGENT, AND PAYEE BANK

The undersigned, THE 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: 2/27, 1992.

THE SOUTHERN DEPOSIT BANK

Robert H. Kibbattuk Jr.
Signature
President
Title

(Seal of Bank)