

**ORDINANCE NO. 1998-15**

**AN ORDINANCE OF THE CITY OF RUSSELLVILLE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF FIVE MILLION THIRTY FIVE THOUSAND DOLLARS (\$5,035,000), SUBJECT TO ADJUSTMENT, PRINCIPAL AMOUNT OF CITY OF RUSSELLVILLE, KENTUCKY WATER AND SEWER REVENUE BONDS, SERIES 1998, DATED OCTOBER 1, 1998, UNDER THE PROVISIONS OF SECTIONS 58.010 THROUGH 58.140, INCLUSIVE, OF THE KENTUCKY REVISED STATUTES, FOR THE PURPOSE OF FINANCING A NEW WASTEWATER SYSTEM.**

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

WHEREAS, the City has heretofore issued its City of Russellville Water and Sewer Revenue Bonds Series of 1972 dated January 23, 1974 (the "Series 1972 Bonds") in the original principal amount of \$240,000, authorized by an ordinance enacted by the City Council of on June 20, 1972 (the "1972 Bond Ordinance"), and

WHEREAS, the City has heretofore issued its City of Russellville Water and Sewer Revenue Bonds of 1991, dated March 9, 1993 (the "Series 1991 Bonds") in the original principal amount of \$148,000, authorized by an ordinance enacted by the City Council on January 8, 1992 (the "1991 Bond Ordinance"), and

WHEREAS, the City has heretofore issued its City of Russellville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1992, dated February 15, 1992 (the "Series 1992 Bonds"), in the original principal amount of \$330,000, authorized by an ordinance enacted by the City Council on February 27, 1992 (the "1992 Bond Ordinance"), and

WHEREAS, the City has heretofore issued its City of Russellville Water and Sewer Revenue Bonds, dated April 1, 1967 (the "Series 1967 Bonds") in the original amount of \$590,000, authorized by an Ordinance enacted by the City Council on February 21, 1967 (the "1967 Bond Ordinance"), and

WHEREAS, in and by the 1972 Bond Ordinance and the 1992 Bond Ordinance (hereinafter collectively referred to as the "Prior Second Lien Bond Ordinance"), the right and privilege was reserved by the City under conditions and restrictions set out in said Prior Second Lien Bond Ordinance, of issuing additional bonds from time to time, payable from the income and revenues of the System and ranking on a parity with the outstanding Series 1972 Bonds and Series 1992 Bonds (hereinafter collectively referred to as the "Prior Second Lien Bonds"), subject however to the vested rights and priorities of the owners of the outstanding Series 1967 Bonds, for the purpose among other things, of financing the costs of extensions, additions and improvements to the System, which

conditions and restrictions are found to currently exist and prevail so as to permit the issuance of certain proposed additional bonds so as to rank, when issued, on a parity with the outstanding Prior Bonds, 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 \$5,035,000 (subject to adjustment upward or downward not to exceed \$500,000) of City of Russellville, Kentucky Water and Sewer Revenue Bonds, Series 1998, dated October 1, 1998 (the "Current Bonds"), for the purpose of providing funds for the construction of additions and improvements to the City's wastewater treatment facility and the sanitary sewer collection system, and to reaffirm the conditions and restrictions whereunder similar bonds may be subsequently issued ranking on a parity therewith, and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, and under the provisions of the Prior Second Lien Bond Ordinance, 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, 58.010 through 58.140 and 58.440, of the Kentucky Revised Statutes.

"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 on February 21, 1967.

"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 on June 20, 1972.

"Bond Ordinance of 1991 or "1991 Bond Ordinance" refers to the Ordinance authorizing the Series 1991 Bonds, which Ordinance was enacted by the City Council on January 8, 1992.

"Bond Ordinance of 1992 or "1992 Bond Ordinance" refers to the Ordinance authorizing the Series 1992 Bonds, which Ordinance was enacted by the City Council on February 27, 1992.

"Bond Counsel" refers to a nationally recognized firm of Bond Counsel including the firm of Rubin & Hays, First Trust Centre, 200 South Fifth Street, Louisville, Kentucky 40202, which firm has prepared the legal proceedings for the issuance of the Current Bonds, has furnished all of the customary services of Bond Counsel in this financing and will continue to furnish such services until the Current Bonds are delivered and paid for, including the rendering of the final approving legal opinion with regard to the legality of the Current Bonds and the tax exemption of the interest thereon.

*"Bondowner", "Owner", "Bondholder"* means and contemplates, unless the context otherwise indicates, the registered owner of one or more of the Bonds at the time issued and outstanding hereunder.

*"Bond Register"* means the books and records maintained by the Bond Registrar as to the registered ownership and transfers of ownership of the Current Bonds from time to time.

*"Bond Registrar" or "Registrar" or "Paying Agent" or "Transfer Agent"* refers to the bank which shall constitute the Bond Registrar and Paying Agent 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 Current Bonds, (b) paying the principal of same at maturity or applicable mandatory redemption or optional 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 Bond Register and (e) handling exchanges, cancellations, reissuance, redemption and all apparent duties of a Bond Registrar, Paying Agent and Transfer Agent with respect to the Current Bonds, as hereinafter set out. The Bond Registrar, Paying Agent and Transfer Agent hereby designated is Star Bank, Cincinnati, Ohio. 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, Paying Agent and Transfer Agent as to the Current Bonds.

*"Bonds"* refers to the Current Bonds, the Series 1967 Bonds, the Prior Second Lien Bonds and any additional Parity 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, Hopkinsville, Kentucky.

*"City" or "Issuer"* refers to the City of Russellville, in Logan County, Kentucky.

*"City Clerk"* refers to the City Clerk of the City.

*"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.

*"Code"* refers to the United States Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

*"Current Bonds"* refers to the \$5,035,000 (subject to adjustment upward or downward not to exceed \$500,000) of the City of Russellville, Kentucky Water and Sewer Revenue Bonds, Series

1998, dated October 1, 1998, authorized herein, and sold by the City pursuant to the provisions hereof.

*"Current Bond Ordinance"* or *"Ordinance"* refers to this Ordinance authorizing the Current Bonds.

*"Depreciation Fund"* refers to the Water and Sewer Depreciation Fund created in the 1967 Bond Ordinance and which Depreciation Fund will continue to be maintained for the benefit of all of the Bonds.

*"Depository Bank"* refers to the bank in which the Funds referred to in this Ordinance will be deposited and maintained, unless and until the Superintendent designates a different FDIC instrumentality or instrumentalities as the depositories for such Funds; and shall at the date of this Ordinance refer to The Southern Depository Bank, Russellville, Kentucky.

*"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 the firm of Water Management Services, Nashville, Tennessee, or its successors or assigns.

*"Financial Advisor"* refers to J.J.B. Hilliard, W.L. Lyons, Inc., a Kentucky corporation, 501 South Fourth Avenue, Louisville, Kentucky 40202.

*"First Lien Sinking Fund"* refers to the City of Russellville Water and Sewer Bond and Interest Redemption Account, created in the 1967 Bond Ordinance.

*"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.

*"Funds"* refers to the Revenue Fund, the First Lien Sinking Fund, the Second Lien Sinking Fund, the Operation and Maintenance Fund, the Depreciation Fund and the Construction 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 April 1, 1999.

*"Operation and Maintenance Fund"* refers to the "City of Russellville Water and Sewer Operation and Maintenance Fund" created in the Series 1967 Bond Ordinance and confirmed in the Prior Second Lien Bond Ordinance and which Operation and Maintenance Fund will continue to be maintained for the benefit of the System.

*"Mayor"* refers to the Mayor of the City.

*"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 collectively to the outstanding Series 1967 Bonds, all outstanding Prior Second Lien Bonds, the outstanding Current Bonds and any outstanding Parity Bonds, and does not refer to any bonds which have been defeased.

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

*"Permitted Investments"* refers to investments of funds on deposit in the various funds created herein and includes: (a) Direct Obligations or obligations guaranteed by the United States of America; (b) Interest-bearing time deposits or certificates of deposit fully secured by Investment Obligations as defined in (a) above, to the extent not insured by Federal Deposit Insurance Corporation; and/or (c) Money Market Funds or Mutual Funds which are invested in (a) and/or (b) above or in any one or more of same.

*"Prior Second Lien Bond Ordinance"* refers collectively to the 1972 Bond Ordinance and the 1992 Bond Ordinance.

*"Prior Second Lien Bonds"* refers collectively to the Series 1972 Bonds and the Series 1992 Bonds.

*"Project"* refers to additions and improvements to the wastewater treatment plant and sanitary sewer collection system of the City.

*"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 City of Russellville Water and Sewer Revenue Fund created in the Prior Second Lien Bond Ordinance and which Revenue Fund will continue to be maintained for the benefit of all of the Bonds.

"*Sale Order*" refers to the Municipal Order approved by the City accepting the successful bid on for the Current Bonds and setting the principal amount, maturities and interest rates for the Current Bonds.

"*Second Lien Sinking Fund*" refers to the "City of Russellville Water and Sewer Revenue Bond Sinking Fund", created and confirmed in the Prior Second Lien Bond Ordinance.

"*Second Lien Sinking Fund Reserve*" refers to the reserve portion of the Second Lien Sinking Fund, created and confirmed in the Prior Second Lien Bond Ordinance.

"*Series 1967 Bonds*" refers to the original authorized \$590,000 of City of Russellville Water and Sewer Revenue Bonds, dated April 1, 1967.

"*Series 1972 Bonds*" refers to the original authorized \$240,000 of City of Russellville Water and Sewer Revenue Bonds Series of 1972, dated January 23, 1974.

"*Series 1991 Bonds*" refers to the original authorized \$148,000 of City of Russellville Water and Sewer Revenue Bonds of 1991, dated March 9, 1993.

"*Series 1992 Bonds*" refers to the original authorized \$330,000 of City of Russellville Water and Sewer Refunding Revenue Bonds, Series 1992, dated February 15, 1992.

"*System*" refers to the City waterworks and sewer systems which have been heretofore combined and consolidated into a single revenue-producing public water and sewer project or system, together with all future extensions, additions and improvements to said System.

"*Term Bonds*" refers to the Current Bonds, if any, which are required to be mandatorily redeemed in accordance with the schedule set out in the Sale Resolution.

"*Treasurer*" refers to the Treasurer of the City.

"*U.S. Obligations*" refers to bonds, notes, or Treasury Bills which are direct obligations of the United States of America or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government Series, and Trust Receipts representing an ownership interest in direct obligations of the United States.

**Section 2. Reaffirmation of Declaration of Combined and Consolidated Water and Sewer System.** That all proceedings heretofore taken for combining and consolidating the works and facilities supplying water and sewer service in and to said City as a municipal water and sewer system are hereby in all respects ratified and confirmed; and so long as any of the revenue bonds hereinafter authorized or permitted to be issued remain outstanding, said System shall be owned, controlled, operated and maintained on a combined and consolidated basis for the security and source of payment of said revenue bonds. Said System is hereby declared to constitute a public

project within the meaning and application of Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.

**Section 3. Authorization of Current Bonds; Place of Payment; Manner of Execution.**

That pursuant to the Constitution and laws of Kentucky, and particularly said Sections 58.010 to 58.140, inclusive of the Kentucky Revised Statutes, there are hereby authorized to be presently issued and sold Five Million Thirty Five Thousand Dollars (\$5,035,000) (plus or minus up to \$500,000) principal amount of City of Russellville, Kentucky Water and Sewer Revenue Bonds, Series 1998, dated October 1, 1998, for the purpose of providing funds for the Project. Said Current Bonds shall mature on each April 1 and October 1 beginning April 1, 2000 and continuing thereafter through and until April 1, 2019, in such principal amounts, and shall bear interest payable semiannually on the Interest Payment Date, commencing April 1, 1999, at an interest rate or rates to be fixed by said City in its Sale Order as a result of the advertised sale of the Current Bonds.

The principal of, redemption price, if any, and interest on the Current Bonds shall be payable in lawful money of the United States of America. Principal of or redemption price of the Current Bonds is payable upon surrender thereof at the main office of Star Bank in Cincinnati, Ohio, as the Bond Registrar, Paying Agent and Transfer Agent for the Current Bonds as hereinafter provided in Section 19 hereof. Interest on the Current Bonds shall be paid by check by said Paying Agent to each registered owner of said Current Bonds as of the first day of the month preceding each Interest Payment Date on the Current Bonds and mailed to each such owner at the address appearing on the Bond Register maintained by said Bank.

The Current Bonds shall be designated "City of Russellville, Kentucky Water and Sewer Revenue Bonds, Series 1998, dated October 1, 1998," and shall be issuable as fully registered Current Bonds in the denomination of \$5,000 or any integral multiple thereof. The fully registered Current Bonds shall be lettered "R" and shall be numbered consecutively from 1 upward.

The Current Bonds shall be executed on behalf of the City, with the duly authorized reproduced facsimile signature of the Mayor of the City, 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 Bond Registrar must be executed by the manual signature of the Bond Registrar on each Current Bond before such Current Bond shall be valid and obligatory.

Pending the preparation of the definitive Current Bonds, the City may execute and, upon the City's request, the Bond Registrar shall authenticate and deliver, one or more temporary Current Bonds which may be printed, lithographed, typewritten, mimeographed or otherwise reproduced, in any denomination, substantially of the tenor of the definitive Current Bonds in lieu of which they are delivered, in registered form, and with such appropriate insertions, omissions, substitutions and other appropriate and necessary variations as to officers of the City executing such temporary Current Bonds may determine, as evidenced by their signing such temporary Current Bonds.



Until exchanged for Current Bonds in definitive form, such temporary Current Bonds shall be entitled to the benefit and security of this Ordinance. The City shall, without unreasonable delay, prepare, execute and deliver printed Current Bonds to the initial purchasers thereof and/or their designees, and thereupon, upon the presentation and surrender of the temporary Current Bonds, such printed Current Bonds shall be delivered to such initial 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 Current Bonds.

**Section 4. Exchange and Transfer of Current Bonds.** The 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 such owner's authorized representative, for a Current Bond or Current Bonds of the same maturity and interest rate and in the 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 4. Each exchange Current Bond delivered in accordance with this Section 4 shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Current Bond or Current Bonds in lieu of which such exchange Current Bond is delivered. The Bond Registrar will not be obligated to transfer or exchange any Current Bond (a) during any period beginning five (5) days prior to the selection by the Bond Registrar of Current Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of any such redemption, or (b) if such Current Bond has been selected or called for redemption in whole or in part.

In the event of non-payment of interest on one or more maturities of the Current Bonds on a scheduled Interest Payment Date, and for thirty (30) days thereafter, a new record date for such interest payment for such maturity or maturities ("Special Record Date") will be established by the Bond Registrar, if and when funds for the payment of such interest shall have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date"), which shall be fifteen (15) days after the Special Record Date, shall be sent at least five (5) business days prior to the Special Record Date by United States Mail, first class postage prepaid, to the address as shown on the register of Current Bonds maintained by the Bond Registrar of each owner of a Current Bond of such maturity or maturities appearing on the books of the Bond Registrar at the close of business on the last business day next preceding the date of mailing such notice.



**Section 5. Provisions as to Mandatory and Optional Redemption.** (a) *Mandatory Redemption of Term Bonds.* The Term Bonds, if any, must be mandatorily redeemed on April 1 or October 1 in each of the respective years set forth in the mandatory redemption schedule set forth in the Sale Order. The Term Bonds to be so redeemed shall be selected by the Bond Registrar by lot in such manner as may be determined in the discretion of the Bond Registrar. Such Term Bonds due shall be so mandatorily redeemed at 100% of the aggregate principal amounts specified in the Sale Order for each year plus accrued interest to the respective dates of mandatory redemption.

At the option of the City, to be exercised at least 45 days prior to the date for application of the mandatory redemption of the Term Bonds, if any, the City may receive a credit against the mandatory redemption requirement for Term Bonds subject to the application of such mandatory redemption requirement which, prior to the date for application of such requirement (and for which a credit has not previously been taken) (i) have been redeemed other than through the application of such mandatory redemption procedure, and cancelled by the Bond Registrar, or (ii) have been delivered to the Bond Registrar by the City for cancellation.

(b) *Optional Redemption.* Current Bonds maturing on or after April 1, 2009, are subject to redemption, in whole or in part, at any time, in inverse order of maturities and by lot within a single maturity, by the City prior to their stated maturities, on any date falling on or after October 1, 2008, upon payment of the principal amount to be redeemed plus accrued interest to the date of redemption, on the dates, subject to redemption premium stated as a percentage of the principal amount to be redeemed, as follows:

| <u>Redemption Dates (Inclusive)</u>        | <u>Redemption Price</u> |
|--|-------------------------|
| October 1, 2008 through September 30, 2009 | 101.0%                  |
| October 1, 2009 through September 30, 2010 | 100.5%                  |
| October 1, 2010 and thereafter             | 100.0%                  |

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

(d) *Notice of Redemption.* The Bond Registrar shall give notice of any redemption by sending at least one such notice by first class United States mail not less than 30 and not more than 60 days prior to the date fixed for redemption to the registered owner of each Current Bond to be redeemed in whole or in part at the address shown on the Register of Bonds maintained by the Bond Registrar as of the date of mailing of such notice. The Bond Registrar may furnish one other form

of such notice more than 60 days prior to the date fixed for redemption, provided at least one such notice shall be sent not less than 30 nor more than 60 days prior to such date. 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 Current Bonds are to be surrendered for payment, and, if less than all of the Current Bonds are to be redeemed, an identification of the Current 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. Upon presentation and surrender of any such Current Bond at the main corporate trust office of the Bond Registrar on or after the date fixed for redemption, the Bond Registrar shall pay the redemption price of such Current Bond (including accrued interest) from the funds provided for such purpose.

All of said Current 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.

The required notice shall be deemed to have been given upon the City furnishing notice of redemption to the Bond Registrar and upon the Bond Registrar acknowledging that it has instructions to send such notice and that it will do so at the proper time, even if the time for furnishing such notice has not yet arrived.

**Section 6. Mutilated, Lost, Stolen or Destroyed Bonds.** If any Current Bond shall be mutilated, lost, stolen or destroyed, the Bond Registrar may 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 Bond Registrar, and in the case of any lost, stolen or destroyed Current Bond, there shall be first furnished to the Bond Registrar 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 Paying Agent 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 being printed, 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 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 or cause to be delivered to the Bond Registrar a sufficient quantity of Current Bonds to enable the Bond Registrar to hold a quantity of Current Bonds, after the initial

delivery of the authorized issue 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. Bonds Payable Out of Revenues on a Parity with Prior Second Lien Bonds.**

All of the Current Bonds and Prior Second Lien Bonds, together with the interest thereon and such additional bonds ranking on a parity therewith heretofore issued and outstanding and as may be hereafter issued and outstanding from time to time under the conditions and restrictions hereinafter set forth, shall be payable only out of the Second Lien Sinking Fund, as heretofore created in the Prior Second Lien Bond Ordinance and as hereinafter more specifically provided and shall be a valid claim of the holder thereof only against said fund and the fixed portion or amount of the income and revenues of the System of said City pledged to said fund. The Current Bonds and the Prior Second Lien Bonds are subject to the vested rights and priorities of the owners of the outstanding Series 1967 Bonds and the owners of the Current Bonds and the Prior Second Lien Bonds have no rights to the funds on deposit in the First Lien Sinking Fund or the First Lien Sinking Fund Reserve so long as any Series 1967 Bonds remain outstanding.

**Section 9. Bond Form.** The Current Bonds shall be substantially in the form attached hereto as Exhibit A.

**Section 10. Sale of Bonds.** The Current Bonds shall be sold at public sale immediately after public advertisement as required by Chapter 424 of the Kentucky Revised Statutes, and the Mayor and the City Clerk are authorized and directed to make such advertisement of a Notice of Bond Sale in such form as may be prepared by Bond Counsel and as may be recommended by J.J.B. Hilliard, W.L. Lyons, Inc., the Financial Advisor to the City.

Said bids shall be received in the office of the City Clerk until a day and hour when the City Council is scheduled to be in session at a regular, adjourned regular, or called, special session. The City Council shall, in an Order accepting the successful bid for the Current Bonds, determine the exact principal amount, principal maturities and rates of interest which said Current Bonds shall bear, and the principal amount, principal maturities and interest rates of said Current Bonds shall be automatically fixed at the principal amount, principal maturities and interest rates set out in said successful bid accepted in said Order, without the necessity of any further action by the City Council fixing said principal amount, principal maturities and interest rates.

Forms of "Notice of Bond Sale," "Official Terms and Conditions of Sale of Bonds" and "Bid Form" in substantially the forms attached hereto, are hereby approved. The Notice of Bond Sale shall be signed by the City Clerk, and shall be used for the purpose of publishing notice of the sale of the Current Bonds. Copies of the Official Terms and Conditions of Sale of Bonds and Bid Form shall be furnished to a list of interested bidders and to any interested parties who may request the same.

If for any reason it is determined that no bid should be accepted when the Current Bonds are first offered for public sale, then, upon recommendation of the Financial Advisor for the City, the

Mayor is authorized to readvertise such Current Bonds for public sale and to approve a revised Notice of Bond Sale, Bid Form and Official Terms and Conditions of Sale of Bonds, and to distribute same to prospective bidders, without the necessity of the City Council taking any further action or granting any further authority for such proceedings.

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 theretofore 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 City Council shall, on the same day that such bids are received or as soon thereafter as reasonably possible, reject all bids or accept the best of such bids, as measured in terms of the lowest net interest cost to the City, as calculated in the manner prescribed in the "Official Terms and Conditions of Sale of Bonds," as is deemed in the best interest of the City.

If the City Council shall accept a purchase bid for the Current Bonds, the City Council shall adopt a Order to that effect, supply proper evidence of such acceptance to the bidder submitting the accepted bid, and thereupon arrangements shall be made for the Current Bonds to be printed and delivered in accordance therewith and with the Official Terms and Conditions of Sale of Bonds.

**Section 11. Compliance with Parity Coverage Requirements of the Prior Second Lien Bond Ordinance.** It is hereby declared that in accordance with the provisions of the Prior Second Lien Bond Ordinance, and prior to the issuance of any of the Current Bonds hereby authorized, there will be procured and filed with the City Clerk of said City any and all statements or certifications for the purpose of having both principal and interest on the Prior Second Lien Bonds and the Current Bonds hereby authorized payable on a parity from the income and revenues of said System with said outstanding Prior Second Lien Bonds.

**Section 12. Second Lien Flow of Funds.** All proceedings preliminary to and in connection with the issuance of the Prior Second Lien Bonds, whereby provision was made for the receipt, custody, and application of the proceeds of the Prior Second Lien 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 Second Lien Bonds; and all other covenants for the benefit of the bondholders set out in the Prior Second Lien Bond Ordinances, are hereby ratified and confirmed and shall continue in force and inure to the security and benefit of the Bonds, subject to the priority of the Series 1967 Bonds, 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 "City of Russellville 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 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 Series 1967 Bond Ordinance and the Prior Second Lien Bond Ordinance, as hereinafter modified, all as permitted by the applicable statutes, and in accordance with previous contractual commitments, as follows:

(a) *Prior First Lien Sinking Fund.* A separate and special fund or account of the City designated "City of Russellville Water and Sewer Revenue Bond and Interest Redemption Fund" (the "First Lien Sinking Fund") was created by the 1967 Bond Ordinance, and the same (including the debt service reserve therein, hereinafter referred to as the "First Lien Reserve Fund") shall continue to be maintained as provided in the Series 1967 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 Series 1967 Bond Ordinance to be so deposited; and such sums shall be held and applied by the City in the manner required by the Series 1967 Bond Ordinance.

The First Lien Sinking Fund (including the First Lien Reserve Fund portion thereof) shall continue to be maintained at the Depository Bank so long as any of the Series 1967 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 "City of Russellville Water and Sewer Revenue Bond Sinking Fund" (the "Second Lien Sinking Fund"), was created and confirmed by the Prior Second Lien 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 \$6,161.33 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 \$442,160, 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 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 however to the vested rights and priorities of the owners of the outstanding Series 1967 Bonds.

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 Series 1967 Bond Ordinance, distinct and apart from all other funds and accounts of the City, designated and identified as the "City of Russellville 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 Series 1967 Bond Ordinance, which fund was designated "City of Russellville Water and Sewer Depreciation Fund", which Depreciation Fund is hereby ratified, confirmed, and ordered to be continued so long as any of the Bonds are outstanding. The Prior Second Lien 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 \$120,000 in said Depreciation Fund.

It was provided in said Prior Second Lien Bond Ordinances, and is hereby reaffirmed, that after a balance of \$120,000 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 \$120,000, and such deposits shall then be continued until such balance is restored.

*E. Surplus Revenues.* When all of the transfers required by subsections (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 First Lien Sinking Fund or may be used for extensions and improvements to the System or for any other lawful corporate purpose of the City.

**Section 13. Disposition of Proceeds of the Current Bonds; Construction Fund.** Upon the sale and delivery of the Current Bonds and upon receipt by the City of the purchase price thereof, the proceeds shall be applied as follows:

(a) *Disposition of the Proceeds.* There shall first be deducted and paid from the proceeds of the sale of the Current Bonds the fee of the Financial Advisor, according to the terms of the contract of said Financial Advisor, as heretofore approved, the fee of Rubin & Hays, Municipal Bond Attorneys, for their services as Bond Counsel with reference to the issuance of the Current Bonds, any applicable rating agency fee or fees, and any other pertinent expenses incident to the issuance, sale and delivery of the Current Bonds and such other appropriate expenses as may be approved by the Mayor.

An amount equal to the accrued interest collected from the initial purchaser of the Current Bonds for the period from the date of the Current Bonds (October 1, 1998) to the date of delivery, next shall be deposited into the Second Lien Sinking Fund and applied toward the first interest payment due April 1, 1999, on the Current Bonds.

The balance shall be deposited to the Construction Fund to be used to construct the Project.



(b) *Construction Fund.* There is hereby created a fund entitled "City of Russellville Water and Sewer Construction Fund" (the "Construction Fund"), which Construction Fund shall be maintained at the Depository Bank; and the amount on deposit in said Construction Fund shall be applied to the extent necessary, to pay the cost of additions, improvements and the construction of the Project.

Investment income derived from investment of the Construction Fund, which shall be invested in Permitted Investments accordance with this Ordinance, shall, as received, be deposited in the Construction Fund.

Said Depository Bank shall be obligated to send written notice to the City of the need for investment directions if and whenever funds in excess of \$50,000 shall remain uninvested for a period of more than five days.

Payment from the Construction Fund for costs in connection with the Project shall be made only upon vouchers or requisitions approved by the Engineers having charge of supervising such acquisition, improvements and construction, and countersigned by the Mayor, said Engineers to certify in each instance that the voucher or requisition 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.

No expenditure shall be made from the Construction Fund except for proper and authorized expenses relating to the acquisition, improvements and construction of the Project in accordance with the contracts, plans and specifications approved by the City.

After completion of the Project, as certified by the Engineers, any balance then remaining on deposit in the Construction Fund 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 Governing Body, be transferred to the Depreciation Fund, to be used for the purposes thereof.

**Section 14. Arbitrage Limitations.** (1) The City covenants that neither the proceeds of the Current Bonds, nor "Non-Exempt Revenues" of the System, as defined herein, 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 such Current Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code, as amended, and the applicable regulations thereunder; provided, however, that such proceeds and/or revenues may be invested to whatever extent and whenever the Code and/or applicable regulations permit same to be invested without causing the Current Bonds to be treated as "arbitrage bonds."

(2) "Non-Exempt Revenues" within the meaning of the foregoing shall be deemed to refer to revenues of the System deposited in any of the funds earmarked for or reasonably expected

for the payment of debt service on the Current Bonds, in excess of "Exempt Revenues,"  
Exempt Revenues are:

- (a) amounts deposited in the Second Lien Sinking Fund for the purpose of paying debt service on any Current Bonds against the System within thirteen (13) months from the date of deposit;
- (b) amounts deposited in the Second Lien Sinking Fund Reserve to the extent that such deposits do not cause the amount deposited therein attributable to the prior outstanding bonds to exceed the maximum annual debt service for principal and interest on such bonds, nor cause the amount deposited therein attributable to the current Current Bonds to exceed the lesser of maximum annual debt service on the Current Bonds or 125% of the average annual debt service on the Current Bonds or 10% of the total issued principal amount of the Current Bonds; provided that if, and whenever federal arbitrage regulations shall be revised to permit a limit larger than such amount, such limit shall be considered to be automatically increased, eliminated or otherwise revised as to the outstanding current Current Bonds, consistent with such revision of the Code;
- (c) amounts deposited in the Depreciation Fund or any similar reserve for replacements, reasonably expected to be used for extensions, additions, improvements 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).

(3) If, and to the extent that any Non-Exempt Revenues are on deposit and are available for investment by reason of the foregoing, such funds shall be subject to the investment limitations set forth in Section 14(1) above.

On the basis of information furnished to the City, on known facts, circumstances and reasonable expectations on the date of enactment of this Ordinance, the City certifies as follows:

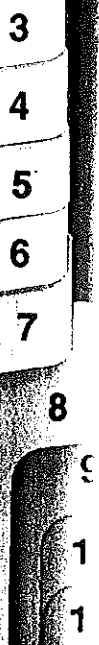
- (a) That it is not expected or contemplated that the proceeds of the Current Bonds will be used or invested in any manner which will cause any of the Current Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Code and the applicable regulations thereunder.
- (b) That it is not expected or contemplated that the City will make any use of the proceeds of the Current Bonds, which, if such use had been reasonably anticipated on the date of issuance of the Current Bonds, would have caused the Current Bonds to be arbitrage bonds.

- (c) That it is expected and contemplated that the City will comply with (i) all of the requirements of Section 148 of the Code; and (ii) all of the requirements of the applicable regulations thereunder, to whatever extent is necessary to assure that the Current Bonds will not be treated as arbitrage bonds.
- (d) That it is anticipated that amounts on deposit in the Sinking Fund will be used within 13 months from the date of deposit for the payment of debt service on the outstanding Current Bonds and all Prior Second Lien Bonds payable from said Second Lien Sinking Fund.
- (e) That amounts accumulated in the Second Lien Sinking Fund Reserve shall not exceed the limitations set forth in this Ordinance.
- (f) That it is not reasonably anticipated that amounts accumulated in the Depreciation Fund will be used for payment of debt service on any bonds payable from the revenues of the System, even though such Depreciation Fund will be so available if necessary to prevent a default in the payment of principal and interest on such bonds.

Prior to or at the time of delivery of the Current Bonds, the Mayor and/or the City Treasurer are authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts concerning such anticipated investment of the proceeds of the Current Bonds, including the execution of necessary and/or desirable certifications of the type contemplated by the Code and applicable regulations, as amended, in order to assure that interest on the Current Bonds will be exempt from all federal income taxes and that the Current Bonds will not constitute or be treated as arbitrage bonds.

**Section 15. 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 Second Lien Bonds and the Current Bonds as may from time to time be outstanding; and the City has in said Prior Second Lien Bond Ordinance reserved the right and privilege, and hereby reserve the right and privilege, of issuing additional bonds from time to time 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 Second Lien 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 facilities, and/or to finance future extensions, additions, and/or improvements to the System and to issue 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 Series 1967 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, 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 Parity Bonds to be issued shall, regardless of whether such Parity Bonds are to be serial or term bonds, be determined on the basis of the principal of and interest on such Parity Bonds being payable in approximately equal annual installments.

(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.

(e) Reference is made to the necessity of obtaining the written consent of the USDA, Rural Development (f/k/a the FmHA) [the "RD"] for the issuance of future bonds encumbering the System while the RD 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 Second Lien Sinking 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 Second Lien Sinking Fund Reserve, 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 and/or October 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 RD.

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 RD 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 refunding Parity Bonds, in any year of maturities thereof after the redemption of the Bonds scheduled to be refunded through the issuance of such proposed refunding Parity 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 Bonds to be refunded.

**Section 16. Rates and Charges for Services of the System.** While any of the Prior Second Lien 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 the outstanding 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 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 16 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 debt service coverage percentage of the average annual debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds 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 16 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 17. All Current Bonds of this Issue Are Equal.** The Current Bonds authorized and permitted to be issued hereunder, and from time to time outstanding, 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, the Prior Second Lien Bonds and any Parity Bonds authorized or permitted to be issued under the provisions of this Ordinance, regardless of the fact that they may be actually issued and delivered at different times.

**Section 18. Defeasance and/or Refunding of Current Bonds.** The City reserves the right, at any time, to cause the pledge of the revenues securing the outstanding Current 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 direct obligations of or obligations guaranteed by the United States of America, including book entry obligations and trust receipts representing an ownership in direct 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 Current Bonds, both as to principal and as to interest, on the next or any optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on the outstanding Current Bonds to and on said date, or (b) to pay all principal and interest requirements on the outstanding Current 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 City Council. Such Permitted 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 the required notice of the redemption of the outstanding Current Bonds and the applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary.

**Section 19. Contractual Nature of Ordinance.** The provisions of this Ordinance shall constitute a contract between the City and the owners of the Current Bonds; and after the issuance of any of such Current Bonds, no change, variation or alteration of any kind in the provisions of this Ordinance, nor of the Prior Second Lien Bond Ordinance, shall be made in any manner except as herein or therein provided until such time as all of the Bonds authorized by such Ordinances and the interest thereon have been paid or provided for in full, or as otherwise provided herein; provided (a) that the City Council may enact an Ordinance to evidence the succession of another bank or trust company as Paying Agent and Bond Registrar for the Current Bonds and may enact any other Ordinance for any other purpose not inconsistent with the terms of this Ordinance, and which shall not impair the security of the owners of the Current Bonds and/or for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto.

**Section 20. Appointment and Duties of Bond Registrar and Paying Agent.** Star Bank, Cincinnati, Ohio, is hereby designated as the Bond Registrar and Paying Agent with respect to the Current Bonds.

- (a) *Duties as Bond Registrar.* Its duties as Bond Registrar shall be as follows:



(1) To authenticate the Current Bonds and temporary Current Bond or Current Bonds, if any, 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;

(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 Paying Agent.*

(1) To remit, but only to the extent that all required funds are made available to the Paying Agent 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 Paying Agent. For interest payment purposes, the Paying Agent shall be entitled to rely on its records as Bond Registrar as to the ownership of each Current Bond as of the Record Date, and the Paying Agent's check shall be drawn and mailed accordingly;

(2) To notify the owner of each registered 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 Ordinance, upon receiving sufficient funds; and

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

The Bond Registrar/Paying Agent 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/Paying Agent 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 in judgment.

The Bond Registrar/Paying Agent may at any time resign from its duties set forth in this Ordinance by filing its resignation with the City Clerk and notifying the initial purchaser or purchasers of the Current Bonds. Thereupon, the City shall designate a successor Bond

Registrar/Paying Agent 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/Paying Agent, provision shall be made for the orderly transition of the books, records and accounts relating to the Current Bonds to the successor Bond Registrar/Paying Agent in order that there will be no delinquencies in the payment of interest or principal due on the Current Bonds.

Star Bank, Cincinnati, Ohio, shall indicate its acceptance of its duties as Bond Registrar and Paying Agent by signing the Acceptance of said Bank at the conclusion of this Ordinance.

**Section 21. Provisions in Conflict Repealed.** All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, hereby repealed; and it is hereby specifically ordered and provided that any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

**Section 22. Covenant of City to Take All Action Necessary to Assure Compliance with the Internal Revenue Code of 1986.** In order to assure purchasers of the Current Bonds that interest thereon will continue to be exempt from all federal and Kentucky income taxation (subject to certain exceptions set out below), the City covenants to and with the owners of the Current Bonds that (1) the City will take all actions necessary to comply with the provisions of the Code, (2) the City will take no actions which will violate any of the provisions of the Code, or would cause the Current Bonds to become "private activity bonds" within the meaning of the Code, (3) none of the proceeds of the Current Bonds will be used for any purpose which would cause the interest on the Current Bonds to become subject to federal income taxation, and the City will comply with any and all requirements as to rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Current Bonds.

The City certifies that these Current Bonds are not "private activity bonds" within the meaning of the Code, and the City has been advised by Rubin & Hays, Bond Counsel, and therefore believes, that interest on the Current Bonds is not included as an item of tax preference in calculating the alternative minimum tax for individuals.

The City hereby certifies that it does not reasonably anticipate issuing qualified tax-exempt obligations during the calendar year in which the Current Bonds are being issued in excess of \$10,000,000, and, therefore, the City does hereby designate the Current Bonds as qualified tax-exempt obligations pursuant to the provisions of Section 265(b)(3) of the Code.

The City reserves the right to amend this Ordinance without obtaining the consent of the owners of the Current Bonds (i) to whatever extent shall, in the opinion of Bond Counsel, be deemed necessary to assure that interest on the Current Bonds shall be exempt from federal income taxation, and (ii) to whatever extent shall be permissible (without jeopardizing such tax exemption or the

security of such owners) to eliminate or reduce any restrictions concerning the investment of the proceeds of these Current Bonds, or the application of such proceeds or of the revenues of the System. The purchasers of these Current Bonds are deemed to have relied fully upon these covenants and undertakings on the part of the City as part of the consideration for the purchase of the Current Bonds. To the extent that the City obtains an opinion of nationally recognized bond counsel to the effect that non-compliance with any of the covenants contained in this Current Bond Ordinance or referred to in this Current Bond Ordinance would not subject interest on the Current Bonds to federal income taxes or Kentucky income taxes, the City shall not be required to comply with such covenants or requirements.

This Current Bond Ordinance is enacted in contemplation that Bond Counsel will render an opinion as to exemption of principal of the Current Bonds from Kentucky ad valorem taxation and as to exemption of interest on the Current Bonds from federal and Kentucky income taxation, based on the assumption by Bond Counsel that the City complies with covenants made by the City with respect to compliance with the provisions of the Code, and based on the assumption of compliance by the City with requirements as to any required rebate (and reports with reference thereto) to the United States of America of certain investment earnings on the proceeds of the Current Bonds. The City has been advised that based on the foregoing assumptions of compliance, Bond Counsel is of the opinion that the Current Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code.

**Section 23. Insurance.** (a) *Fire and Extended Coverage.* If and to the extent that the System includes structures above ground level, the City shall, upon receipt of the proceeds of the sale of the Current Bonds, if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System, of a kind and in such amounts as would ordinarily be carried by private companies or public bodies engaged in operating a similar utility.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Current Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

In the event of any damage to or destruction of any part of the System the Authority shall promptly arrange for the application of the insurance proceeds for the repair or reconstruction of the damaged or destroyed portion thereof.

(b) *Liability Insurance on Facilities.* So long as any of the Current Bonds are outstanding, the City shall, procure and maintain, public liability insurance relating to the operation of the facilities of the System, with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$200,000 from claims for damage to property of others which may arise from the City's operations of the System and any other facilities constituting a portion of the System.

(c) *Vehicle Liability Insurance.* If and to the extent that the City owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Current Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Current Bonds are outstanding, vehicular public liability insurance with limits of not less than \$200,000 for one person and \$1,000,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the City.

**Section 24. Event of Default; Rights of Bondowners Upon Occurrence of Event of Default.** The following items shall constitute an "Event of Default" on the part of the City:

(a) The failure to pay principal on the Current Bonds when due and payable, either at maturity or by proceedings for redemption.

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

(c) The failure of the City to fulfill any of its obligations pursuant to this Ordinance and to cure any such failure within 30 days after receipt of written notice of such failure.

(d) The failure to promptly repair, replace or reconstruct essential facilities of the System after any major damage and/or destruction thereof.

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

In addition to and apart from the foregoing, upon the occurrence of an Event of Default, the owner of any of the Current Bonds may require the City by demand, court order, injunction, or otherwise, to raise all applicable rates charged for services of the System a reasonable amount, consistent with the requirements of this Ordinance.

**Section 25. Supplemental Ordinances not Requiring Consent of Bondowners.** The City may, without the consent of, or notice to, any of the owners of the Current Bonds, enact one or more Supplemental Ordinances as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

(a) to cure any ambiguity or formal defect or omission in this Ordinance;

- (b) to grant to or confer upon the Bond Registrar for the benefit of the Bondowners any additional rights, remedies, powers, or authorities that should lawfully be granted to or conferred upon the Bondowners or the Bond Registrar or either of them;
- (c) to subject to the lien and pledge of this Ordinance additional revenues, properties, or collateral which may legally be subjected;
- (d) to add to the conditions, limitations and restrictions on the issuance of bonds, other conditions, limitations and restrictions thereafter to be observed;
- (e) to add to the covenants and agreements of the City in this Ordinance, other covenants and agreements thereafter to be incurred by the City or to surrender any right or power herein reserved to or conferred upon the City; and/or
- (f) to effect the issuance of additional Parity Bonds.

**Section 26. Supplemental Ordinances Requiring Consent of Bondowners.** Subject to the terms and conditions contained in this Section and not otherwise, the owners of not less than two-thirds in aggregate principal amount of the Current Bonds, shall have the right, from time to time, anything contained in this Ordinance to the contrary notwithstanding, to consent to and approve the enactment by the City of such other Supplemental Ordinance as shall be deemed necessary and desirable by the City for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any terms or provisions contained in this Ordinance or in any Supplemental Ordinance; provided, however, that nothing in this Section shall permit, or be construed without consent of the owner of any Current Bonds then outstanding as permitting (a) an extension of the maturity date on which the principal of, premium, if any, or interest on such Current Bond is or is to become, due and payable, (b) a reduction in the principal amount of such Current Bond, the rate of interest thereon, or any redemption premium, (c) a privilege or priority of Current Bond or Current Bonds over any other Current Bond, (d) reduction in the principal amount of the Current Bonds required for consent to such Supplemental Ordinance, or (e) the creation of a lien upon or pledge of revenues, receipts or other income from, or in connection with the System ranking prior to or (except in connection with the issuance of Parity Bonds pursuant to this Ordinance) on a parity with the lien or pledge by this Ordinance.

No Supplemental Ordinance shall be enacted for any of the purposes of this Section without notice being furnished by the Bond Registrar to each Bondowner in the same manner as the furnishing of a notice of redemption of Current Bonds, and no such Supplemental Ordinance shall be effective until at least 60 days subsequent to the furnishing of such notice.

**Section 27. Annual Disclosure Requirements.** In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "SEC"), the City agrees to provide or cause to be provided through a designated agent (the "Agent"), in a timely manner, to (i) each nationally recognized municipal securities information repository



(b) designated by the SEC in accordance with the Rule or to the Municipal Securities Board ("MSRB") and (ii) the appropriate state information depository ("SID"), if any, by the Commonwealth of Kentucky, notice of the occurrence of any of the following with respect to the Bonds, if such event is material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinion or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of the Bondholders;
- (h) Bond calls;
- (i) defeasances;
- (j) release, substitution or sale of property securing repayment of the Bonds; and/or
- (k) rating changes.

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

The City shall make publicly available the financial information and operating data on the Bonds. Such information may be obtained from the City Clerk, 106 South West Park Square, Louisville, Kentucky 42276, telephone (502) 726-5007.

As of the date of this Ordinance, the City is in compliance with the reporting requirements of the Rule for all undertakings for which they are an "obligated person" as defined in the Rule.

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

Notwithstanding any other provision of this Ordinance, this Section may be amended, if the City receives an opinion of independent legal counsel to the effect that:

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

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

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

In the event of a failure of the City to comply with any provision of this Section, any Bondholder may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Section. A default under this Section shall not be deemed an Event of Default under this Ordinance, and the sole remedy under this Section in the event of any failure of the City to comply with this Section shall be an action to compel performance.

**Section 28. Signatures of Officers.** If any of the officers whose signatures or facsimile signatures appear on any of the Current Bonds or coupons cease to be such officers before delivery of the Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if such officers had remained in office until delivery, as provided by KRS 58.040 and KRS 61.390.

**Section 29. 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 30. Effective Date of Ordinance; Publication of Summary.** This Ordinance shall be introduced at a meeting of the City Council and shall remain on file for public inspection in the office of the City Clerk until the next following regular, adjourned regular or called, special session of the City Council, in the completed form in which it shall be put on its final enactment. If enacted, the Ordinance shall be in full force and effect immediately, and a Notice of Enactment and summary of the provisions of this Ordinance, in the form submitted to this City Council, and approved hereby, shall be published as required by law.


Introduced and given first reading by the City Council on October 6, 1998.



...second reading and enacted by the City Council on October 20, 1998.



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Mayor



City Clerk

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CERTIFICATE OF CITY CLERK

I, Peggy Jenkins, 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 providing for the issuance of \$5,035,000 (plus or minus up to \$500,000) of City of Russellville, Kentucky Water and Sewer Revenue Bonds, Series 1998, dated October 1, 1998, which Ordinance was duly enacted by the Common Council of said City, signed by the Mayor of said City, and countersigned under Seal by me as City Clerk at a properly convened meeting of the City Council held on October 20, 1998, as shown by the official records of the City in my custody and under my control, and said Ordinance has been ordered to be published by title and summary as required by law, and said Ordinance has been recorded in the official City Ordinance Book of the City.

IN TESTIMONY WHEREOF, witness my signature as City Clerk and the official Seal of said City this October 20, 1998.

  
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City Clerk

(City)

ACCEPTANCE BY STAR BANK,  
CINCINNATI, OHIO, AS BOND REGISTRAR,  
PAYING AGENT AND TRANSFER AGENT

The undersigned 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, Paying Agent and Transfer Agent.

Dated: November 10, 1998.

STAR BANK  
Cincinnati, Ohio

By Cheri Scott Heron  
Signature

VICE PRESIDENT & TRUST OFFICER

Title

(Seal of Bank)