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ORDINANCE NO. 01-2002

BOND ORDINANCE

ORDINANCE OF THE CITY OF HOPKINSVILLE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF FIVE MILLION NINETY-FIVE THOUSAND DOLLARS (\$5,095,000), SUBJECT TO ADJUSTMENT PLUS OR MINUS 10%, PRINCIPAL AMOUNT OF CITY OF HOPKINSVILLE WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2002, DATED FEBRUARY 15, 2002, UNDER THE PROVISIONS OF SECTIONS 58.010 THROUGH 58.140, INCLUSIVE, OF THE KENTUCKY REVISED STATUTES, FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING OBLIGATIONS OF THE CITY OF HOPKINSVILLE, KENTUCKY; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS; PROVIDING FOR THE RIGHTS OF THE OWNERS OF SAID BONDS AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED PUBLIC COMPETITIVE SALE OF SAID BONDS.

WHEREAS, the City of Hopkinsville (the "City"), a second class city of Christian County, Kentucky, presently owns the combined and consolidated waterworks and sewer system (the "System") of said City, and

WHEREAS, the System is managed and operated by the Hopkinsville Water Environment Authority ("HWEA") of the City, and

WHEREAS, the City has heretofore issued its City of Hopkinsville Water and Sewer Refunding Revenue Bonds of 1975, dated December 1, 1975 (the "Series 1975 Bonds") in the original principal amount of \$8,030,000, authorized by an ordinance enacted by the City Council of the City on December 5, 1975 (the "1975 Bond Ordinance"), of which there are presently outstanding \$2,815,000 of said Series 1975 Bonds, and

WHEREAS, the City has heretofore issued its City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1989, dated August 1, 1989 (the "Series 1989 Bonds") in the original principal amount of \$6,050,000, authorized by an ordinance enacted by the City Council of the City on July 18, 1989 (the "1989 Bond Ordinance"), of which there are presently outstanding \$3,290,000 of said Series 1989 Bonds, and

WHEREAS, the City has heretofore issued its City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1993, dated December 15, 1993 (the "Series 1993 Bonds") in the original principal amount of \$4,075,000, authorized by an ordinance enacted by the City Council of the City on November 30, 1993 (the "1993 Bond Ordinance"), and

WHEREAS, the City has heretofore issued its City of Hopkinsville, Kentucky Water and Sewer Revenue Bonds, Series 1996, dated June 15, 1996 (the "Series 1996 Bonds") in the original principal amount of \$2,080,000, authorized by an ordinance enacted by the City Council of the City

on June 18, 1996 (the "1996 Bond Ordinance"), and

WHEREAS, in and by the 1975 Bond Ordinance, the 1989 Bond Ordinance, the 1993 Bond Ordinance and the 1996 Bond Ordinance (hereinafter collectively referred to as the "Prior Bond Ordinance"), the right and privilege was reserved by the City under conditions and restrictions set out in said Prior 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 1975 Bonds, Series 1989 Bonds, Series 1993 Bonds and the Series 1996 Bonds (hereinafter collectively referred to as the "Prior Bonds"), for the purpose among other things, of refunding or refinancing all or a part of the outstanding Prior Bonds, 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 \$5,095,000 (subject to adjustment plus or minus 10%) of City of Hopkinsville Water and Sewer Refunding Revenue Bonds, Series 2002, dated February 15, 2002 (the "Current Bonds"), for the purpose of defraying the cost (not otherwise provided) of currently refunding and redeeming (i) the outstanding Series 1975 Bonds on April 1, 2002 and (ii) the outstanding Series 1989 Bonds on April 1, 2002, and to reaffirm the conditions and restrictions whereunder similar bonds may be subsequently issued and 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 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 HOPKINSVILLE, KENTUCKY, AS FOLLOWS:

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

“ACT” refers to Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes.

“BOND ORDINANCE OF 1975” or “1975 BOND ORDINANCE” refers to the Ordinance authorizing the Series 1975 Bonds, which Ordinance was enacted by the City Council of the City on December 5, 1975.

“BOND ORDINANCE OF 1989” or “1989 BOND ORDINANCE” refers to the Ordinance authorizing the Series 1989 Bonds, which Ordinance was enacted by the City Council of the City on July 18, 1989.

“BOND ORDINANCE OF 1993” or “1993 BOND ORDINANCE” refers to the Ordinance authorizing the Series 1993 Bonds, which Ordinance was enacted by the City Council of the City on November 30, 1993.

“BOND ORDINANCE OF 1996” or “1996 BOND ORDINANCE” refers to the Ordinance authorizing the Series 1966 Bonds, which Ordinance was enacted by the City Council of the City on June 18, 1996.

“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 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 Current Bonds register, and (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. The Bond Registrar, Depository Bank, Transfer Agent and Payee Bank hereby designated is the J.P. Morgan Trust Company, National Association, Louisville, 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, Neal Company Hopkinsville, LLP, Certified Public Accountants, Hopkinsville, Kentucky.

“CITY” refers to the City of Hopkinsville, in Christian 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.

“CODE” refers to the Internal Revenue Code of 1986, as amended, and any regulations issued thereunder.

“CURRENT BONDS” or “BONDS” refers to the \$5,095,000 (subject to adjustment plus or minus 10%) of City of Hopkinsville Water and Sewer Refunding Revenue Bonds, Series 2002, dated February 15, 2002, authorized herein.

“CURRENT BOND ORDINANCE” or “ORDINANCE” refers to this Ordinance authorizing the Current Bonds.

“DEPOSITORY” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to record ownership of book entry interests in the Current Bonds, and to effect transfers of book entry interests in the Current Bonds in book entry form, and includes and means initially The Depository Trust Company (a limited purpose trust company), New York, New York. “DEPRECIATION FUND” refers to the City of Hopkinsville Water and Sewer System Depreciation Fund referred to in Section 11(d) of this Ordinance.

“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.

“FUNDS” refers to the Revenue Fund, the Sinking Fund, the Operation and Maintenance Fund and the Depreciation 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.

“HWEA” refers to the Hopkinsville Water Environment Authority an agency of the City charged with the management, operation and control of the System.

“INTEREST PAYMENT DATE” shall mean April 1 and October 1 of each year, commencing October 1, 2002.

“OPERATION AND MAINTENANCE FUND” refers to the “City of Hopkinsville Water and Sewer System Operation and Maintenance Fund” referred to in Section 11(e) of this Ordinance.

“OUTSTANDING BONDS” refers to the outstanding Prior Bonds, the outstanding Current Bonds and any outstanding Parity Bonds, and does not refer to any bonds which have been defeased accordance with Section 18 of this Current Bond Ordinance.

“PARITY BONDS” means bonds issued in the future, which bonds issued in the future will, pursuant to the provisions of the Prior Bond Ordinance and this Current Bond Ordinance, rank on a basis of parity with the Current Bonds and the Prior 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 Bonds.

“PARTICIPANTS” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Current Bonds as securities depository and for whom the Depository effects book-entry transfers and pledges of securities deposited with the Depository.

“PRIOR BOND ORDINANCE” refers collectively to the 1975 Bond Ordinance, the 1989 Bond Ordinance, the 1993 Bond Ordinance and the 1996 Bond Ordinance.

“PRIOR BONDS” refers to the Series 1975 Bonds, the Series 1989 Bonds, the Series 1993 Bonds and the Series 1996 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.

“REFUNDED BONDS” refers to the Series 1975 Bonds and the Series 1989 Bonds.

“REQUIRED RESERVE” refers to an amount (which may include the amount of any Surety Bond) equal to not less than the maximum amount of principal and interest requirements falling due in any year on all of the outstanding Prior Bonds, Current Bonds and any Parity Bonds, which Required Reserve is required to be accumulated in the Sinking Fund Reserve, as set out in the Prior Bond Ordinance, and in Section 11 of this Current Bond Ordinance.

“REVENUE FUND” refers to the City of Hopkinsville Water and Sewer Refunding Bond Revenue Fund created in the Prior Bond Ordinance and which Revenue Fund will continue to be maintained for the benefit of all of the Prior Bonds, Current Bonds and any Parity Bonds.

“SERIES 1975 BONDS” refers to the outstanding \$2,815,000 of the original authorized \$8,030,000 of City of Hopkinsville Water and Sewer Refunding Revenue Bonds of 1975, dated December 1, 1975.

“SERIES 1989 BONDS” refers to the outstanding \$3,290,000 of the original authorized \$6,050,000 of City of Hopkinsville Water and Sewer Refunding Revenue Bonds, dated August 1,

1989.

“SERIES 1993 BONDS” refers to the original authorized \$4,075,000 of City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1993, dated December 15, 1993.

“SERIES 1996 BONDS” refers to the original authorized \$2,080,000 of City of Hopkinsville, Kentucky Water and Sewer Revenue Bonds, Series 1996, dated June 15, 1996.

“SINKING FUND” refers to the City of Hopkinsville Water and Sewer Refunding Bond and Interest Redemption Fund created in the Prior Bond Ordinance and which Sinking Fund will continue to be maintained for the benefit of all of the Prior Bonds, Current Bonds and any Parity Bonds.

“SURETY BOND” refers to an insurance policy guaranteeing the payment of whatever reserve account or commitment related thereto is described in such policy.

“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.

SECTION 2. AUTHORIZATION OF BONDS. For the purpose of defraying the costs (not otherwise provided) of currently refunding the Series 1975 Bonds and the Series 1989 Bonds, there are hereby authorized to be presently issued and sold Five Million Ninety-Five Thousand Dollars (\$5,095,000) principal amount of City of Hopkinsville Water and Sewer Refunding Revenue Bonds, Series 2002, dated and bearing interest from February 15, 2002. The principal amount of said Current Bonds may be increased or decreased in an amount of 10% as determined by the City Council on the date of sale of the Current Bonds. Said Current Bonds shall mature on October 1 in the years 2002 through and including 2007 and shall bear interest payable semiannually on the first days of April and October of each year, beginning on October 1, 2002, at an interest rate or rates to be fixed by the Sale Resolution of the Governing Body as a result of the advertised sale of the Current Bonds. Interest shall be calculated on the basis of a 360 day year consisting of twelve, thirty day months.

SECTION 3. BONDS ISSUED AS FULLY REGISTERED BONDS; BOOK-ENTRY ONLY; REGISTERED OWNERS. The Current Bonds shall be issued only in fully registered typewritten form without coupons. The Current Bond shall be dated on the face of the Current Bond as of and shall bear interest from February 15, 2002. Each Current Bond issued (as a result of exchange or transfer) after such first Interest Payment Date shall be dated on the face of the Current Bond as of and shall bear interest from the Interest Payment Date next preceding the date on which such Current Bond is issued, unless such Current Bond is issued on an Interest Payment Date, in which case it shall be dated as of and shall bear interest from such Interest Payment Date; provided, however, that if at the time of issuance of any Current Bonds the interest thereon is in default, such Current Bond shall be dated as of the date to which interest has been paid in full.

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.

The Current Bonds shall originally be issued solely in book entry form to a Depository to be held in a book entry system in which event: (i) the Current Bonds shall be registered in the name of the Depository or its nominee, as Bondholder, and immobilized in the custody of the Depository; (ii) there shall, unless otherwise requested by the Depository, be a single bond certificate representing the aggregate principal amount of the Current Bonds; and (iii) the Current Bonds shall not be transferable or exchangeable, except for transfer to another Depository or another nominee of a Depository without further action by the City as set forth in the next succeeding paragraph of this Section.

If any Depository determines not to continue to act as a Depository for the Current Bonds held in a book entry system, the City may attempt to have established a securities depository/book entry system relationship with another Depository under this Ordinance. If the City does not continue to act as a Depository for the Current Bonds or is unable to do so, the City, after the City has made provision for notification of the owners of book entry interests by appropriate notice to the then Depository, shall permit withdrawal of the Current Bonds from the Depository and shall authenticate and deliver bond certificates in fully registered form to the assignees of the Depository or its nominee. If the event is not the result of the City's action or inaction, such withdrawal, authentication and delivery shall be at the cost and expense (including costs of printing or otherwise preparing, and delivering, such replacement Current Bonds), of those persons requesting that authentication and delivery. Such replacement Current Bonds shall be in the denominations specified in this Ordinance.

SECTION 4. PLACE OF PAYMENT; MANNER OF EXECUTION; AND PROVISION AS TO PRIOR REDEMPTION. The principal of 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 the Current Bond is payable 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 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 manual or reproduced facsimile signature of the Mayor, and the manual or reproduced facsimile of its

corporate seal shall be imprinted thereon and attested by the manual or reproduced facsimile signature of the City Clerk; and said officials, by the execution of appropriate certifications, if applicable, 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 the 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, 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 3 business days prior to the delivery of the Current Bond, the Purchasers shall furnish to the Bond Registrar the name, address, social security number or taxpayer identification number, of the party to whom the Current Bond is to be registered. The Bond Registrar shall then issue and deliver to the Purchasers, not more than 3 business days following the delivery of the Current Bond, fully registered typewritten Current Bond certificates for each registered owner so designated.

Subject to the provisions of this Section, (i) the principal of and any premium on any Current Bond shall be payable when due (a) on any Current Bond held in a book entry system, registered in the name of a Depository or its nominee, in next day or federal funds by check or wire transfer delivered or transmitted to the Depository or its authorized representative upon presentation and surrender of such Current Bond at the principal office of the Paying Agent or at the office, designated by the Paying Agent, of any Paying Agent, and (b) on any Current Bond not in a book entry system, to a Holder upon presentation and surrender of such Current Bond at the principal office of the Paying Agent or at the office designated by the Paying Agent, and (ii) interest on any Current Bond shall be paid on each Interest Payment Date (a) on any Current Bond held in a book entry system, registered in the name of a Depository or its nominee, in next day or federal funds by check or wire transfer delivered or transmitted to the Depository or its authorized representative and (b) on any Current Bond not in a book entry system, to the Person in whose name the Current Bond is registered at the close of business on the Record Date applicable to that Interest Payment Date on the Register at the address appearing therein by check or draft which the Paying Agent shall cause to be mailed on the Interest Payment Date such interest is due.

Anything herein to the contrary notwithstanding, in the case of any Current Bonds registered in the name of the Depository or its nominee, the Paying Agent shall comply with the requirements stated in the Depository Operational Arrangements memorandum dated June 29, 1987 (as it may be amended, modified or superseded) and with the provisions of the Letter of Representations from each of them to the Depository executed and delivered with respect to the Current Bonds. Specifically, the Paying Agent shall make payments on the Current Bonds and will provide notices of redemption to the Depository in the manner and at the times set forth in such memorandum and

shall regard the Depository as the Holder of such Current Bonds for all purposes hereunder, except for the purpose of giving any consent requested of Bondholders pursuant to this Ordinance, in which case the Depository will mail an Omnibus Proxy to the City which assigns the Depository's or its nominee's voting rights to the participants in the Depository having the Current Bonds credited to their accounts as of the record date for mailing of requests for consents (who are identified in a list attached to the Omnibus Proxy). The City agrees hereby to promptly provide the Omnibus Proxy to the Paying Agent, which shall then treat the Participants as Bondholders for purposes of obtaining such consents.

The Current Bonds shall not be subject to optional redemption by the City at any time 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 and sewer 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, inclusive, 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 by the City and controlled, operated, and maintained by the HWEA 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.

SECTION 8. CURRENT BONDS PAYABLE OUT OF REVENUES ON A PARITY WITH PRIOR 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 Prior Bond Ordinance 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 Sinking Fund created in the Prior Bond Ordinance, on a parity basis with the Prior 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.

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

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF CHRISTIAN
CITY OF HOPKINSVILLE
WATER AND SEWER REFUNDING REVENUE BOND
SERIES 2002

NO. R-_____

CUSIP:_____

DATE OF ISSUE:

\$_____
Principal Amount

INTEREST RATES:

MATURITY DATE:

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

the registered owner, or registered assigns, as hereinafter identified, upon presentation and surrender of this Series 2002 Bond, the principal sum of

DOLLARS,

on the Maturity Date specified above, and to pay interest on said sum at the per annum Interest Rate specified above, semiannually from the Date of Issue specified above, or from the most recent interest payment date preceding the date of or on which this Series 2002 Bond is authenticated, unless this Series 2002 Bond is authenticated on an interest payment date to which interest has been paid, in which event it shall bear interest from that date, on April 1 and October 1 of each year, unless redeemed prior thereto as hereinafter provided. The principal on this Series 2002 Bond is payable upon surrender of this Series 2002 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 J.P. Morgan Trust Company, National Association, Louisville, Kentucky (the "Payee Bank" and the "Bond Registrar"). Interest and principal redemption due on this Series 2002 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 or principal redemption payment date on the bond register kept by the Bond Registrar.

This Series 2002 Bond is a duly authorized issue of _____ Million _____ Hundred _____ Thousand Dollars (\$ _____), principal amount of City of Hopkinsville Water and Sewer Refunding Revenue Bonds, Series 2002 (the "Series 2002 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, Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes (the "Act"), for the purpose of defraying the cost (not otherwise provided) of currently refunding the outstanding City of Hopkinsville Water and Sewer Refunding Revenue Bonds of 1975, dated December 1, 1975 (the "Series 1975 Bonds") and the City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1989, dated August 1, 1989 (the "Series 1989 Bonds") (hereinafter the Series 1975 Bonds and the Series 1989 Bonds shall be collectively referred to as the "Refunded Bonds").

The Series 2002 Bonds rank on a parity as to security and source of payment with (i) the outstanding City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1993, dated December 15, 1993 (the "Series 1993 Bonds"), authorized by an Ordinance enacted by the City Council of the City on November 30, 1993 (the "1993 Bond Ordinance"); and (ii) the outstanding City of Hopkinsville, Kentucky Water and Sewer Revenue Bonds, Series 1996, dated June 15, 1996 (the "Series 1996 Bonds"), authorized by an ordinance enacted by the City Council of the City on June 18, 1996 (the "1996 Bond Ordinance") [hereinafter the Series 1993 Bonds and the Series 1996 Bonds shall be collectively referred to as the "Prior Bonds"]. The 1993 Bond Ordinance and the 1996 Bond Ordinance (hereinafter collectively referred to as the "Prior Bond Ordinance") provided, and the Current Bond Ordinance reaffirms, that so long as any of the Prior Bonds, the Series 2002 Bonds and/or any additional bonds ranking on a parity therewith, are outstanding, the existing combined and consolidated municipal waterworks and sewer system (the "System") of the City as more fully identified in the Current Bond Ordinance, 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, inclusive, of the Kentucky Revised Statutes, for the security and source of payment of any and all of such outstanding Prior Bonds, the Series 2002 Bonds or any additional bonds.

The Series 2002 Bonds shall not be subject to optional redemption by the City at any time prior to maturity.

It is provided in and by the Prior Bond Ordinance and in and by the Current Bond Ordinance that additional bonds ranking on a parity with the Prior Bonds and with the Series 2002 Bonds, may be issued and outstanding upon the conditions and restrictions provided in the Prior Bond Ordinance and in the Current Bond Ordinance; and these Series 2002 Bonds, together with the Prior 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 Prior Bond Ordinance and the Current Bond Ordinance, are and will continue to be payable from and secured by a first 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 and revenues shall be sufficient to pay the principal of and interest on all of said outstanding Prior Bonds, the Series 2002 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 Hopkinsville Water and Sewer Refunding Bond and Interest Redemption Fund" (the "Sinking Fund").

The City covenanted in the Current Bond Ordinance that so long as any of the Prior Bonds, the Series 2002 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 Bonds, the Series 2002 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 2002 Bonds are issuable as fully registered bonds and do not constitute an indebtedness of the City of Hopkinsville, 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.

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, premium, 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.

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 2002 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 2002 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 2002 Bond and all of the Series 2002 Bonds, and all other bonds ranking on a parity therewith, including the Prior Bonds and those which may be issued hereafter.

IN WITNESS WHEREOF, said City of Hopkinsville, 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 fifteenth day of February, 2002; provided, however, that this Series 2002 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.

CITY OF HOPKINSVILLE, KENTUCKY

By

Mayor

Attest:

City Clerk

(City Seal)

(FORM OF AUTHENTICATION CERTIFICATE OF REGISTRAR)

AUTHENTICATION CERTIFICATE OF REGISTRAR

This is to certify that this Series 2002 Bond is one of the Series 2002 Bonds referred to in the within Series 2002 Bond and in the Current Bond Ordinance authorizing same.

The Authentication Date of this Series 2002 Bond is: February 15, 2002.

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION
Louisville, Kentucky Bond Registrar

By _____
Authorized Officer

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the within Series 2002 Bond and hereby irrevocably constitutes and appoints _____

_____ attorney to transfer said Series 2002 Bond on the books kept for registration and transfer of this Series 2002 Bond, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

Social Security Number or
other taxpayer
identification number:

SECTION 10. COMPLIANCE WITH PARITY REQUIREMENTS OF PRIOR BOND ORDINANCE. In accordance with the requirements of the Prior Bond Ordinance, it is hereby certified, covenanted and declared:

(a) That prior to the issuance of the Current Bonds, there will have been procured and filed with the City Clerk a statement by a Certified Public Accountant; as defined herein, reciting the opinion, based on necessary investigation, that:

- (1) after the issuance of the Current Bonds, the annual net revenues, as adjusted and defined in subsection (c) below, of the then existing System for the fiscal year preceding the date of issuance of the Current Bonds, after taking into account the revised debt service requirements resulting from the issuance of the Current Bonds and from the elimination of the bonds being refunded or refinanced thereby, are equal to not less than 130% 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 in subsection (c) below; or
- (2) the maximum debt service requirements for the Series 1975 Bonds and the Series 1989 Bonds, any then previously issued parity bonds and the Current Bonds, in any year of maturities thereof after the redemption of the Series 1975 Bonds and the Series 1989 Bonds scheduled to be refunded through the issuance of the Current Bonds, shall not exceed the maximum debt service requirements applicable to the then Series 1975 Bonds and the Series 1989 Bonds and any then previously issued parity bonds for any year prior to the issuance of the Current Bonds and the redemption of the Series 1975 Bonds and the Series 1989 Bonds to be refunded.

(b) That the foregoing is subject to the following:

(1) For the purpose of the foregoing calculation, the term "net revenues" was defined in the Prior Bond Ordinance, as "gross income and revenues less operating expenses, which shall include salaries, wages, cost of maintenance and operation, cost of water purchased, if any, materials and supplies, pumping costs, insurance and all other items that are normally and regularly so included under recognized accounting practices, exclusive of allowances for depreciation."

(2) As provided in the Prior Bond Ordinance, the "net revenues" referred to above may be adjusted to reflect:

(i) Any revisions in the schedule of rates and charges being imposed at the time of the issuance of such proposed parity bonds;

(ii) Any increase in such net revenues projected by reason of the revenues anticipated to be derived from the then proposed construction project; the cost of which project is to be paid (in whole or in part) through the issuance of the then proposed parity bonds; provided such latter adjustment shall be made only if contracts for the immediate acquisition and/or construction of the proposed construction project have been or will have been entered into (secured by 100% performance bond) prior to the issuance of the proposed parity bonds. All of such adjustments shall be based upon the written certification of an Independent Consulting Engineer.

Accordingly, based on the foregoing compliance with the requirements of the Prior Bond Ordinance, it is hereby found and declared that the Current Bonds shall rank and be payable on a parity with the outstanding Prior Bonds from the gross income and revenues of the system.

SECTION 11. PROVISIONS OF PRIOR BOND ORDINANCE INCORPORATED HEREIN; FUNDS; INITIAL DEPOSITS AND ADJUSTMENTS IN REQUIRED DEPOSITS INTO VARIOUS FUNDS.

(a) **Prior Provisions and Adjustments.** 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 the 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 Bondowners set out in the Prior Bond Ordinance, except as amended, are hereby ratified, confirmed and re-adapted, and shall continue in force and inure to the security and benefit of the Current Bonds, as well as of the Prior Bonds, the same as if such provisions and proceedings were set out herein in full; provided that the amount of income and revenues of the System to be transferred from the Revenue Fund and paid into the Sinking Fund during each of the respective fiscal years, so long as any of the Prior Bonds and/or Current Bonds are outstanding, shall be sufficient to pay when due, the interest upon and principal of all of the Prior Bonds and all of the Current Bonds.

In accordance with the requirements of the Prior Bond Ordinance, it is hereby recognized that the City is obligated, upon the issuance of the Current Bonds, ranking on a parity with the Prior Bonds, to provide for additional payments into the Sinking Fund to provide for the additional principal and interest requirements. It is further hereby recognized that in and by the Prior Bond Ordinance, provision was included for the accumulation in the Sinking Fund Reserve, of a reserve in an amount equal to not less than the maximum amount required in any ensuing year for principal and interest requirements on the Prior Bonds and any parity bonds. It was further provided in the Prior Bond Ordinance and is hereby reaffirmed that as and when additional parity bonds are issued, provision shall be made for increasing the Sinking Fund Reserve to an aggregate amount equal to the maximum amount (the "Required Reserve") of principal and interest thereafter becoming due

with respect to all outstanding bonds, including the outstanding Prior Bonds, the Current Bonds and any additional Parity Bonds, in any twelve-month period thereafter, which Sinking Fund Reserve shall be similarly maintained and restored when necessary.

(b) Deposits into Sinking Fund Reserve. In compliance with the requirements of the Prior Bond Ordinance, it is hereby determined that if and whenever the amount on deposit in the Sinking Fund Reserve is less than the Required Reserve there shall be transferred monthly into the Sinking Fund Reserve an amount equal to at least 1/120th of the additional amount necessary to accumulate within a period of ten years the Required Reserve. Moneys on deposit in the Sinking Fund Reserve may be withdrawn and used by the City, when necessary, and shall be so withdrawn and used if and to the extent necessary to prevent the occurrence of an Event of Default; or transferred and disbursed in the same manner as other funds in the Revenue Fund, provided, that in the event of any such withdrawal, the City shall restore such deficiency through the resumption of monthly deposits equal to at least 1/120th of the Required Reserve. As and when additional parity bonds are issued, provision shall be made for increasing the Sinking Fund Reserve, by similarly calculated monthly deposits, to not less than the maximum amount of principal and interest requirements of all bonds then scheduled to be outstanding (including the Prior Bonds, the Current Bonds and such additional parity bonds) falling due in any twelve month period thereafter, and the Required Reserve shall be similarly maintained and restored when necessary.

(c) Deposits into Sinking Fund. In accordance with the aforesaid provisions of the Prior Bond Ordinance, based on the additional principal and interest requirements of the Current Bonds, it is hereby determined that the amounts to be so set aside into the Sinking Fund, maintained at the Prior Depository, on or before the 20th day of each month, shall be not less than amounts constituting the total of the following:

(1) A sum equal to one-sixth (1/6) of the next succeeding interest installment to become due on all of the outstanding Prior Bonds, Current Bonds and any additional parity bonds; plus

(2) A sum equal to one-twelfth (1/12) of the principal amount of any Prior Bonds, Current Bonds and any additional parity bonds, maturing on the next succeeding October first.

As and when additional parity bonds are issued, provision shall be made for additional payments into the Sinking Fund so as to pay the interest on the principal of such additional parity bonds as and when the same become due.

(d) Deposits into Depreciation Fund. In compliance with the Prior Bond Ordinance there is required to be the sum of \$150,000, which amount was required to be maintained, and if necessary, restored, by the deposit into such Depreciation Fund in each month of the sum of (i) 10% of the balance on deposit in the Revenue Fund or (ii) \$3,500, whichever amount is greater. It was further provided in the Prior Bond Ordinance that as and when additional parity bonds are issued, the City shall determine at the time of issuance thereof, with the advice of the Independent Consulting Engineers then employed by the City (a) whether additional amounts shall be

accumulated in the Depreciation Fund, (b) the exact revision, if any, in the required deposits into such Depreciation Fund and (c) the revised total amount necessary to be accumulated in such Fund. Accordingly, based on the advice of the Independent Consulting Engineers, it is hereby determined that if, whenever, and so long as less than \$150,000 shall be on deposit in said Depreciation Fund, there shall thenceforth be deposited into the Depreciation Fund in each month such sum as set forth above, until there has been accumulated in such Depreciation Fund the sum of \$150,000, which sum shall be maintained, and if necessary, restored by similar monthly deposits.

In accordance with the Prior Bond Ordinance as herein modified, it is further provided that as and when additional Parity Bonds are issued, the City shall determine at the time of issuance thereof (a) whether additional amounts shall be accumulated in the Depreciation Fund, (b) the exact revision, if any, in the required deposits in such Depreciation Fund and (c) the revised total amount necessary to be accumulated in such Depreciation Fund; whereupon covenants to that effect shall be incorporated in the proceedings authorizing the issuance of such Parity Bonds.

All other provisions contained in the Prior Bond Ordinance with reference to the application of the proceeds of the Depreciation Fund, the deposit; security and investment thereof, and all other related provisions, are hereby ratified and confirmed, except to the extent amended herein.

(e) **Deposits into Operation and Maintenance Fund.** In accordance with the Prior Bond Ordinance there was required to be deposited in the Operation and Maintenance Fund in each month, after the transfers of the amounts required to be transferred by Sections above, such amounts as are required to pay, as they accrue, the proper and necessary costs of operating, maintaining and insuring the System, as set out in the "Current Expenses" contained in the System's annual budget; and such provisions are hereby readopted, ratified and confirmed.

(f) **Surplus Funds.** It is hereby further recognized that it was provided in the Prior Bond Ordinance and is hereby reaffirmed (with modifications to take into account the issuance of the Current Bonds) that if, at the end of any fiscal year, after making the payments required by the foregoing, there shall remain a balance in said Revenue Fund in excess of the amount required to be transferred during the ensuing year, such balance within sixty (60) days after the end of such fiscal year, shall be used as follows, in the order indicated:

(1) To transfer and deposit into the Sinking Fund Reserve whatever amount; if any, shall be necessary to accumulate or restore the Required Reserve.

(2) To transfer and deposit into the Depreciation Fund whatever amount; if any, shall be necessary to accumulate or restore the total amount required to be on deposit in the Depreciation Fund.

(3) To transfer and deposit into the Operation and Maintenance Fund whatever amount; if any, shall be necessary to accumulate or restore the total amount required to be on deposit in the Current Operation and Maintenance Fund.

Any balance in the Revenue Fund remaining at the end of any fiscal year, after the Sinking

Fund Reserve and the Depreciation Fund shall have been fully funded and are being maintained, may be used as follows:

(a) To retire or redeem outstanding Prior Bonds and/or Current Bonds, in inverse order of maturities, to purchase Prior Bonds or Current Bonds in the open market; or to purchase Prior Bonds or Current Bonds through advertisement for and receipt of tenders of Prior Bonds or Current Bonds, at not exceeding the call price, as may be determined by the Governing Body of the City; and/or

(b) To pay current and/or future principal and interest requirements of any outstanding junior and subordinate obligations against the System, or any part thereto.

SECTION 12. RATES AND CHARGES FOR SERVICES OF THE SYSTEM. While the Current Bonds authorized hereunder, or any of them, 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 Outstanding Current Bonds and the accruing interest on all such Outstanding Current Bonds, 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 as other income and revenues thereof are required by this Ordinance to 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 the requirements of this Ordinance has been established and adopted.

The City and/or the HWEA covenant that they 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 to the effect that 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 date on which such reduction is proposed, as such annual revenues are adjusted, after taking into account the projected reduction in revenues anticipated to result from such proposed rate decrease, are equal to not less than 130% of the maximum 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, 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, (b) Independent Consulting Engineers, or (c) the HWEA (based on reports filed with such Authority by such Accountants and/or Engineers), setting forth what was the precise percentage ("coverage") of the maximum 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 115% 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 115% coverage.

SECTION 13. INFERIOR BONDS; ADDITIONAL PARITY BONDS; SURPLUS FACILITIES.

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

The City expressly reserves the right at any time or times to issue its bonds or other obligations payable from the revenues of the System and not ranking on a basis of equality and parity with the Current Bonds, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for extensions, additions, improvements and/or other benefits to the System, and provided such inferior bonds whenever issued may only be issued with express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the Current Bonds and any parity bonds; provided, however, that nothing in this Section is intended to restrict, or shall be construed as a restriction upon, the ordinary refunding of the Current Bonds and of such parity bonds.

(b) Parity Bonds to Finance Future Extensions, Additions and/or Improvements: Conditions or Showings Required. The Current Bonds shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Current Bonds, regardless of the fact that they may be actually issued and delivered at different times, and provided further that the lien and security of and for any bonds or obligations hereafter issued that are payable from the 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 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 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, provided in each instance that:

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

(2) There shall have been procured and filed with the City Clerk a statement by a Certified Public Accountant reciting the opinion based upon necessary investigation that the net revenues of the System for 12 consecutive months of the preceding 18 months (with adjustments as hereinafter provided) were equal to at least one and thirty hundredths (1.30) times the maximum amount that will become due in any fiscal year for both principal and interest on the Prior Bonds and the Current Bonds then outstanding and any parity bonds including the bonds then proposed to be issued. (The calculation of maximum annual debt service requirements for principal of and interest on the additional bonds to be issued shall be determined on the basis of the principal of, and interest on, such bonds being payable in approximately equal annual installments).

“Net revenues” as herein used are defined as gross income and revenues less operating expenses, which shall include salaries, wages, cost of maintenance and operation, cost of water purchased, if any, materials and supplies, pumping costs, insurance and all other items that are normally and regularly so included under recognized account practices, exclusive of allowances for depreciation.

“Gross income and revenues” shall include investment income, connection fees, disconnection fees and all other items of income which have been established as “reasonably anticipated annual income of the System”, based upon a certification of Independent Consulting Engineers and/or Certified Public Accountants; provided all “investment income” shall be adjusted in any such calculation or projection to reflect the market rate currently available from such investments.

“Operating expenses” shall include only those items of costs of maintenance and operation which are “reasonably anticipated annual operation and maintenance expenses” of the System, and shall exclude any unusual items of operation and maintenance expense which are of a generally non-recurring nature, according to the certification of Independent Consulting Engineers and/or of Certified Public Accountants.

Such “net revenues” may be adjusted for the purpose of the foregoing computations to reflect (i) any revisions in the schedule of rates or charges being imposed for the services of the System at the time of the issuance of any such additional parity bonds and (ii) any increase in such net revenues projected by reason of the revenues anticipated to be derived from the extensions, additions, and/or improvements to the System being financed (in whole or in part) by such additional parity bonds; provided such latter adjustment shall be made only if contracts for the immediate acquisition and/or construction of such extensions, additions and/or improvements have been or will have been entered into (secured by 100% performance bond) prior to the issuance of such additional parity bonds. All of such adjustments shall be based upon the written certification of an Independent Consulting

Engineer.

(3) The interest payment dates for all such additional parity bonds shall be semiannually on April 1 and October 1 of each year, and the principal maturities thereof shall be on October 1 of the year in which any such principal is scheduled to become due.

(c) Parity Bonds to Refund or Refinance Outstanding Bonds. The City hereby re-adopts, ratifies and confirms the provision of the Prior Bond Ordinance, in which the City reserved the right to issue parity bonds to refund or refinance Outstanding Bonds, provided such right shall henceforth apply to the refunding or refinancing of any part or all of the Prior Bonds and the Current Bonds, which provisions 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:

- (1) after the issuance of such parity bonds, the annual net revenues, as adjusted and defined above, of the then existing System for the fiscal year preceding the date of issuance of such parity bonds, after taking into account the revised debt service requirements resulting from the issuance of such parity bonds and from the elimination of the bonds being refunded or refinanced thereby, are equal to not less than 130% 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
- (2) the maximum debt service requirements for 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 Current 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 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.

(d) Priority of Lien; Permissible Deposition of Surplus or Obsolete Facilities; Conditions. The City covenants and agrees that so long as any of the Current Bonds are outstanding, the City will not sell or otherwise dispose of any of the facilities of the System, or any part thereof, and, except as provided for above, it will not create or permit to be created any charge or lien on the revenues thereof ranking equal or prior to the charge or lien of the Current Bonds. Notwithstanding the foregoing, the City may at any time permanently abandon the use of, or sell at the fair market value, any part of the facilities of the System, provided that:

- (1) It is in compliance with all covenants and undertakings in connection with all of the bonds then outstanding and payable from the revenues of the System, and the Sinking Fund Reserve for such Current Bonds has been fully established and is being maintained at the stipulated level;

- (2) It will, in the event of any such sale, apply the proceeds to either (i) redemption of outstanding bonds in accordance with the provisions governing prepayment of bonds in advance of maturity or purchase of bonds in the open market at not exceeding the next applicable redemption price, or (ii) replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System as hereinbefore provided;
- (3) It certifies, in good faith, prior to any abandonment of use, that the facility or facilities to be abandoned is or are no longer economically feasible of producing net revenues;
- (4) It certifies, in good faith, that the estimated net revenues of the remaining facilities of the System for the then next succeeding fiscal year, plus the estimated net revenues of the facility or facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the provisions and conditions governing the issuance of additional parity bonds,
- (5) Such sale or disposition will not have the effect of causing the Current Bonds or any parity bonds to become taxable arbitrage bonds.

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 a copy of 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, the Prior Bond Ordinance, the most recently enacted Rate Ordinance and the preceding three years financial statements of the City and the System.

A suggested form of Official Terms and Conditions of Sale of Bonds, Notice of Bond Sale and Bid Form, having been prepared in advance, 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 bids 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 interest cost to the City.

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) There shall be paid any and all expenses incident to the issuance, sale, and delivery of the Current Bonds, and such other appropriate expenses as may be approved by the Mayor.
- (b) An amount shall be deposited in special escrow account(s), hereby created, entitled "City of Hopkinsville Water and Sewer Escrow Account" (the "Escrow Account"), which Escrow Account shall be maintained an Escrow Agent(s) to be determined; and the amount on deposit in said Escrow Account shall be applied to the extent necessary (i) to redeem the Series 1975 Bonds on April 1, 2002 at a redemption price of 101% of the principal amount redeemed and (ii) to redeem the Series 1989 Bonds on April 1, 2002 at a redemption price of 103% of the principal amount redeemed, all in accordance with the terms and conditions set forth in the Escrow Deposit Agreement.
- (c) The remaining balance, if any, shall be transferred to the Sinking Fund.

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" within the meaning of Section 148 of the Code. 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 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 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) 10% of the face amounts (par) of the original authorized issue of Prior Bonds and the Current Bonds or (b) 125% of the average annual debt service on such Prior Bonds and Current Bonds;

(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 the original proceeds of the Current Bonds will not exceed by more than five percent (5%) the amount required for the costs of refunding the Refunded Bonds; and there has therefore been no over issuance of the Current Bonds; and

(5) 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/or 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 a Depreciation Fund, 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 case and/or direct or fully guaranteed obligations of the United States of America, to assure the availability in such escrow fund of an adequate amount to pay all principal and interest requirements on such Outstanding Bonds as same mature, without redemption in advance of maturity. Such investments shall have such maturities as to assure that there will be sufficient funds for such purpose. 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 necessarily, provided no such defeasement shall be accomplished through the use of amounts on deposit in the Sinking Fund Reserve or through any other funds if such defeasement would, in the opinion of recognized Bond Counsel, adversely affect the exclusion of interest on any of the Outstanding Bonds from gross income for Federal income tax purposes.

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 premium 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. EVENTS OF DEFAULT; BONDOWNERS' REMEDIES. The following items shall constitute an "event of default" on the part of the City:

- (a) The failure to pay the principal of any of the Current Bonds when due and payable.
- (b) The failure to pay any installment of interest on the Current Bonds when the same shall become due and payable.
- (c) The default by the City in the due or punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Current Bonds or in this Ordinance.
- (d) The failure to promptly repair, replace or reconstruct needed or essential facilities of the System that have been damaged and/or destroyed.
- (e) The entering of an order or decree with the consent or acquiescence of the City appointing a receiver of all or any part of the System or any revenues thereof; or if such order or decree having been entered without the acquiescence or consent of the City, its failure in not having the order vacated, discharged or stayed on appeal within sixty (60) days after entry.

Any Owner of the Current Bonds may, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by the City and its officers and agents of all duties imposed or required by law or by this Ordinance in connection with the operation of the System, including the making and collection of sufficient rates, the segregation of the income and revenues of the System and the application thereof in accordance with the provisions of this Ordinance.

Upon the occurrence of an "event of default" as defined above, then upon the filing of suit by any Owner of the Current Bonds any court having jurisdiction of the action may appoint a Receiver pursuant to KRS 58.060 to administer the System on behalf of the City, with power to charge and collect rates and charges for the services and facilities provided by the System sufficient to provide for the payment of any Outstanding Bonds and other obligations of the System, and the interest thereon, together with the expenses of operation and maintenance, and to apply the income and revenues in accordance with the provisions of this Ordinance, and of the applicable statutes of Kentucky, and to take such other legal action as may be appropriate for the protection of any such Owner.

The City hereby agrees to transfer to any bona fide Receiver or other subsequent operator of the System, pursuant to any valid court order in a proceeding brought to enforce collection or

payment of the City's obligations, all contracts and other rights of the City pertaining to the System, conditionally, for such time only as such Receiver or operator shall operate by authority of the Court. In the event of default, the Owner of any of the Bonds may require the governing body of the City by injunction to raise the rates a reasonable amount.

SECTION 21. COVENANT TO REQUIRE USE OF SEWER SYSTEM. The City agrees that during the time any of the Current Bonds or any bonds issued on a parity therewith as to security in accordance with the provisions herein contained, are outstanding, it will take all such steps as may be necessary to cause the owners of all properties abutting upon any sewer lines of the City to connect thereto and to keep connected thereto all sanitary sewage drain pipes on such properties. The foregoing covenant shall be in favor of and enforceable by the holders of the Current Bonds and all parity bonds in accordance with the provisions herein contained. If the City fails to take such steps it may be required to do so by such bondholders.

SECTION 22. SUPERVISION OF COMBINED AND CONSOLIDATED WATERWORKS AND SEWER SYSTEM VESTED IN HOPKINSVILLE WATER ENVIRONMENT AUTHORITY; CONTRACTUAL FOR BENEFIT OF BONDHOLDERS. Recognition is hereby taken of the fact that management and conduct of the System is vested in a municipal commission designated as the Hopkinsville Water Environment Authority.

For the purpose of assuring the original purchasers and any subsequent holder or holders of the Current Bonds and any parity bonds of an efficient management, control and operation of the System, the City hereby covenants and agrees that so long as any of said Bonds are outstanding, the management, control and operation of the System will continue to be vested in said Hopkinsville Water Environment Authority, which shall not be abolished so long as any of the Current Bonds or any parity bonds are outstanding.

SECTION 23. 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 24. APPOINTMENT AND DUTIES OF BOND REGISTRAR, TRANSFER AGENT, AND PAYEE BANK. J.P. Morgan Trust Company, National Association, Louisville, 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 11 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 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 J.P. Morgan Trust Company, National Association at the conclusion of this Current Bond Ordinance.

SECTION 25. MUNICIPAL BOND INSURANCE; AMBAC SURETY BOND. The City hereby authorizes the application for a Municipal Bond Insurance Policy and a Surety Bond with Ambac Assurance Corporation, on such terms and conditions as may be negotiated with Ambac. So long as the Municipal Bond Insurance Policy or the Surety Bond is in full force and effect, the City covenants and agrees as follows:

(1) Definitions.

“Ambac” shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company.

“Municipal Bond Insurance Policy” shall mean the municipal bond insurance policy issued by Ambac insuring the payment when due of the principal of and interest on the Current Bonds as provided therein.

“Surety Bond” shall mean the surety bond issued by Ambac guaranteeing certain payments into the Sinking Fund Reserve with respect to the Current Bonds as provided therein and subject to the limitations set forth therein.

(2) Consent of Ambac. Any provision of this Ordinance expressly recognizing or granting rights in or to Ambac may not be amended in any manner which affects the rights of Ambac hereunder without the prior written consent of Ambac.

(3) Consent of Ambac in Addition to Bondowner Consent. Unless otherwise provided in this Section, Ambac's consent shall be required in addition to Bondowner consent, when required, for the following purposes: (i) execution and delivery of any supplemental ordinance or any amendment, supplement or change to or modification thereof, (ii) removal of the Payee Bank and selection and appointment of any successor Payee Bank, and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondowner consent.

(4) Consent of Ambac in the Event of Insolvency. Any reorganization or liquidation plan with respect to the City must be acceptable to Ambac. In the event of any reorganization or liquidation, Ambac shall have the right to vote on behalf of all Bondholders who hold Ambac-insured bonds absent a default by Ambac under the applicable Municipal Bond Insurance Policy insuring such Current Bonds.

(5) Consent of Ambac Upon Default. Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined in Section 19 herein, Ambac shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondowners under this Ordinance, and Ambac shall also be entitled to approve all waivers of events of default.

(6) Notices to be Given to the Surveillance Department of Ambac.

(a) While the Municipal Bond Insurance Policy or the Surety Bond is in effect,

the City shall furnish to Ambac:

(i) as soon as practicable after the filing thereof, a copy of any financial statement of the HWEA and a copy of any audit and annual report of the HWEA at not cost to Ambac;

(ii) such additional information as it may reasonably request.

(b) A copy of any notice to be given to the registered owners of the Current Bonds, including without limitation, notice of any redemption of or defeasance of Current Bonds, and any certificate rendered pursuant to this Ordinance relating to the security for the Current Bonds at not cost to Ambac; and

(c) To the extent that the City and the HWEA have entered into a continuing disclosure agreement with respect to the Current Bonds, Ambac shall be included as a party to be notified.

(7) Notices to be Given to the General Counsel Office of Ambac.

(a) The City and the HWEA shall notify Ambac Assurance of any failure of the City or the HWEA to provide the relevant notices, certificates, etc.

(b) Notwithstanding any other provision of this Ordinance, the Payee Bank shall immediately notify Ambac if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any event of default hereunder.

The City will permit Ambac to discuss the affairs, finances and accounts of the HWEA or any information Ambac may reasonably request regarding the security for the Current Bonds with appropriate officers of the HWEA. The City, as appropriate, will permit Ambac to have access to the HWEA and have access to and to make copies of all books and records relating to the Current Bonds and the HWEA at any reasonable time.

Ambac shall have the right to direct an accounting at the HWEA's expense, and the HWEA's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from Ambac shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Current Bonds.

(8) Defeasance. Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Current Bonds shall be paid by Ambac pursuant to the Municipal Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the revenues of the HWEA and all covenants, agreements and other obligations of the City to the

registered owners of the Current Bonds shall continue to exist and shall run to the benefit of Ambac, and Ambac shall be subrogated to the rights of such registered owners.

(9) Payment Procedure Pursuant to Municipal Bond Insurance Policy. So long as the Municipal Bond Insurance Policy shall be in full force and effect, the City, the HWEA and the Payee Bank agree to comply with the following provisions:

(a) At least one (1) day prior to all Interest Payment Dates, the Payee Bank will determine whether there will be sufficient funds in the Sinking Fund to pay the principal of or interest on the Current Bonds on such Interest Payment Date. If the Payee Bank determines that there will be insufficient funds in the Sinking Fund, the Payee Bank shall so notify Ambac. Such notice shall specify the amount of the anticipated deficiency, and Current Bonds to which such deficiency is applicable and whether such Current Bonds will be deficient as to principal or interest, or both. If the Payee Bank has not so notified Ambac at least one (1) day prior to an Interest Payment Date, Ambac will make payments of principal or interest due on the Bonds on or before the first (1st) day next following the date on which Ambac shall have received notice of nonpayment from the Payee Bank.

(b) The Payee Bank shall, after giving notice to Ambac as provided in (a) above, make available to Ambac and, at Ambac's direction, to the Bank of New York, as insurance trustee for Ambac or any successor insurance trustee (the "Insurance Trustee"), the registration books of the City maintained by the Payee Bank, and all records relating to the Sinking Fund maintained under this Ordinance.

(c) The Payee Bank shall provide Ambac and the Insurance Trustee with a list of registered owners of Current Bonds entitled to receive principal or interest payments from Ambac under the terms of the Municipal Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Current Bonds entitled to receive full or partial interest payments from Ambac, and (ii) to pay principal upon Current Bonds surrendered to the Insurance Trustee by the registered owners of Current Bonds entitled to receive full or partial principal payments from Ambac.

(d) The Payee Bank shall, at the time it provides notice to Ambac pursuant to (a) above, notify registered owners of Current Bonds entitled to receive the payment of principal or interest thereon from Ambac (i) as to the fact of such entitlement, (ii) that Ambac will remit to them all or a part of the interest payments next coming due upon proof of Bondowner entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac, they must surrender their Current Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Current Bonds to be registered in the name of Ambac) for payment to the Insurance Trustee, and not the Payee Bank, and (iv) that should they be entitled to receive partial payment of principal from Ambac, they must surrender their Current Bonds for payment thereon first to the Payee Bank, who shall note on such Current Bonds the portion of the principal paid by the Payee

Bank, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Payee Bank has notice that any payment of principal of or interest on a Current Bond which has become due for payment and which is made to a Bondowner by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Payee Bank shall, at the time Ambac is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from Ambac to the extent of such recovery if sufficient funds are not otherwise available, and the Payee Bank shall furnish to Ambac its records evidencing the payments of principal of and interest on the Bonds which have been made by the Payee Bank, and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted Ambac under this Ordinance, Ambac shall, to the extent it makes payment of principal and interest on Current Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Municipal Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Payee Bank shall note Ambac's rights as subrogee on the registration books of the City maintained by the Payee Bank, if any, upon receipt from Ambac of proof of the payment interest thereon to the registered owners of the Current Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Payee Bank shall note Ambac's rights as subrogee on the registration books of the City maintained by the Payee Bank upon surrender of the Current Bonds by the registered owners thereof, together with proof of the payment of principal thereof.

(10) Payment Procedure Pursuant to Surety Bond. So long as the Surety Bond shall be in full force and effect, the City and the Payee Bank agree to comply with the following provisions:

(a) In the event and to the extent that moneys on deposit in the Sinking Fund, plus all amounts on deposit in and credited to the Sinking Fund Reserve in excess of the amount of the Surety Bond, are insufficient to pay the amount of principal and interest coming due, then upon the later of: (i) one (1) day after receipt by the General Counsel of Ambac of a demand for payment in the form attached to the Surety Bond as Attachment 1 (the "Demand for Payment"), duly executed by the Paying Agent certifying that payment due under this Ordinance has not been made to the Paying Agent; or (ii) the payment date of the Current Bonds as specified in the Demand for Payment presented by the Paying Agent to the General Counsel of Ambac, Ambac will make a deposit of funds in an account with the Paying Agent or its successor, in New York, New York, sufficient for the payment to the Paying Agent, of amounts which are then due to the Paying Agent under this Ordinance (as specified in the Demand for Payment) up to but not in excess of the Surety Bond Coverage, as defined in the Surety Bond' provided, however, that in the event that the amount on

deposit in, or credited to, the Sinking Fund Reserve, in addition to the amount available under the Surety Bond, includes amounts available under a letter of credit, insurance policy, Surety Bond or other such funding instrument (the "Additional Funding Instrument"), draws on the Surety Bond and the Additional Funding Instrument shall be made on a pro rata basis to fund the insufficiency.

(b) the Paying Agent shall after submitting to Ambac the Demand for Payment as provided in (a) above, make available to Ambac all records relating to the funds and accounts maintained under this Ordinance.

(c) the Paying Agent shall upon receipt of moneys received from the draw on the Surety Bond, as specified in the Demand for Payment, credit the Sinking Fund Reserve to the extent of moneys received pursuant to such Demand.

(d) the Sinking Fund Reserve shall be replenished in the following priority: (i) principal and interest on the Surety Bond shall be paid from first available Revenues; (ii) after all such amounts are paid in full, amounts necessary to fund the Sinking Fund Reserve to the required level, after taking into account the amounts available under the Surety Bond shall be deposited from next available Revenues.

(11) Ambac as Third Party Beneficiary. To the extent that this Ordinance confers upon or gives or grants to Ambac any right, remedy or claim under or by reason of this Ordinance, Ambac is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right remedy or claim conferred, given or granted hereunder.

SECTION 26. 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 27. ANNUAL DISCLOSURE REQUIREMENTS. In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the City agrees to provide or cause to be provided, in a timely manner, to (i) each nationally recognized municipal securities information repository ("NRMSIR") designated by the Commission in accordance with the Rule or to the Municipal Securities Rulemaking Board ("MSRB") and (ii) the appropriate state information depository ("SID"), if any, designated by the Commonwealth of Kentucky, notice of the occurrence of any of the following events 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 Bondowners;
- (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 also agrees to provide to each nationally recognized NRMSIR and to the SID, if any, for the Commonwealth of Kentucky, in each case as designated by the Commission in accordance with the Rule, its Comprehensive Annual Financial Report (the "Annual Report") which contains the audited financial statements of the City and the HWEA, prepared in accordance with generally accepted accounting principles, and certain annual financial data substantially similar to the information contained in of the Official Statement used in the offering of the Bonds. The Annual Report shall be available on or before 180 days after the end of each fiscal year (June 30), beginning with the fiscal year of the City ending June 30, 2002 and each fiscal year thereafter.

If the City is unable to provide to each NRMSIR or the MSRB and the SID, if any, an Annual Report by the date required in this Section, then the City shall send a notice to each NRMSIR, the MSRB, and the SID, if any, notifying them of the inability, at that time, to file the Annual Report.

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

As of the enactment 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.

Financial information regarding the City can be obtained from the Treasurer of the City.

The obligations of the City described above will remain in effect only for such period that (i) the Bonds are outstanding in accordance with their terms and (ii) that the 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 Bondowners (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 Bondowners.

In the event of a failure of the City to comply with any provision of this Section, any Bondowner 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 the 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. AUTHORIZATION TO SUBSCRIBE TO SLGS. Authority is given to W. Randall Jones, Esq., Charles S. Musson, Esq., of Rubin & Hays, Kentucky Home Trust Building, 450 South Third Street, Louisville, Kentucky 40202, Chris Bowling of Kirkpatrick Pettis, 2525 Harrodsburg Road, Suite 100, Lexington, Kentucky, and Diane Hill of Arter & Hadden, LLP, 1801 K Street, NW, Suite 400K, Washington, D.C., and to any one of them, to act on behalf of the City in signing on behalf of the City subscriptions for the purchase an issue of United States Treasury Certificates, Notes or Bonds - State and Local Government Series, to be issued to the Escrow Agent in connection with the investment of the proceeds of the Current Bonds.

SECTION 29. 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 12 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 30. 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 31. 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 5, 2002. Given Second Reading and Final Enactment, February 19, 2002.

CITY OF HOPKINSVILLE, KENTUCKY



Mayor

Attest

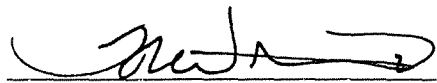


City Clerk

CERTIFICATE OF CITY CLERK

I, T. MARK WITHERS, II, hereby certify that I am the duly qualified and acting City Clerk of the City of Hopkinsville, Kentucky, that the foregoing Ordinance is a true and correct copy of an Ordinance authorizing the issuance of \$5,095,000 of City of Hopkinsville Water and Sewer Refunding Revenue Bonds, Series 2002, dated February 15, 2002, that said Ordinance was introduced and given first reading by the City Council of said City on February 5, 2002, and that it was placed and remained on file in my office for public inspection in that identical, completed form until February 19, 2002, on which date it was given its second reading and final enactment by said City Council, that said meetings were duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 61.820, and 61.823, 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 19, 2002.



T. Mark Withers, II
City Clerk


(Seal of City)

**ACCEPTANCE BY J.P. MORGAN TRUST COMPANY, NATIONAL ASSOCIATION
BOND REGISTRAR, TRANSFER AGENT, AND PAYEE BANK**

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, Transfer Agent and Payee Bank.

Date: FEBRUARY 27, 2002.

J.P. MORGAN TRUST COMPANY,
NATIONAL ASSOCIATION
Louisville, Kentucky



Authorized Representative

ORDINANCE NO. 11-2005

BOND ORDINANCE

AUTHORIZING

**CITY OF HOPKINSVILLE, KENTUCKY
WATER AND SEWER REVENUE BONDS,
SERIES 2005A
DATED MAY 1, 2005**

AND

**CITY OF HOPKINSVILLE, KENTUCKY
WATER AND SEWER REFUNDING REVENUE BONDS,
SERIES 2005B
DATED MAY 1, 2005**

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Exhibit A-1 - Form of Series 2005A Bond

Exhibit A-2 - Form of Series 2005B Bond

ORDINANCE NO. 11-2005

BOND ORDINANCE

AN ORDINANCE OF THE CITY OF HOPKINSVILLE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF CITY OF HOPKINSVILLE, KENTUCKY WATER AND SEWER REVENUE BONDS, SERIES 2005A, DATED MAY 1, 2005 AND CITY OF HOPKINSVILLE, KENTUCKY WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 2005B, DATED MAY 1, 2005, 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 ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE CITY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM AND THE REFUNDING OF CERTAIN OBLIGATIONS OF THE CITY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM.

WHEREAS, the City of Hopkinsville (the "City"), a second class city of Christian County, Kentucky, presently owns the combined and consolidated waterworks and sewer system (the "System") of said City, and

WHEREAS, the System is managed and operated by the Hopkinsville Water Environment Authority ("HWEA") of the City, and

WHEREAS, the City has heretofore issued its City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1993, dated December 15, 1993 (the "Series 1993 Bonds") in the original principal amount of \$4,075,000, authorized by an ordinance enacted by the City Council of the City on November 30, 1993 (the "1993 Bond Ordinance"), and

WHEREAS, the City has heretofore issued its City of Hopkinsville, Kentucky Water and Sewer Revenue Bonds, Series 1996, dated June 15, 1996 (the "Series 1996 Bonds") in the original principal amount of \$2,080,000, authorized by an ordinance enacted by the City Council of the City on June 18, 1996 (the "1996 Bond Ordinance"), and

WHEREAS, the City has heretofore issued its City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 2002, dated February 15, 2002 (the "Series 2002 Bonds") in the original principal amount of \$5,080,000, authorized by an ordinance enacted by the City Council of the City on February 19, 2002 (the "2002 Bond Ordinance"), and

WHEREAS, in and by the 1993 Bond Ordinance, the 1996 Bond Ordinance and the 2002 Bond Ordinance (hereinafter collectively referred to as the "Prior Bond Ordinance"), the right and privilege was reserved by the City under conditions and restrictions set out in said Prior 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 1993 Bonds, Series 1996 Bonds and Series 2002 Bonds (hereinafter collectively referred to as the "Prior Bonds"), for the purpose

among other things, of refunding or refinancing all or a part of the outstanding Prior Bonds, 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 \$25,745,000 (subject to adjustment of plus or minus 10%) of City of Hopkinsville, Kentucky Water and Sewer Revenue Bonds, Series 2005A, dated May 1, 2005 (the "Series 2005A Bonds"), for the purpose of defraying the cost (not otherwise provided) of financing additions, extensions and improvements to the City's combined and consolidated water and sewer system (the "Project") and to reaffirm the conditions and restrictions of the Prior Bond Ordinance whereunder similar bonds may be subsequently issued ranking on a parity with the 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 \$1,535,000 (subject to adjustment plus or minus 10%) of City of Hopkinsville Water and Sewer Refunding Revenue Bonds, Series 2005B, dated May 1, 2005 (the "Series 2005B Bonds"), for the purpose of defraying the cost (not otherwise provided) of currently refunding and redeeming the outstanding Series 1996 Bonds on June 15, 2006, and to reaffirm the conditions and restrictions whereunder similar bonds may be subsequently issued and 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 Bond Ordinance, the City is authorized to issue the Series 2005 A Bonds and the Series 2005B Bonds (hereinafter collectively referred to as the "Current Bonds") to provide such funds for the purpose aforesaid,

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