

DIVISION

| E | PROJECTED YEAR END | 2005-2006 BUDGET | PERCENT DIFFERENCE |
|--------|-----------------------|---------------------|-----------------------|
| 07.11 | \$1,440,276.15 | \$1,699,530.00 | 15% |
| 64.48 | \$731,419.31 | \$863,080.00 | 14% |
| 87.95 | \$451,583.93 | \$528,350.00 | 29% |
| 83.22 | \$879,977.63 | \$1,568,280.00 | 57% |
| 83.27 | \$48,111.03 | \$49,550.00 | -51% |
| 107.48 | \$7,209.97 | \$7,350.00 | -19% |
| 333.51 | \$3,558,578.02 | \$4,716,140.00 | 26% |
| 562.79 | \$14,083.72 | \$16,100.00 | -6% |
| 370.72 | \$3,544,494.30 | \$4,700,040.00 | 26% |
| 028.01 | \$8,037.35 | \$43,170.00 | 476% |
| 874.72 | \$1,061,166.37 | \$1,048,200.00 | 2% |
| 151.31 | \$386,868.41 | \$433,400.00 | -6% |
| 263.95 | \$1,129,685.27 | \$1,083,950.00 | 7% |
| 770.82 | \$79,694.43 | \$88,100.00 | 17% |
| 088.87 | \$2,665,451.83 | \$2,696,820.00 | 4% |
| 217.89 | \$938,957.19 | \$932,900.00 | 3% |
| 949.42 | \$57,265.89 | \$305,000.00 | 249% |
| 942.85 | \$259,923.80 | \$234,500.00 | 84% |
| 892.27 | \$317,189.69 | \$539,500.00 | 151% |
| 181.76 | \$232,242.35 | \$1,155,780.00 | 409% |
| 483.49 | \$23,311.32 | \$38,480.00 | -30% |
| 665.25 | \$255,553.67 | \$1,194,260.00 | 323% |
| 290.98 | \$1,721.30 | \$415,560.00 | 137% |

HWEA WATER FUND
 INCOME STATEMENT
 June 30, 2005

| | YTD ACTUAL | YTD BUDGET |
|--------------------------------|-----------------|-----------------|
| REVENUES | | |
| SALES | | |
| WATER RESIDENTIAL SALES | \$ 1,459,237.21 | \$ 1,472,900.00 |
| WATER COMMERCIAL SALES | \$ 736,424.78 | \$ 756,450.00 |
| WATER INDUSTRIAL SALES | \$ 480,510.67 | \$ 410,300.00 |
| WATER SALES TO GOVEN AGENCIES | \$ 904,335.84 | \$ 996,340.00 |
| WATER PENALTY | \$ 45,104.01 | \$ 101,000.00 |
| WATER SERVICE FEES | \$ 7,672.48 | \$ 9,100.00 |
| TOTAL | \$ 3,633,284.99 | \$ 3,746,090.00 |
| WATER ALLOWANCES | \$ 12,349.24 | \$ 17,100.00 |
| TOTAL | \$ 3,620,935.75 | \$ 3,728,990.00 |
| EXPENSES | | |
| SOURCE OF SUPPLY | | |
| LABOR-SOURCE OF SUPPLY | \$ 4,971.53 | |
| SUPPLIES AND EXPENSES | \$ 534.03 | |
| QUARRY PUMP UTILITIES | \$ 6,661.62 | |
| MAINT TO SOURCE OF SUPPLY LAKE | \$ 66.34 | |
| GROUNDS & MAINTENANCE | \$ 2,474.29 | |
| TOTAL SOURCE OF SUPPLY | \$ 14,707.81 | \$ 7,500.00 |
| WATER TREATMENT PLANT | | |
| SUPERVISION-WATER PLANT | \$ 47,811.41 | |
| LABOR- WATER PLANT | \$ 241,952.37 | |
| CHEMICALS | \$ 409,374.77 | |
| MAINTENANCE TO STRUCTURES | \$ 2,894.40 | |
| MAINTENANCE TO EQUIPMENT | \$ 22,629.37 | |
| SUPPLIES AND EXPENSES | \$ 8,927.94 | |
| MAINT TO RESERVOIRS & TANKS | \$ 29.76 | |
| MISCELLANEOUS EXPENSES | \$ 1,159.58 | |
| GROUNDS & MAINTENANCE | \$ 2,641.37 | |
| LABORATORY WORK | \$ 56,507.05 | |
| LAB SUPPLIES AND EXPENSES | \$ 17,626.53 | |
| TRANSPORTATION EXPENSES | \$ 3,089.48 | |
| UTILITIES | \$ 203,254.84 | |
| TRAINING AND EDUCATION | \$ 1,553.22 | |
| WATER TANK UTILITIES | \$ 69,618.30 | |
| TOTAL WATER TREATMENT PLANT | \$ 1,089,070.39 | \$ 1,025,470.00 |
| WATER DISTRIBUTION | | |
| SUPERVISION-WATER DISTRIBUTION | \$ 41,096.54 | |
| LABOR-WATER DISTRIBUTION | \$ 168,586.55 | |
| SUPPLIES AND EXPENSES | \$ 16,515.46 | |
| SMALL TOOLS EXPENSE | \$ - | |

| | | | |
|--------------------------------|----|------------|---------------|
| REPAIRS TO DISTR STRUCTURES | \$ | 10,350.00 | |
| REPAIRS TO DISTRIBUTION MAINS | \$ | 40,759.13 | |
| REPAIRS TO SERVICES | \$ | 7,975.08 | |
| REPAIRS TO METERS | \$ | 390.59 | |
| REMOVING AND RESETTING METERS | \$ | 44,203.99 | |
| TRANSPORTATION EXPENSES | \$ | 25,479.84 | |
| GAS OIL TIRES-REP COMPR & TRAC | \$ | 19,877.83 | |
| REPAIRS TO FIRE HYDRANTS | \$ | 2,457.52 | |
| GROUNDS & MAINTENANCE | \$ | 9,323.76 | |
| TRAINING, EDUCATION & LICENSES | \$ | 1,264.30 | |
| TOTAL WATER DISTRIBUTION | \$ | 388,280.59 | \$ 462,700.00 |

ADMINISTRATIVE AND GENERAL

| | | | |
|--------------------------------|----|--------------|-----------------|
| COMMISSIONERS SALARIES | \$ | 3,000.00 | |
| OFFICE SALARIES-ADMINISTRATIVE | \$ | 294,815.00 | |
| METER READING SALARIES | \$ | 44,089.50 | |
| SUPPLIES AND EXPENSES | \$ | 35,064.86 | |
| POSTAGE | \$ | 23,590.48 | |
| TELEPHONE & 2-WAY RADIO EQUIP | \$ | 19,035.09 | |
| INSURANCE PREMIUM | \$ | 121,527.47 | |
| TRAINING AND LICENSES | \$ | 3,544.50 | |
| PROFESSIONAL SERVICES | \$ | 25,458.42 | |
| TRANSPORTATION EXPENSES | \$ | 7,540.05 | |
| EMPLOYEE BENEFITS | \$ | 489,696.16 | |
| SAFETY PROGRAM | \$ | 29,479.14 | |
| BLDG MAINTENANCE & UTILITIES | \$ | 29,176.33 | |
| MISCELLANEOUS EXPENSES | \$ | 24,102.07 | |
| TOTAL ADMINISTRATIVE & GENERAL | \$ | 1,150,119.07 | \$ 1,010,590.00 |

TECHNICAL SERVICES

| | | | |
|--------------------------------|----|-----------|--------------|
| LABOR-TECHNICAL SERVICES | \$ | 74,890.47 | |
| SUPPLIES AND EXPENSES | \$ | 1,619.26 | |
| TRAINING, EDUCATION & LICENSES | \$ | 1,364.78 | |
| TRANSPORTATION EXPENSES | \$ | 5,025.36 | |
| MISCELLANEOUS EXPENSES | \$ | 400.00 | |
| TOTAL TECHNICAL SERVICES | \$ | 83,299.87 | \$ 95,090.00 |

| | | | |
|------------------------------|----|--------------|-----------------|
| TOTAL OPERATING EXPENSES | \$ | 2,725,477.73 | \$ 2,601,350.00 |
| OPERATING INCOME BEFORE DEPR | \$ | 895,458.02 | \$ 1,127,640.00 |
| WATER DEPRECIATION | \$ | 939,786.68 | \$ 904,600.00 |
| NET OPERATING INCOME | \$ | (44,328.66) | \$ 223,040.00 |

OTHER CREDITS

| | | | |
|--------------------------------|----|-----------|--|
| DISCOUNT ON PURCHASES-WATER | \$ | 925.63 | |
| BAD ACCOUNTS RECOVERED-WATER | \$ | 6,588.83 | |
| INT-BOND & INTEREST REDEM FUND | \$ | 19,912.59 | |
| INT-DEPRECIATION INVESTMENTS | \$ | 31,557.31 | |
| INT-CONST FUND INVESTMENTS | \$ | 26,276.98 | |
| CASH OVERAGE-WATER INCOME CRED | \$ | 0.36 | |
| RETAIL SALES & USE TAX COMPENS | \$ | 429.56 | |
| MISCELLANEOUS INCOME-WATER | \$ | 22,878.56 | |

| | | | | |
|--------------------------------|----|------------|----|------------|
| CAPITAL ASSETS CONTR-DEVELOPER | \$ | 197,866.64 | | |
| INT-GENERAL REVENUE ACCOUNTS | \$ | 5,851.53 | | |
| WATER CONNECTION FEES | \$ | 84,720.00 | | |
| WATER SERVICE FEES | \$ | 43,994.90 | | |
| TOTAL OTHER CREDITS | \$ | 441,002.89 | \$ | 214,560.00 |

INCOME CHARGES

| | | | | |
|--------------------------------|----|------------|----|------------|
| BAD ACCOUNTS CHARGED OFF-WATER | \$ | 18,067.95 | | |
| INT-BONDED INDEBTEDNESS-1993 | \$ | 53,007.91 | | |
| INT ON KIA FUND B LOAN-WATER | \$ | 90,107.31 | | |
| AMORTIZATION-NATIONS BANK FEES | \$ | 1,158.12 | | |
| CASH SHORTAGE-WATER | \$ | - | | |
| INT-BONDED INDEBTEDNESS-1996 | \$ | 83,905.20 | | |
| AMORTIZATION-BOND FEES & DISC | \$ | 4,060.44 | | |
| AMORTIZATION OF CERS BENEFIT | \$ | - | | |
| INT-BONDED INDEBTEDNESS-2002 | \$ | 17,076.45 | | |
| TOTAL INCOME CHARGES | \$ | 267,383.38 | \$ | 282,240.00 |

| | | | | |
|------------|----|------------|----|------------|
| NET INCOME | \$ | 129,290.85 | \$ | 155,360.00 |
|------------|----|------------|----|------------|

HWEA WATER FUND
 INCOME STATEMENT
 June 30, 2004

| | YTD ACTUAL | YTD BUDGET |
|--------------------------------|-----------------|-----------------|
| REVENUES | | |
| SALES | | |
| WATER RESIDENTIAL SALES | \$ 1,444,532.10 | \$ 1,502,320.00 |
| WATER COMMERCIAL SALES | \$ 751,659.10 | \$ 783,360.00 |
| WATER INDUSTRIAL SALES | \$ 432,295.58 | \$ 467,180.00 |
| WATER SALES TO GOVEN AGENCIES | \$ 943,789.55 | \$ 1,038,760.00 |
| WATER PENALTY | \$ 89,287.49 | \$ 160,520.00 |
| WATER SERVICE FEES | \$ 8,089.11 | \$ 7,760.00 |
| TOTAL | \$ 3,669,652.93 | \$ 3,959,900.00 |
| WATER ALLOWANCES | \$ 17,063.51 | \$ 31,940.00 |
| TOTAL | \$ 3,652,589.42 | \$ 3,927,960.00 |
| EXPENSES | | |
| SOURCE OF SUPPLY | | |
| LABOR-SOURCE OF SUPPLY | \$ 4,856.61 | |
| SUPPLIES AND EXPENSES | \$ 1,638.32 | |
| MAINT TO SOURCE OF SUPPLY LAKE | \$ - | |
| GROUNDS & MAINTENANCE | \$ 1,822.98 | |
| TOTAL SOURCE OF SUPPLY | \$ 8,317.91 | \$ 15,000.00 |
| WATER TREATMENT PLANT | | |
| SUPERVISION-WATER PLANT | \$ 46,306.26 | |
| LABOR- WATER PLANT | \$ 227,650.58 | |
| CHEMICALS | \$ 378,484.29 | |
| MAINTENANCE TO STRUCTURES | \$ 1,065.56 | |
| MAINTENANCE TO EQUIPMENT | \$ 16,969.07 | |
| SUPPLIES AND EXPENSES | \$ 7,620.82 | |
| MAINT TO RESERVOIRS & TANKS | \$ 4,619.61 | |
| MISCELLANEOUS EXPENSES | \$ 385.94 | |
| GROUNDS & MAINTENANCE | \$ 2,124.66 | |
| LABORATORY WORK | \$ 55,182.20 | |
| LAB SUPPLIES AND EXPENSES | \$ 16,926.68 | |
| TRANSPORTATION EXPENSES | \$ 3,058.27 | |
| UTILITIES | \$ 204,286.61 | |
| TRAINING AND EDUCATION | \$ 1,164.38 | |
| WATER TANK UTILITIES | \$ 49,985.88 | |
| TOTAL WATER TREATMENT PLANT | \$ 1,015,830.81 | \$ 1,012,000.00 |
| WATER DISTRIBUTION | | |
| SUPERVISION-WATER DISTRIBUTION | \$ 61,773.39 | |
| LABOR-WATER DISTRIBUTION | \$ 180,649.23 | |
| SUPPLIES AND EXPENSES | \$ 30,777.45 | |
| SMALL TOOLS EXPENSE | \$ 677.66 | |
| REPAIRS TO DISTRIBUTION MAINS | \$ 60,544.09 | |

| | | | | |
|--------------------------------|----|--------------|----|--------------|
| REPAIRS TO SERVICES | \$ | 13,030.59 | | |
| REPAIRS TO METERS | \$ | 478.63 | | |
| REMOVING AND RESETTING METERS | \$ | 43,836.66 | | |
| TRANSPORTATION EXPENSES | \$ | 19,158.37 | | |
| GAS OIL TIRES-REP COMPR & TRAC | \$ | 22,296.98 | | |
| REPAIRS TO FIRE HYDRANTS | \$ | 2,104.43 | | |
| GROUNDS & MAINTENANCE | \$ | 12,257.13 | | |
| TRAINING, EDUCATION & LICENSES | \$ | 4,126.55 | | |
| TOTAL WATER DISTRIBUTION | \$ | 451,711.16 | \$ | 430,000.00 |
| ADMINISTRATIVE AND GENERAL | | | | |
| COMMISSIONERS SALARIES | \$ | 3,000.00 | | |
| OFFICE SALARIES-ADMINISTRATIVE | \$ | 264,945.73 | | |
| METER READING SALARIES | \$ | 41,125.96 | | |
| SUPPLIES AND EXPENSES | \$ | 36,049.84 | | |
| POSTAGE | \$ | 27,907.60 | | |
| TELEPHONE & 2-WAY RADIO EQUIP | \$ | 17,289.23 | | |
| INSURANCE PREMIUM | \$ | 107,950.08 | | |
| TRAINING AND LICENSES | \$ | 8,311.57 | | |
| PROFESSIONAL SERVICES | \$ | 26,271.75 | | |
| TRANSPORTATION EXPENSES | \$ | 8,119.41 | | |
| EMPLOYEE BENEFITS | \$ | 368,136.54 | | |
| SAFETY PROGRAM | \$ | 29,139.91 | | |
| BLDG MAINTENANCE & UTILITIES | \$ | 27,644.77 | | |
| MISCELLANEOUS EXPENSES | \$ | 22,680.97 | | |
| TOTAL ADMINISTRATIVE & GENERAL | \$ | 988,573.36 | \$ | 1,168,880.00 |
| TECHNICAL SERVICES | | | | |
| LABOR-TECHNICAL SERVICES | \$ | 72,781.14 | | |
| SUPPLIES AND EXPENSES | \$ | 1,639.21 | | |
| TRAINING, EDUCATION & LICENSES | \$ | 575.31 | | |
| TRANSPORTATION EXPENSES | \$ | 4,050.21 | | |
| MISCELLANEOUS EXPENSES | \$ | 424.87 | | |
| TOTAL TECHNICAL SERVICES | \$ | 79,470.74 | \$ | 79,900.00 |
| TOTAL OPERATING EXPENSES | \$ | 2,543,903.98 | \$ | 2,705,780.00 |
| OPERATING INCOME BEFORE DEPR | \$ | 1,108,685.44 | \$ | 1,222,180.00 |
| WATER DEPRECIATION | \$ | 944,629.24 | \$ | 931,380.00 |
| NET OPERATING INCOME | \$ | 164,056.20 | \$ | 290,800.00 |
| OTHER CREDITS | | | | |
| DISCOUNT ON PURCHASES-WATER | \$ | - | | |
| BAD ACCOUNTS RECOVERED-WATER | \$ | 8,237.28 | | |
| INT-BOND & INTEREST REDEM FUND | \$ | 32,434.62 | | |
| INT-DEPRECIATION INVESTMENTS | \$ | 54,837.71 | | |
| RETAIL SALES & USE TAX COMPENS | \$ | 898.97 | | |
| MISCELLANEOUS INCOME-WATER | \$ | 9,279.56 | | |
| INT-GENERAL REVENUE ACCOUNTS | \$ | 1,628.33 | | |
| WATER CONNECTION FEES | \$ | 72,060.79 | | |
| WATER SERVICE FEES | \$ | 49,251.65 | | |
| TOTAL OTHER CREDITS | \$ | 228,628.91 | \$ | 251,970.00 |

INCOME CHARGES

| | | | | |
|--------------------------------|----|------------|----|------------|
| BAD ACCOUNTS CHARGED OFF-WATER | \$ | 17,338.08 | | |
| INT-BONDED INDEBTEDNESS-1993 | \$ | 66,102.06 | | |
| INT ON KIA FUND B LOAN-WATER | \$ | 84,540.70 | | |
| AMORTIZATION-NATIONS BANK FEES | \$ | 1,158.12 | | |
| CASH SHORTAGE-WATER | \$ | 1,500.00 | | |
| INT-BONDED INDEBTEDNESS-1996 | \$ | 87,492.51 | | |
| AMORTIZATION-BOND FEES & DISC | \$ | 4,060.44 | | |
| AMORTIZATION OF CERS BENEFIT | \$ | 2,577.12 | | |
| TOTAL INCOME CHARGES | \$ | 264,769.03 | \$ | 319,830.00 |
| NET INCOME | \$ | 127,916.08 | \$ | 222,940.00 |

Hopkinsville Water Environment Authority
Bond Spreadsheet
Prepared September 13, 2005
(based on year-end 6/30/04 amounts)

| Bond Issue | Outstanding 6/30/04 | Water Division | Sewer Division |
|--|---------------------|------------------|-------------------|
| Hopkinsville Water & Sewer Series 2002* | 3,680,000 | 1,101,828 | 2,578,172 |
| City of Hopkinsville Series 1996 Water Revenue Bonds | 1,585,000 | 1,585,000 | - |
| Urban Development Grant Loan-City of Hop. | 116,875 | 116,875 | - |
| KIA B95-02 Water Plant System Revenue | 3,930,440 | 3,930,440 | - |
| City of Hopkinsville Series 1993 due 10/1/07 | 1,368,871 | 1,368,871 | - |
| KIA A94-10 (City of Pembroke) | 162,626 | 162,626 | - |
| Note Payable - City of Crofton Wtr & Swr | 255,556 | 127,778 | 127,778 |
| KIA A94-01 (City of Crofton) | 506,977 | 253,488 | 253,488 |
| KIA A92-10 Phase 1 Loan Plant Sys Revs | 5,873,446 | - | 5,873,446 |
| KIA A95-01 Phase 2 Loan Sys Revenues | 2,351,099 | - | 2,351,099 |
| KIA A99-03 Phase 3 Loan System Revenues | 730,202 | - | 730,202 |
| KIA A03-05 (loan not closed @ 6/30/04) | 2,950,106 | | 2,950,106 |
| KIA A04-05 (no draws taken @ 6/30/04) (sewer) | - | - | - |
| KIA F02-04 (loan not closed @ 6/30/04) | 781,883 | 781,883 | - |
| | <u>24,293,081</u> | <u>9,428,789</u> | <u>14,864,291</u> |

*This bond issue replaced the 1975 Water/Sewer issue, and the 1989 Sewer issue.
The apportionment should be identical to the issues replaced.

GMAC Notes & USDA Note paid off in prior years.

ORDINANCE NO.
BOND ORDINANCE
AUTHORIZING
CITY OF HOPKINSVILLE, KENTUCKY
WATER AND SEWER REFUNDING REVENUE BONDS
SERIES 1993
DATED DECEMBER 15, 1993
IN THE AMOUNT OF \$4,080,000

I N D E X

| <u>SECTION</u> | <u>TITLE</u> | <u>PAGE</u> |
|----------------|--|-------------|
| 1 | Definitions. | 2 |
| 2 | Authorization of Bonds. | 6 |
| 3 | Bonds Issued as Fully Registered Bonds; Registered Owners. | 6 |
| 4 | Place of Payment; Manner of Execution; and Provision as to Prior Redemption. | 6 |
| 5 | Reaffirmation of Declaration of Combined and Consolidated System. | 8 |
| 6 | Mutilated, Lost, Stolen or Destroyed Current Bonds. | 8 |
| 7 | Authentication of Bonds. | 8 |
| 8 | Current Bonds Payable Out of Revenues on a Parity with Prior Bonds. | 9 |
| 9 | Bond Form. | 9 |
| 10 | Compliance with Parity Requirements of Prior Bond Ordinance. | 14 |
| 11 | Provisions of Prior Bond Ordinance Incorporated Herein; Funds; Initial Deposits and Adjustments in Required Deposits into Various Funds. | 15 |
| | A. Prior Provisions and Adjustments. | 15 |
| | B. Deposits into Sinking Fund Reserve. | 16 |
| | C. Deposits into Sinking Fund. | 16 |
| | D. Deposits into Depreciation Fund. | 17 |
| | E. Deposits into Operation and Maintenance Fund. | 17 |
| | F. Surplus Funds. | 18 |
| 12 | Additional Parity Bonds. | 18 |
| 13 | Sale of Bonds. | 21 |
| 14 | Acceptance of Bid for Purchase of Current Bonds. | 21 |
| 15 | Disposition of Proceeds of Current Bonds; Interim Financing if Needed. | 21 |
| 16 | Limitations on Investment of Funds. | 22 |
| 17 | Defeasance of Bonds. | 24 |
| 18 | Contractual Nature of Ordinance. | 24 |

| <u>SECTION</u> | <u>TITLE</u> | <u>PAGE</u> |
|----------------|---|-------------|
| 19 | Signatures of Officers. | 25 |
| 20 | Appointment and Duties of Bond Registrar, Transfer Agent and Payee Bank. | 25 |
| | A. Duties as Bond Registrar and Transfer Agent. | 26 |
| | B. Duties as Payee Bank. | 26 |
| 21 | Designation as "Qualified Tax-Exempt Obligations. | 27 |
| 22 | Authorization to Subscribe to SLGS. | 27 |
| 23 | Provisions in Conflict Repealed. | 27 |
| 24 | Severability Clause. | 28 |
| 25 | Effective Date of Ordinance. | 28 |

ORDINANCE NO.

BOND ORDINANCE

AN ORDINANCE OF THE CITY OF HOPKINSVILLE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE OF FOUR MILLION EIGHTY THOUSAND DOLLARS (\$4,080,000), SUBJECT TO ADJUSTMENT, PRINCIPAL AMOUNT OF CITY OF HOPKINSVILLE, KENTUCKY WATER AND SEWER REFUNDING REVENUE BONDS, SERIES 1993, DATED DECEMBER 15, 1993, 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.

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

WHEREAS, the City has heretofore issued its City of 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 \$5,150,000 of said Series 1975 Bonds, and

WHEREAS, the City has heretofore issued its City of Hopkinsville Water and Sewer Revenue Bonds, Series 1976, dated February 1, 1976 (the "Series 1976 Bonds") in the original principal amount of \$990,000, authorized by an ordinance enacted by the City Council of the City on January 22, 1976 (the "1976 Bond Ordinance") of which there are presently outstanding \$700,000 of said Series 1976 Bonds, and

WHEREAS, the City has heretofore issued its City of Hopkinsville, Kentucky Water and Sewer Revenue Bonds, Series of 1987, dated April 1, 1987 (the "Series 1987 Bonds") in the original principal amount of \$3,475,000, authorized by an ordinance enacted by the City Council of the City on April 7, 1987 (the "1987 Bond Ordinance") of which there are presently outstanding \$2,980,000 of said Series 1987 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 \$6,050,000 of said Series 1989 Bonds, and

WHEREAS, in and by the 1975 Bond Ordinance, the 1976 Bond Ordinance, the 1987 Bond Ordinance and the 1989 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 1976 Bonds, Series 1987 Bonds and Series 1989 Bonds (hereinafter collectively referred to as the "Prior Bonds"), for the purpose among other things, of refunding or refinancing all or 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 \$4,080,000 (subject to adjustment) of City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1993, dated December 15, 1993 (the "Current Bonds"), for the purpose of defraying the cost (not otherwise provided) of refunding and redeeming (i) the outstanding Series 1976 Bonds on April 1, 1994 and (ii) the outstanding Series 1987 Bonds on October 1, 1997, and to reaffirm the conditions and restrictions whereunder similar bonds may be subsequently issued ranking on a parity therewith, and

WHEREAS, under the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, and under the provisions of the Prior 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 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 1987" or "1987 BOND ORDINANCE" refers to the Ordinance authorizing the Series 1987 Bonds, which Ordinance was enacted by the City Council of the City on April 7, 1987.

"BOND ORDINANCE OF 1976" or "1976 BOND ORDINANCE" refers to the Ordinance authorizing the Series 1976 Bonds, which Ordinance was enacted by the City Council of the City on January 22, 1976.

"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.

"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 NationsBank of Kentucky, N.A., Hopkinsville, 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 Newton & Kem, P.S.C., 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 \$4,080,000 (subject to adjustment) of City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1993, dated December 15, 1993, authorized herein.

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

"DEPRECIATION FUND" refers to the City of Hopkinsville Water and Sewer System Depreciation Fund created in Section 13(b) of the 1975 Bond 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. Until otherwise directed by the Governing Body, such term shall be deemed to refer to the firm of Howard K. Bell, Consulting Engineers, Inc., 354 Waller Avenue, Lexington, Kentucky 40504, or its successors or assigns.

"ESCROW AGENT" refers to NationsBank of Kentucky, N.A., Hopkinsville, Kentucky.

"ESCROW DEPOSIT AGREEMENT" refers to the Escrow Deposit Agreement, dated as of December 1, 1993, by and between the Escrow Agent and the City.

"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.

"INTEREST PAYMENT DATE" shall mean April 1 and October 1 of each year, commencing April 1, 1994.

"OPERATION AND MAINTENANCE FUND" refers to the "City of Hopkinsville Water and Sewer System Operation and Maintenance Fund" created in Section 13(c) of the 1975 Bond 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 17 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.

"PRIOR BOND ORDINANCE" refers collectively to the 1975 Bond Ordinance, the 1976 Bond Ordinance, the 1987 Bond Ordinance and the 1989 Bond Ordinance.

"PRIOR BONDS" refers to the Series 1975 Bonds, the Series 1976 Bonds, the Series 1987 Bonds and the Series 1989 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 1976 Bonds and the Series 1987 Bonds.

"REQUIRED RESERVE" refers to an amount 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 \$5,150,000 of the original authorized \$8,030,000 of City of Hopkinsville Water and Sewer Refunding Revenue Bonds of 1975, dated December 1, 1975.

"SERIES 1976 BONDS" refers to the outstanding \$700,000 of the original authorized \$990,000 of City of Hopkinsville Water and Sewer Revenue Bonds, Series 1976, dated February 1, 1976.

"SERIES 1987 BONDS" refers to the outstanding \$2,980,000 of the original authorized \$3,475,000 of City of Hopkinsville Water and Sewer Revenue Bonds, Series of 1987, dated April 1, 1987.

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

"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.

"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 refunding the Series 1976 Bonds and the Series 1987 Bonds, there are hereby authorized to be presently issued and sold Four Million Eighty Thousand Dollars (\$4,080,000) principal amount of City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1993, dated and bearing interest from December 15, 1993. 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, 2007 and will be subject to mandatory redemption on October 1 of each year commencing October 1, 1994 in the principal amounts sufficient to provide for level debt service payments to amortize the principal repayment of the Current Bonds annually until final payment on October 1, 2007, such principal repayments to be determined the public sale of said Current Bonds, and shall bear interest payable semiannually on the first days of April and October of each year, beginning on April 1, 1994, at an interest rate or rates to be fixed by Order 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; 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 December 15, 1993. 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.

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 address 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.

The Current Bonds shall be subject to optional redemption by the City at any time prior to maturity, at a redemption price of 102% of the outstanding principal amount plus all accrued interest on and prior to the redemption date. The Current Bonds are also subject to optional redemption at par from surplus funds in the Revenue Fund as described in Section 11 hereof.

The Bond Registrar shall give notice of any redemption by sending such notice by certified or registered mail not less than 30 and not more than 60 days prior to the date fixed for redemption, to the registered owner of each Current Bond to be redeemed in whole or in part at the address shown on the Bond Register as of the date of mailing of such notice. Such notice

shall state the redemption date, the redemption price, the amount of accrued interest payable on the redemption date, the place at which the Current Bonds are to be surrendered for payment, and, if less than all of the Current Bonds outstanding are to be redeemed, an identification of the Current Bonds or portions thereof to be redeemed. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice.

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

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

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, controlled, operated, and maintained on a revenue-producing basis, for the security and source of payment of the Prior Bonds, Current Bonds and any parity bonds, under the authority hereinbefore stated.

SECTION 6. MUTILATED, LOST, STOLEN OR DESTROYED CURRENT BONDS. If any Current Bond shall be mutilated, lost, stolen or destroyed, the City may execute, authenticate and deliver a new Current Bond of like maturity and tenor in lieu of and in substitution for the Current Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Current Bond, such mutilated Current Bond shall first be surrendered to the City, and in the case of any lost, stolen or destroyed Current Bond, there shall be first furnished to the City satisfactory evidence of the ownership of such Current Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Bond Registrar. If any such Current Bond shall have matured, the City (through the Bond Registrar) may pay the same instead of issuing a new Current Bond. The City and/or the Bond Registrar may charge the owner of such Current Bond its (their) reasonable fees and expenses in this connection.

SECTION 7. AUTHENTICATION OF BONDS. The Current Bonds, after execution by the City, shall be delivered to the Bond Registrar. No Current Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Current Bond Ordinance unless and until such Current Bond has been duly authenticated by the Bond Registrar by the execution of the Authentication Certificate of Bond Registrar appearing on such Current Bond. Such Certificate appearing on any Current Bond shall be deemed to have been duly executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar.

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 1993

NO. R-_____

CUSIP:

DATE OF ISSUE:

\$ _____
Principal Amount

INTEREST RATES:

MATURITY DATE: OCTOBER 1, 2007

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 1993 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 1993 Bond is authenticated, unless this Series 1993 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 1993 Bond is payable upon surrender of this Series 1993 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 NationsBank of Kentucky, N.A., Hopkinsville, Kentucky (the "Payee Bank" and the "Bond Registrar"). Interest and principal redemption due on this Series 1993 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.

The Series 1993 Bonds are subject to redemption prior to maturity in the principal amount equal to the respective dollar amounts set forth in the following schedule on the respective dates set forth in such schedule at 100% of the principal amount to be redeemed plus accrued interest to the redemption date, without premium:

| <u>Maturity</u> <u>October 1</u> | <u>Principal</u> <u>Amount</u> | <u>Maturity</u> <u>October 1</u> | <u>Principal</u> <u>Amount</u> |
|-------------------------------------|-----------------------------------|-------------------------------------|-----------------------------------|
| 1994 | \$ _____ | 2001 | \$ _____ |
| 1995 | \$ _____ | 2002 | \$ _____ |
| 1996 | \$ _____ | 2003 | \$ _____ |
| 1997 | \$ _____ | 2004 | \$ _____ |
| 1998 | \$ _____ | 2005 | \$ _____ |
| 1999 | \$ _____ | 2006 | \$ _____ |
| 2000 | \$ _____ | 2007 | \$ _____ |

This Series 1993 Bond is a duly authorized issue of _____ Million _____ Hundred _____ Thousand Dollars (\$ _____), principal amount of City of Hopkinsville, Kentucky Water and Sewer Refunding Revenue Bonds, Series 1993 (the "Series 1993 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 refunding the outstanding City of Hopkinsville, Kentucky Water and Sewer Revenue Bonds, Series 1976, dated February 1, 1976 (the "Series 1976 Bonds") and the City of Hopkinsville, Kentucky Water and Sewer Revenue Bonds, Series of 1987, dated April 1, 1987 (the "Series 1987 Bonds") (hereinafter the Series 1976 Bonds and the Series 1987 Bonds shall be collectively referred to as the "Refunded Bonds").

The Series 1993 Bonds rank on a parity as to security and source of payment with (i) the outstanding City of Hopkinsville Water and Sewer Refunding Revenue Bonds of 1975, dated December 1, 1975 (the "Series 1975 Bonds"), authorized by an Ordinance enacted by the City Council of the City on December 5, 1975 (the "1975 Bond Ordinance"); and (ii) the outstanding City of Hopkinsville 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 "Prior Bonds"], authorized by an Ordinance enacted by the City Council of the City on July 18, 1989 (the "1989 Bond Ordinance"). The 1975 Bond Ordinance and the 1989 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 1993 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 1993 Bonds or any additional bonds.

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 1993 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 1993 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 1993 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 1993 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 1993 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 1993 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.

The Series 1993 Bonds shall be subject to optional redemption by the City at any time prior to maturity, at a redemption price of 102% of the outstanding principal amount plus all accrued interest on and prior to the redemption date. The Series 1993 Bond are also subject to optional redemption at any time at par from surplus funds in the Revenue Fund as described in Section 11 of the Current Bond Ordinance.

The Registrar shall give notice of any redemption by sending such notice by certified or registered mail not less than 30 and not more than 60 days prior to the date fixed for redemption, to the registered owner of this Series 1993 Bond at the address shown on the bond register as of the date of mailing of such notice.

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 1993 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 1993 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 1993 Bond and all of the Series 1993 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 December, 1993; provided, however, that this Series 1993 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 1993 Bond is one of the Series 1993 Bonds referred to in the within Series 1993 Bond and in the Current Bond Ordinance authorizing same.

The Authentication Date of this Series 1993 Bond is: December 15, 1993.

NATIONSBANK OF KENTUCKY, N.A.,
Hopkinsville, Kentucky Bond Registrar

By _____
Authorized Officer

(FORM OF ASSIGNMENT)

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the within Series 1993 Bond and hereby irrevocably constitutes and appoints _____

_____ attorney to transfer said Series 1993 Bond on the books kept for registration and transfer of this Series 1993 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 the net revenues (defined in subsection (1) below) of the combined and consolidated System for twelve (12) consecutive months out of the preceding eighteen (18) months (subject to adjustments permitted under the Prior Bond Ordinance, as specified in subsection (2) below) were equal to at least one and thirty hundredths (1.30) times the maximum amount that will become due in any fiscal year hereafter for both principal and interest requirements with respect to the Prior Bonds then outstanding and with respect to the Current Bonds.

(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 readopted, 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:

(1) 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.

(2) prior to the issuance of the Current Bonds, the City agrees to deposit sufficient funds into such Depreciation Fund to accumulate a total of \$150,000 which hereafter shall be the amount required to be accumulated and maintained in said Depreciation Fund.

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 Issuer 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 readopted, 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 Sinking Fund Reserve and 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. ADDITIONAL PARITY BONDS. The Current Bonds shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Current Bonds, regardless of the fact 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:

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

(b) 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.

(c) 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.

The City hereby readopts, 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:

- (a) after the issuance of such parity bonds, the annual net revenues, as adjusted and defined above, of the then existing System for the fiscal year preceding the date of issuance of such parity bonds, after taking into account the revised debt service requirements resulting from the issuance of such parity bonds and from the elimination of the bonds being refunded or refinanced thereby, are equal to not less than 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
- (b) upon provisions being made for the prepayment and/or redemption of the Series 1975 Bonds and the Series 1989 Bonds, thus releasing the City from the 130% parity requirement for refunding bonds pursuant to the Prior Bond Ordinance, that 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.

SECTION 13. 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 14. 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 15. DISPOSITION OF PROCEEDS OF CURRENT BONDS; INTERIM FINANCING IF NEEDED. 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 a special escrow account, hereby created, entitled "City of Hopkinsville Water and Sewer Escrow Account" (the "Escrow Account"), which Escrow Account shall be maintained by the Escrow Agent; and the amount on deposit in said Escrow Account shall be applied to the extent necessary (i) to

redeem the Series 1976 Bonds on April 1, 1994 at a redemption price of 102% of the principal amount redeemed and (ii) to pay the interest accruing on the Series 1987 Bonds coming due on April 1, 1994, and on October 1 and April 1, of each year thereafter until and including October 1, 1997, and to redeem on October 1, 1997, all of the remaining outstanding Series 1987 Bonds at a redemption price of 102% 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 16. 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) 15% of the face amounts (par) of the original authorized issue of Prior Bonds issued prior to November 16, 1986 or net proceeds if sold at less than 98% of par or 125% of the average annual debt service on such bonds and (b) 10% of the face amounts (par) of the original authorized issue of the Current Bonds and any Prior Bonds issued after November 16, 1986;

(3) that is it 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 overissuance 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 17. 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 (a) to call for redemption and to redeem and retire all of such Outstanding Bonds, both as to principal and as to interest, on the next optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on such Outstanding Bonds to and on said date or (b) to pay all principal and interest requirements on such Outstanding Bonds as same mature, without redemption in advance of maturity, the determination of whether to defease under (a) or (b) or both to be made by the Governing Body of the City. Such investments shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the City shall take all steps necessary to publish notice of the redemption of such Outstanding Bonds on the next applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary; provided (1) no such defeasement shall be accomplished through the use of amounts on deposit in the 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 and (2) no such defeasement shall require that any Current Bonds be redeemed in advance of maturity if a right to defease the Current Bonds without redemption in advance of maturity shall have become vested.

SECTION 18. 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.

In addition to the covenants heretofore made for the benefit of the Owners of the Current Bonds, the City hereby specifically reaffirms those provisions of the 1975 Bond Ordinance included in Sections 17, 18(4), 27 and 28, entitled as follows:

"SECTION 17. RATES AND CHARGES FOR SERVICES OF THE SYSTEM".
(as amended by Section 18 of the 1987 Bond Ordinance)

"SECTION 18(1). INFERIOR BONDS".

"SECTION 18(4). PRIORITY OF LIEN; PERMISSIBLE DISPOSITION OF SURPLUS OR OBSOLETE FACILITIES".

"SECTION 27. COVENANT TO REQUIRE USE OF SEWER SYSTEM".

"SECTION 28. SUPERVISION OF COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM VESTED IN SEWERAGE AND WATER WORKS COMMISSION; CONTRACTUAL FOR BENEFIT OF BONDHOLDERS".

The City further acknowledges that under said Section 17 of the 1975 Bond Ordinance, the City has covenanted in addition to the other rate covenants of that Section, not to reduce rates without establishing that the proposed reduction will not reduce the required coverage below the amount of coverage (revenues, as adjusted, equal to at least 1.30 times maximum annual debt service requirements) which would be required in order to enable the City to issue additional parity bonds. Such covenants are hereby specifically readopted and reaffirmed.

SECTION 19. 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 20. APPOINTMENT AND DUTIES OF BOND REGISTRAR, TRANSFER AGENT, AND PAYEE BANK. NationsBank of Kentucky, N.A., Hopkinsville, 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 12 hereof;
- (2) To remit, but only to the extent that all required funds are made available to the Payee Bank by the City, semiannual interest payments directly to the registered owner of each Current Bond by regular United States mail. Said interest payments shall be deposited in the United States mail no later than each interest due date. Matured or redeemed Current Bonds shall be payable upon presentation to the Payee Bank. For interest payment purposes, the Payee Bank shall be entitled to rely on its records as Bond Registrar as to the ownership of each Current Bond as of the 15th day of the month preceding an interest due date, and the Payee Bank's check shall be drawn and mailed accordingly;
- (3) To notify the owner of each Current Bond to be redeemed and to redeem Current Bonds prior to their stated maturity upon their presentation in accordance with the provisions of Section 5 of this Current Bond Ordinance upon receiving, sufficient funds; and
- (4) To supply the City with a written accounting evidencing the payment of interest on and principal of the Current Bonds within 30 days following each respective due date.

The Bond Registrar/Payee Bank shall be entitled to the advice of Counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Bond Registrar/Payee Bank shall not be liable for any actions taken in good faith and believed by it