

City of Burkesville

P.O. Box 177
Burkesville, Kentucky 42717
864-4141

CITY OF BURKESVILLE, KENTUCKY

SUMMARY OF BOND ORDINANCE NUMBER 1989-3

The City Council of the City of Burkesville, Kentucky (the "City") gave first reading on March 16, 1989 and passed and adopted on March 17, 1989 an Ordinance entitled:

AN ORDINANCE OF THE CITY OF BURKESVILLE, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF \$387,000 OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES OF 1989, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

Said Ordinance provides for the issuance of \$387,000 of the City's Water and Sewer Revenue Bonds, Series of 1989, to provide construction monies to meet the expenses incident to the construction of improvements to the City's water and sewer system (the "System"); The City has received U. S. Department of Agriculture, Farmers Home Administration Grant in the amount of approximately \$363,000 for said improvements. The City will be required to contribute the sum of approximately \$128,000 from its own funds other than Bond proceeds.

The Bonds are payable from the income and revenues derived from the operation of the System.

The Ordinance provides for the segregation of the income and revenues of the System and the application thereof solely to the payment of the principal and interest on the Bonds outstanding and the Bonds to be issued as well as to certain other funds to provide for reserve and depreciation funds and the operation and maintenance of the System.

The Bonds are scheduled to mature on March 1 in each of the years 1991 through 2028 in varying principal amounts and are subject to redemption prior to their stated maturities.

The Ordinance requires that the City impose rates and charges for the services and facilities provided by the System in amounts sufficient to provide for the payment of outstanding debt obligations the proceeds of which were utilized to construct improvements to the System, and to properly operate, maintain and insure said System and provide for allowances for depreciation.

The Ordinance contains certain covenants by the City to the Registered Owners of the Bonds in regard to the operation and maintenance of the System, the proper insuring thereof as well as certain general covenants concerning accounting and the rate structure of the System.

The Ordinance sets forth the rights of the Registered Owners of the Bonds in the event of a default in the payment of the principal and interest requirements becoming due on the Bonds and recites that in the "event of default" Registered Owners have the right to file a suit to have a receiver appointed to operate the System pursuant to KRS 58.060 with the power to charge and collect rates and charges for the services and facilities provided in amounts sufficient to provide for the payment of the Bonds as the same become due.

A copy of the Ordinance is available in the office of the City Clerk for inspection during business hours. This Summary was prepared by Henry M. Reed III, Attorney at Law, Bond Counsel to the City in connection with the issuance of the Bonds.

CITY OF BURKESVILLE, KENTUCKY

A handwritten signature in cursive script, appearing to read "Vickie Pruitt".

VICKIE PRUITT,
City Clerk

AN ORDINANCE OF THE CITY OF BURKESVILLE, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF \$387,000 OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES OF 1989, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

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March 17, 1989

CITY ORDINANCE

NUMBER 1989-3

AN ORDINANCE OF THE CITY OF BURKESVILLE, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF \$387,000 OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES OF 1989, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

WHEREAS, it is permitted and provided by Sections 58.010 through 58.140 of the Kentucky Revised Statutes that the City may combine and consolidate its municipal water and sewer system (the "System") and bonds payable from revenues of said combined System may be issued for the purpose of constructing improvements thereto, and the City has by Ordinance heretofore so combined and consolidated said system; and

WHEREAS, the City has determined it is necessary and desirable to construct additions, extensions and improvements to the System (the "Construction Project"); and

WHEREAS, in order to assist in financing the Construction Project the City is to receive a Grant in the amount of approximately \$363,000 from the United States Department of Agriculture, Farmers Home Administration ("FmHA") to be applied toward to the total cost of \$878,000 of the Construction Project, but the City will be required to contribute the sum of approximately \$387,000 toward said total cost from its own funds through the issuance of its Water and Sewer Revenue Bonds, Series of 1989 (the "Bonds") to FmHA in the event bids are not received from others for said Bonds on a basis FmHA considers reasonable, and the sum of approximately \$128,000 from its own funds other than Bond proceeds, and

NOW, THEREFORE, BE IT AND IT IS HEREBY ORDAINED BY THE CITY COUNCIL OF THE CITY OF BURKESVILLE, KENTUCKY, AS FOLLOWS:

Section 1. Definitions: As used in this Ordinance, unless the context requires otherwise:

"Additional Bonds" means bonds issued in the future payable from the income and revenues of the System which may or may not rank on the basis of parity as to security and source of payment with the Outstanding Bonds and the Series 1989 Bonds.

"Beginning Month" means the month following the month in which the Construction Project is completed, as certified by the Engineers.

"The words "bond," "owner," "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "bondholder" means and contemplates, unless the context otherwise indicates, the Registered Owners of the Fully Registered Bonds at the time issued and outstanding hereunder, or any of them.

The "Bonds" or "Series 1989 Bonds" means any of the bonds payable from the income and revenues of the System authorized by this Ordinance, specifically the \$387,000 City of Burkesville Water and Sewer Revenue Bonds, Series of 1989.

"Bond Anticipation Note" or "Notes" means the obligations of the City authorized by this Ordinance to provide interim construction financing or multiple advances from FmHA pending the delivery of the Series 1989 Bonds.

"City" means the City of Burkesville, Cumberland County, Kentucky.

"City Council" means the governing body of the City.

"Construction Account" means the "City of Burkesville Water and Sewer System Construction Project Account of 1989" established under the provisions of this Ordinance for the purpose of accounting for the disbursements for the Construction Project from the proceeds of the City's Contribution, Bond Anticipation Notes and/or Series 1989 Bonds and the Grant.

"Construction Project" or "Extension Project" means the construction of the extensions, additions and improvements to the City's combined and consolidated water and sewer System, which construction is being financed in part by the Series 1989 Bonds herein authorized.

"Contribution" or "City's Contribution" means the sum of \$128,000 to be made available for the Construction Fund by the City from funds other than Bond proceeds or Grant monies which is a condition precedent to the issuance of any Bond Anticipation Notes or Series 1989 Bonds authorized under the provisions of this Ordinance.

"Date of Closing" means the date upon which the Series 1989 Bonds are delivered to the successful purchaser.

"Depository Bank" means the bank which shall serve as the depository of all of the various funds created or referred to in this Ordinance, which bank is Bank of Cumberland, Burkesville, Kentucky.

"Engineer" or "Engineers" means the Engineers, or any one of them, who prepared the plans and specifications for the Construction Project and who will supervise the construction thereof, and shall be deemed to refer to the firm of GRW Engineers, Inc., Lexington, Kentucky.

"FmHA" means the Farmers Home Administration of the Department of Agriculture of the United States of America.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fully Registered Bond" shall refer to a single bond or a series of negotiable bonds (subject to the transfer provisions) payable only to the Registered Owner or Owners in substantially the same form set forth as Exhibit A to this Ordinance; fully registered as to both principal and interest.

"Grant" means the grant in the amount of \$363,000 from FmHA to be applied to the Construction Project along with the proceeds of the Series 1989 Bonds and the City's Contribution.

"Independent Consulting Engineer" means an independent consulting engineer or firm of engineers of recognized excellent reputation in the field of water and sewer system engineering, and such definition includes the Engineers named above.

"KRS" means the Kentucky Revised Statutes.

"Original Purchaser" means the agency, person, firm or firms to which or to whom the Series 1989 Bonds herein authorized are awarded at the public sale of said Series 1989 Bonds, or their successors, and such definition shall include FmHA if it is the original purchaser of said Series 1989 Bonds.

"Outstanding Bonds" means the outstanding Prior First Lien Bonds and the outstanding Prior Second Lien Bonds.

"Prior First Lien Bonds" refers to \$230,000 of City of Burkesville Water and Sewer Refunding Revenue Bonds, dated March 1, 1964.

"Prior Lien Sinking Fund" refers to the "City of Burkesville Public Water and Sewer Project Bond and Interest Redemption Fund of 1964" established by the Ordinance authorizing the Prior First Lien Bonds, including the Sinking Fund Reserve established therein.

"Prior Second Lien Bonds" refers to \$236,000 of City of Burkesville Water and Sewer Revenue Bonds, Series of 1979, dated August 20, 1980.

"System" means the water and sewer System of the City as combined and consolidated and which shall include the Construction Project.

"Third Lien Sinking Fund" refers to the "City of Burkesville Water and Sewer System Bond and Interest Redemption Fund of 1989" established by this Ordinance to provide for the debt service and reserve requirements of the Series 1989 Bonds.

"U. S. Obligations" means bonds or notes which are the direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America.

Section II. Ratification of Consolidation of Water and Sewer Systems as Single Public Project: That the water and sewer systems of the City as the same now exist and as the same shall be modified, extended and improved, including the Construction Project, having heretofore been combined and consolidated as a single revenue producing public project or system (the "System") within the meaning of KRS 58.010 through 58.140; said consolidation is hereby ratified and affirmed, and so long as any of the City's Water and Sewer System Revenue Bonds, Series of 1989 authorized hereunder, or any Additional Bonds shall remain outstanding, said System shall be owned, controlled, operated and maintained on a revenue producing basis as a combined and consolidated System for the security and source of payment of the Outstanding Bonds and the Series 1989 Bonds and any Additional Bonds. All of the streets, alleys and rights-of-way within the jurisdiction of the City are hereby, to the extent required, dedicated to the use of said System.

Section III. Construction of Extensions, Additions and Improvements; Declaration of Period of Usefulness: The City shall construct the extensions, additions and improvements referred to herein as the Construction Project which is generally described in the plans, specifications and report prepared by the Engineers now on file with the City Clerk, and shall operate said System as a revenue-producing project under the provisions of the Constitution of Kentucky and Chapter 58 of Kentucky Revised Statutes.

The City hereby declares that the period of usefulness of the entire System is more than forty (40) years from the date of completion of the "Construction Project."

Section IV. Authorization of Series 1989 Bonds: It has been heretofore determined by the City that the total cost of the construction of the extensions, additions and improvements to the System, including preliminary expenses, land and rights-of-way, engineering expense, interest during construction, legal and administrative expense, publication costs and all necessary and incidental expenses thereto will not exceed approximately

\$878,000, and after deducting \$363,000 representing the FmHA Grant to the City and the City's Contribution in the amount of \$128,000 it is necessary that the City authorize and issue \$387,000 of Water and Sewer Revenue Bonds, Series of 1989, for the purpose of financing the costs (not otherwise provided) of the aforesaid extensions, additions and improvements under the provisions of Sections 58.010 through 58.140 of Kentucky Revised Statutes. There are hereby authorized to be issued and sold Three Hundred Eighty-Seven Thousand Dollars (\$387,000) principal amount of "City of Burkesville (Kentucky) Water and Sewer Revenue Bonds, Series of 1989". All of said Series 1989 Bonds shall be dated as of the date of delivery to the purchaser thereof, and shall bear interest from such date at a rate or rates as may be fixed by supplemental Order as a result of the advertised sale and competitive bidding for said Series 1989 Bonds, as hereinafter provided, and shall be issued and delivered only according to the "Form of Fully Registered Bond," as hereinafter prescribed.

Interest shall be payable semi-annually on September 1 and March 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Bonds to the ensuing September 1 or March 1 as the case may be.

Said Bonds shall mature as to principal on March 1 of each of the respective years set forth below. The Registered Owners of said Bonds shall have the right to elect that such Bonds be issued in denominations of from \$1,000 to \$387,000, in multiples of \$1,000 consistent with the schedule of principal maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, SERIES 1989 BONDS

<u>Maturity Date</u>	<u>Principal Maturity</u>
March 1, 1991	\$ 4,000
1992	4,000
1993	4,000
1994	4,000
1995	4,000
1996	5,000
1997	5,000
1998	5,000
1999	5,000
2000	6,000
2001	6,000
2002	6,000
2003	6,000
2004	7,000
2005	7,000
2006	7,000
2007	8,000
2008	8,000

2009	9,000
2010	9,000
2011	10,000
2012	10,000
2013	11,000
2014	11,000
2015	12,000
2016	12,000
2017	13,000
2018	13,000
2019	14,000
2020	15,000
2021	16,000
2022	16,000
2023	17,000
2024	18,000
2025	19,000
2026	20,000
2027	20,000
March 1, 2028	21,000

Section V. Provisions for Prepayment of Principal.

Principal installments due on the Bonds on or after March 1, 1991 shall be subject to prepayment, in whole or in part, on March 1, 1991 and on any interest payment date thereafter, in multiples of \$1,000 in inverse chronological order of installments, upon terms of the principal amount to be prepaid, plus accrued interest to the date of prepayment but without prepayment penalty.

In the event the City elects to prepay less than all of the Bonds, it shall exchange with the Registered Owner at the expense of the City a new Bond or Bonds representing the correct unpaid principal balance following the partial prepayment. Notwithstanding the foregoing, in the event FmHA is the Registered Owner of Bonds upon which a prepayment is made, the City shall not be required to exchange its new Bonds as indicated in the preceding sentence.

Notice of prepayment shall be given by regular United States mail to the Registered Owner of the Bonds to be prepaid not less than thirty (30) days prior to the date fixed for prepayment. All principal payments as to which the City exercises the right of redemption and as to which notice shall have been given, and for the prepayment of which, upon the terms aforesaid, funds are duly provided, shall cease to bear interest on the redemption date so designated.

Notwithstanding any of the foregoing provisions as to prepayment, Series 1989 Bonds may be redeemed at any time from the proceeds of said Bonds remaining unused at the time the Construction Project is complete upon thirty (30) days written notice to the Registered Owner.

Section VI. Series 1989 Bonds Payable From System Revenues; Priority of Outstanding Bonds. All of said Series 1989 Bonds, together with the interest thereon, and any Additional Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely and only out of the "City of Burkesville Water and Sewer System Revenue Bond and Interest Redemption Fund of 1989" (the "Third Lien Sinking Fund"), established under the provisions of this Ordinance, and shall be a valid claim of the Registered Owners thereof only against such Third Lien Sinking Fund and the System revenues pledged thereto in accordance with the provisions of Chapter 58 of Kentucky Revised Statutes. Notwithstanding anything contained in this Ordinance to the contrary, the Series 1989 Bonds are issued subject to the vested rights and priorities in favor of the owners of the Outstanding Bonds.

Section VII. Form of Fully Registered Bonds; Execution Authorized. Said Fully Registered Bonds referred to herein shall be in substantially the same form as set form in Exhibit A to this Ordinance, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Ordinance. The Fully Registered Bonds shall be of a type and composition, shall be on paper of sufficient weight and strength to prevent deterioration until the last principal installment due thereon and shall conform in size to standard bond practices.

The Fully Registered Bonds shall be executed by the manual signature of the Mayor, impressed with the corporate seal of the City and attested by the manual signature of the City Clerk.

The Registered Owner of any Fully Registered Bonds shall have the right, upon written request to the City and within ninety (90) days following such request, at the expense of the Registered Owner, to exchange Fully Registered Bonds for other Fully Registered Bonds in denominations selected by the Registered Owner in multiples of \$1,000 consistent with the schedule of principal maturities of said Series 1989 Bonds. New Bonds shall be so issued and substituted only for and upon surrender to the City of the corresponding Bonds so exchanged which shall then be immediately cancelled by the Treasurer of the City.

Section VIII. City's Contribution as Prerequisite; Interim Financing; Bond Anticipation Notes. The City and FmHA have entered into a Loan Resolution whereby FmHA has agreed to purchase the Series 1989 Bonds herein authorized in the event the City is unable to sell said Series 1989 Bonds (or obtain credit elsewhere) at reasonable rates and terms, taking into consideration prevailing private and corporate rates and terms in the community in accordance with FmHA Regulations. Under the terms of FmHA Regulations, delivery of the Series 1989 Bonds herein authorized and the receipt of the purchase price therefor will not be accomplished until the Construction Project is

substantially complete. Therefore, subject to the deposit of the City's Contribution as hereinafter set forth, in order to facilitate the completion of the Construction Project pending the issuance and delivery of the Bonds herein authorized, there are hereby authorized to be executed and delivered for the purpose of providing funds for the expenses of the Construction Project incurred in the interim period from the date of the sale of said Series 1989 Bonds until the issuance and delivery of the Series 1989 Bonds, "City of Burkesville Water and Sewer Revenue Bond Anticipation Notes" in the aggregate principal amount of \$387,000 (hereinafter sometimes referred to as the "Bond Anticipation Notes").

The procedure for the execution of said Bond Anticipation Notes and the disbursement of the proceeds thereof shall be strictly in accordance with the terms of this Ordinance and as set forth in this Section VIII.

There is hereby created a special and separate account of the City which shall be designated as the "City of Burkesville Water and Sewer System Construction Project Account of 1989" (hereinafter sometimes referred to as the "Construction Account"). Said Construction Account shall be established with the Depository Bank and any deposit in said Construction Account in excess of FDIC insurance coverage shall be secured by the Depository Bank in accordance with U.S. Treasury Department Circular No. 176 by a pledge of collateral with a Federal Reserve Bank. Pending the issuance and delivery of the Bonds all monies received in connection with the Construction Project from the Grant, the City's Contribution, and the proceeds of Bond Anticipation Notes shall be deposited in said Construction Account and shall be applied to meet the costs incident to said Construction Project pending the delivery of the Bonds.

The Engineers shall prepare one or more Estimate of Funds Needed, which will show the amount of funds needed during the 30-day period following the submission of such estimate (in a form satisfactory to FmHA), and which Estimates shall be executed by a representative of said Engineers in charge of the Construction Project, stating that the amount requested under said Estimate represents an estimated sum to be earned by and due to contractors under contracts with the City for work performed or materials furnished in connection with said Construction Project. Each Estimate of Funds Needed shall be countersigned by the Mayor. In regard to items of expense in connection with the Construction Project not relating to construction contracts, the Engineer's execution of the Estimate of Funds shall not be necessary and an Estimate of Funds for projected expenses of this type shall be signed only by the Mayor and approved by the duly authorized representative of FmHA.

The Estimate of Funds Needed (properly countersigned) shall be submitted to the Mayor and City Clerk, who, upon the receipt thereof, shall be authorized to execute a Bond Anticipation Note or Notes in accordance with the terms of this Ordinance in the aggregate amount represented by the Estimate of Funds submitted.

Upon the execution of the Bond Anticipation Notes, same shall be delivered to the purchaser thereof, whether said purchaser be a bank or FmHA, and the proceeds received therefrom shall be deposited in the Construction Account and disbursed from said Account in accordance with the terms of this Ordinance.

All requests for disbursements from the Construction Account shall be accompanied by one or more vouchers (Partial Payment Estimates in a form satisfactory to FmHA) executed by a representative of the Engineers in charge of said Construction Project certifying that the amount requested represents a sum actually earned by and due to contractors under a contract with the City for work performed or for materials furnished to the City in connection with said Construction Project. Each such voucher shall likewise be countersigned by the Mayor and approved by the duly authorized representative of FmHA. To the extent a requested disbursement from said Construction Account shall be for items not relating to construction contracts, a voucher (in a form satisfactory to FmHA) for such disbursement signed only by the Mayor and approved by the duly authorized representative of FmHA shall be submitted stating that the requested advance represents an expenditure which may be properly made under the terms of the FmHA Loan Resolution and is eligible for payment by the City from the proceeds of the Bonds herein authorized.

Disbursements from the Construction Account shall be made by check signed by the City Treasurer countersigned by the duly authorized representative of FmHA and shall be made only upon the Treasurer's receipt of such voucher.

Notwithstanding anything contained in this Ordinance to the contrary, no disbursements shall be made from the Construction Account nor shall any Bond Anticipation Notes be issued and delivered unless and until the City has been deposited in the Construction Account the sum of \$128,000 representing the City's Contribution to the Construction Project from sources other than the Bond/Note or Grant proceeds. The City's Contribution shall be deposited in the Construction Account prior to the advertisement for construction bids for the Construction Project.

The position of City Treasurer (or those officials of the City charged with the responsibilities for the Funds herein established) shall be covered by a Fidelity Bond in the amount of not less than \$245,000 with a surety company approved by FmHA;

the City and FmHA shall be named co-obligees in such Bond, and the amount thereof shall not be reduced without the written consent of FmHA. Should the aggregate total of the deposits in the various accounts authorized to be maintained under the provisions of this Ordinance equals more than \$245,000 at any one time during the year, the Fidelity Bond of the City Treasurer will be increased to cover the larger amount so accumulated and if FmHA so requests a special fidelity bond shall be written to cover the Construction Account.

The Bond Anticipation Notes shall be in substantially the same form as the Bond Anticipation Note attached to and made a part of this Ordinance and marked for identification as "Bond Ordinance Exhibit B." The Mayor and City Clerk are hereby authorized to execute said Notes periodically but in an aggregate principal amount not to exceed \$387,000 upon their receipt of the duly executed Estimate of Funds in accordance with the preceding paragraphs of this Section.

Said Bond Anticipation Notes shall be dated as of the date of the execution thereof and shall bear interest payable at maturity. The principal maturity date for all of said Notes shall be on or before two (2) years from the date this Ordinance is adopted. All of said Notes shall be subject to payment prior to their stated maturity, without penalty or premium, at any time upon ten (10) days' written notice of such prior redemption to the registered holder thereof.

Notwithstanding the foregoing procedure for the issuance of Bond Anticipation Notes and as an alternative procedure, upon the solicitation of bids from not less than two responsible lenders and a determination that it is in the best interest of City, said Bond Anticipation Notes may be sold to the Kentucky Infrastructure Authority ("KIA"). In the event of a sale of the Notes to the KIA, said Notes may be issued in the form of a single, fully registered Note in the principal of \$387,000 or such lesser amount as the City may determine necessary and the interest due on said Notes in accordance with the sale to said KIA may be deducted from the proceeds of said Notes upon their delivery to the KIA and deposited with the Trustee for the KIA under the KIA's Note Indenture and thereafter transferred by said Trustee to the Construction Account herein established and disbursed in accordance with the provisions of this Section VIII. The Estimate of Funds Needed shall be periodically submitted to the Trustee for the KIA to effect transfers to the City's Construction Account and thereafter disbursed in accordance with the procedure for Partial Payment Estimates under vouchers contemplated by this Section. The Mayor and City Clerk are hereby authorized to execute an Interim Financing Agreement with the KIA in order to effect said interim financing.

The Bond Anticipation Notes herein authorized shall be payable solely from and secured by a first pledge of the proceeds derived from the issuance of the Bonds herein authorized, or the

proceeds of other interim financing loans made in anticipation of the issuance of such Bonds.

Said Notes are authorized in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to Sections 58.010 through 58.150 and 56.513 of the Kentucky Revised Statutes.

The authority hereby delegated to the Mayor and City Clerk in regard to the execution of a total aggregate principal amount of \$387,000 includes the execution of renewal notes in evidence of the renewal and extension of Notes becoming due, providing the aggregate of the principal amount of all such Bond Anticipation Notes outstanding and payable shall not exceed \$387,000 and providing the Note which is renewed or superceded is simultaneously cancelled and transmitted to the City. The maximum aggregate principal amount of Bond Anticipation Notes permitted by this Ordinance shall include the interest on said Notes.

Notwithstanding anything contained in this Ordinance to the contrary, the City covenants that no Bond Anticipation Notes shall be issued and delivered unless and until the Bonds have been sold at public sale in accordance with law.

The City further covenants simultaneously with the issuance and delivery of said Bonds to the successful purchaser, all amounts due, owing and unpaid on said Bond Anticipation Notes shall be repaid at said time of delivery, including principal and interest.

In the event there may from time to time be on deposit in said Construction Account funds which are not immediately needed for the payment of construction costs, same may be invested, but only in the manner permitted by FmHA; provided, however, that no deposit in said Construction Account or any other fund provided for hereunder shall be used or invested in any manner which would cause the Bonds to become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, (the "Code") or any regulations of the U.S. Treasury Department interpreting same; provided, however, that the City, by the adoption of this Ordinance, covenants and agrees that it will not issue in excess of \$5,000,000 of its tax-exempt debt obligations during the calendar year in which the Series 1989 Bonds are delivered and hereby designate the Series 1989 Bonds as "qualified tax exempt obligations" pursuant to Code Section 265(b)(3). The City has been advised by Bond Counsel that by virtue of such covenant, the proceeds of the Series 1989 Bonds are exempt from certain restrictions imposed by said Code, including, but not being limited to, the rebate requirements of the Code.

Subsequent to the delivery of the Bonds and the payment in full of the Bond Anticipation Notes, upon certification by the Engineers that the Construction Project is complete in accordance

with the plans and specifications and all items of expense have been paid, the balance, if any, remaining in said Construction Account shall be transferred to the Third Lien Sinking Fund and said Construction Account shall be closed.

Section IX. Delivery of the Series 1989 Bonds; Payment of Bond Anticipation Notes; Disbursement of Series 1989 Bond Proceeds. Upon the delivery of the Series 1989 Bonds herein authorized, the following distribution of the proceeds of said Series 1989 Bonds shall be made simultaneously with said delivery and receipt of payment (the "Date of Closing"):

(A) Simultaneously with the delivery of the Series 1989 Bonds, all amounts due and owing by the City on interim construction loans evidenced by the Bond Anticipation Notes, including principal and interest, shall be paid in full and the Notes shall be cancelled.

(B) After observing the priority of the disbursement set forth in subparagraph (A) above, and simultaneously with the delivery of the Series 1989 Bonds, the balance of the proceeds of said Bonds remaining shall be transferred to the Construction Account established by Section VIII of this Ordinance.

Section X. Disposition of Water and Sewer System Revenues. From and after the delivery of any of the Series 1989 Bonds authorized under the provisions of this Ordinance, the said combined and consolidated municipal water and sewer System shall be operated on a fiscal year basis and on that basis all income and revenues derived directly or indirectly from the operation of said combined System shall be deposited promptly and as received first to the credit of a separate and special account known as the "City of Burkesville Public Water and Sewer Project Revenue Fund" (the "Revenue Fund"), established by the Ordinance authorizing the City's Prior First Lien Bonds. Such Revenue Fund shall be held separate and apart from all other funds of the City and shall be maintained so long as any of the Outstanding Bonds or the Series 1989 Bonds are outstanding and payment is not provided therefor. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(A) Prior Lien Sinking Fund.

A separate and special fund or account of the City designated "City of Burkesville Water and Sewer Project Bond and Interest Redemption Fund of 1964" (the "Prior Lien Sinking Fund"), was created by the Prior First Lien Bond Ordinance, and the same (including the Sinking Fund Reserve therein, hereinafter referred to as the "Prior Lien Reserve Fund") shall continue to be maintained as provided in the Prior First Lien Bond Ordinance. The City covenants and agrees that it will continue to deposit therein from the Revenue Fund such amounts as are required by the

terms of the Prior First Lien and Prior Second Lien Bond Ordinances to be so deposited; and such sums shall be held and applied by the City in the manner as follows:

(1) The monthly transfers to the Prior Lien Sinking Fund shall continue on the basis of an amount equal to one hundred and twenty percent (120%) of the average annual principal and interest requirements on the Prior First Lien Bonds and the Prior Second Lien Bonds until such time as there is accumulated and maintained in said Prior Lien Sinking Fund a required minimum balance equal to twice the maximum annual principal and interest requirements due in any ensuing twelve-month fiscal period on the Prior First Lien Bonds and the Prior Second Lien Bonds.

(2) Upon the establishment of the required minimum balance in the Prior Lien Sinking Fund as set forth in subparagraph (1) above, then the amount of the monthly transfers from the Revenue Fund to the Prior Lien Sinking Fund may be reduced to an amount equal to not less than one-twelfth (1/12th) of the actual principal and interest requirements becoming due on all Prior First Lien Bonds and Prior Second Lien Bonds then outstanding during the next succeeding twelve months.

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

(B) Third Lien Sinking Fund.

A separate and special fund or account of the City is hereby created, designated as the "City of Burkesville Water and Sewer System Bond and Interest Redemption Fund of 1989" (the "Third Lien Sinking Fund"), which shall to be maintained so long as any of the Series 1989 Bonds or any Additional Bonds are outstanding, in the Depository Bank, and all monies deposited therein from time to time shall be used, disbursed, and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on all of said Series 1989 Bonds and any Additional Bonds.

Until the delivery of the Series 1989 Bonds, there shall continue to be transferred in each month from the Revenue Fund and deposited into the Prior Lien Sinking Fund, amounts sufficient to meet the debt service requirements of the Outstanding Bonds as same become due and establish and maintain the required Prior Lien Reserve Fund.

Beginning with the month following the delivery of the Series 1989 Bonds, there shall be transferred from the Revenue Fund and deposited into the Third Lien Sinking Fund amounts sufficient to meet the debt service and debt service reserve requirements on all the Series 1989 Bonds on or before the 1st

day of each month, as follows:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest installment to become due on the Series 1989 Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of the Series 1989 Bonds maturing on the next succeeding March 1.
- (3) The amount of not less than \$192.00 per month until there is established within said Third Lien Sinking Fund a required minimum balance of not less than \$23,040 as a Debt Service Reserve for the Series 1989 Bonds. Upon the establishment of the required minimum balance of the Debt Service Reserve within the Third Lien Sinking Fund, no further deposits need be made into said Third Lien Sinking Fund except for monthly principal and interest installments as set forth in subparagraphs (B)(1) and (2) above or to replace any withdrawals.

If the City for any reason shall fail to make any monthly deposits as required, then an amount equal to the deficiency shall be set apart and deposited into the Prior Lien Sinking Fund (or the Prior Lien Reserve Fund) or Third Lien Sinking Fund (or Debt Service Reserve) out of the first available revenues in the ensuing month or months, which amount shall be in addition to the monthly deposit(s) otherwise required during such succeeding month or months.

On or before the 20th days of August and/or February in each year, the Depository Bank shall transfer from the Third Lien Sinking Fund and from the Debt Service Reserve therein (if necessary) a sum equal to the interest or a sum equal to the principal and interest, as the case may be, becoming due on the Series 1989 Bonds next following respective September 1 or March 1, and deposit the same in an account hereby created and identified as the "City of Burkesville 1989 Water and Sewer Revenue Bond and Interest Payment Account".

All funds in the Third Lien Sinking Fund and in the Debt Service Reserve therein shall be deposited in the Depository Bank, or such portion of said amounts on deposit in said Fund as is designated by the Governing Body of the City, shall be invested for the benefit of such Fund in Certificates of Time Deposit, savings accounts, (including "money market" accounts) or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for meeting interest and/or principal payments, to mature or be called. To the extent that any amounts on deposit in said Bank shall cause the total deposits of the City in said Bank to exceed the amount insured by Federal Deposit Insurance Corporation ("FDIC") coverage, such excess amount shall be

continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with KRS 66.480. Investments in Certificates of Time Deposit may be made only if a separate FmHA Form 402-4 Agreement is executed, if FmHA has purchased any of the Series 1989 Bonds and as long as the FmHA is the Registered Owner of any of the Series 1989 Bonds. Any such investments will be a part of the Fund from which the proceeds invested are derived, and income from such investments will be credited to such Fund.

(C) City to Make Principal and Interest Payments on a Monthly Basis so Long as FmHA Holds any of the Series 1989 Bonds, if Requested by the FmHA.

So long as any of the Series 1989 Bonds are held by the FmHA, the City shall, if requested by the FmHA, make payments of amounts equal to the total of (1) and (2) of Section X.(B) above, being the total of the monthly principal and interest requirements on the Series 1989 Bonds, in monthly payments directly to the FmHA.

(D) Depreciation Fund.

A separate and special fund or account of the City was created under the Prior First Lien Bond Ordinance, which fund was designated "City of Burkesville Public Water and Sewer Project Depreciation Fund of 1964" (the "Depreciation Fund"), which Fund was ratified, confirmed, and ordered to be continued in the Prior Second Lien Bond Ordinance, so long as any of the Prior First Lien Bonds, the Prior Second Lien Bonds, and any Additional Bonds (including the Series 1989 Bonds) are outstanding. The Prior First Lien Bond Ordinance and the Prior Second Lien Bond Ordinance required, and it is hereby required, that following the required transfers set forth in paragraphs (A) and (B) above, there shall be transferred each month to the Depreciation Fund a sum equal to not less than one-twelfth (1/12) of five percent (5%) of the annual gross income and revenues of the System for the previous fiscal year, but in any event not less than \$130.00 per month until there is established a required minimum balance of \$15,600, which required minimum balance shall be reestablished in the event moneys are utilized for the purposes herein permitted.

Funds in the Depreciation Fund may be invested in the same manner as monies on deposit in the Third Lien Sinking Fund.

In addition to the monthly transfers to said Depreciation Fund, the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of further extensions and improvements, and the proceeds from any property damage insurance, are required to be deposited in the Depreciation Fund and used only for the purposes for which such fund is established. Monies in the Depreciation Fund shall be

used for making extraordinary maintenance, repairs, renewals, or replacements to the System, which would be necessary to keep the System in good operating condition, only when there is not sufficient money included in the annual budget and in the Operation and Maintenance Fund, or for paying the costs of constructing improvements or extensions to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. Notwithstanding anything contained herein to the contrary, moneys on deposit in the Depreciation Fund shall be available for the principal and interest requirements of the Outstanding Bonds and the Series 1989 Bonds if for any reason funds are not available in the Prior Lien Sinking Fund or Third Lien Sinking Fund sufficient to prevent a default.

Notwithstanding anything contained herein to the contrary, moneys in the Depreciation Fund may be used for any extensions or improvements to said System costing in excess of \$5,000, only if the Engineers or independent consulting engineers shall supervise the construction work and shall have previously furnished the City a written opinion certifying that such improvements or extensions are economically feasible.

In the event of any withdrawals from the Depreciation Fund the required minimum balance shall be reestablished from transfers from the Revenue Fund.

(E) Operation and Maintenance Fund.

A special and separate Fund of the City was heretofore created by the Prior First Lien Bond Ordinance, distinct and apart from all other Funds and accounts of the City, designated and identified as the "City of Burkesville Public Water and Sewer Project Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), and the same was ratified in the Prior Second Lien Bond Ordinance and is hereby ratified and continued for the benefit of the System and any or all bonds payable from the income and revenues of the System. So long as any Prior First Lien Bonds, Prior Second Lien Bonds, Series 1989 Bonds, or any Additional Bonds, remain outstanding and unpaid, there shall continue to be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers required by Subsections (A), (B) and (D) above (which are cumulative), sufficient funds to meet the Current Expenses of operating, maintaining, repairing, and insuring the System, pursuant to the Annual Budget, for which provision is hereinafter made.

Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance of said System are met and a reserve equal to three (3) months operation and maintenance expenses of such System is accumulated and maintained at all times; such reserve may be used to meet operation and maintenance expenses of such System, but if

used, same shall be replaced as soon as possible by additional transfers from the Revenue Fund.

(F) Excess Funds.

Subject to the provisions for the disposition of the income and revenues of the System set forth in Subsections (A), (B), (D) and (E) of this Section X, which provisions are cumulative and the maintenance of the required minimum balances in said Funds, and after paying or providing for the payment of debt service on any subordinate obligations, any excess funds remaining in the Revenue Fund within sixty days after the end of each fiscal year, shall be transferred to the Depreciation Fund.

All payments into the above special funds shall be made on or before the 1st day of each month, except that when the 1st day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All moneys held in any of the above special funds shall be kept apart from all other City funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the City therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U. S. Obligations, as defined herein, having a market value equivalent to such deposit as aforesaid.

The City covenants to the Original Purchaser of the Series 1989 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 1989 Bonds at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 1989 Bonds, would have caused such Series 1989 Bonds to be "arbitrage bonds". Such covenant shall impose an obligation upon the City to comply with the requirements of Section 148 of the Code.

The City Treasurer shall be responsible for all of the various special funds established by this Ordinance and shall at all times be covered by a Fidelity Bond in accordance with the provisions of this Ordinance.

Notwithstanding anything contained in this Ordinance to the contrary, the City understands and agrees that if at any time it shall appear to FmHA that the City is able to refinance, in whole or in part, any of its debt obligations represented by the Series 1989 Bonds, by obtaining loans from commercial sources at reasonable rates and terms, FmHA shall have the right to request that the City proceed to implement such refinancing within a reasonable time in order to pay and retire all or part of the Series 1989 Bonds then held by FmHA.

Section XI. Additional Parity Bonds. The City covenants and agrees not to issue any additional parity bonds ranking on the basis of parity as to security and source of payment with the outstanding Prior First Lien Bonds or Prior Second Lien Bonds unless and until it has received the written consent of the Registered Owners of the Series 1989 Bonds.

The right and privilege of issuing Additional Bonds inferior and subordinate as to the security and source of payment with regard to the income and revenues of the System it is reserved in the City but is likewise subject to the prior written consent of the Registered Owners of the Series 1989 Bonds; provided, however, that the proceeds of any such Additional Bonds shall be utilized only for extensions, additions, and improvements to the System.

Section XII. General Covenants City. The City of Burkesville, through adoption of this Ordinance, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 1989 Bonds, that so long as the same or any part thereof remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Ordinance.

(B) It will at all times operate said System on a revenue-producing basis and will permit no free services to be rendered or afforded thereby to any person, firm or corporation, including the City.

(C) It will maintain the said System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided, and will make renewals and replacements, as the same may be required, through application of revenues accumulated and set aside into the Depreciation Fund.

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except that if the City shall determine by resolution or ordinance that any identified properties of the System are worn out, obsolete or otherwise no longer useful and needed, the same may be sold or exchanged as the City may order, and if sold for cash, the proceeds shall be deposited in the Depreciation Fund and be available for any authorized purpose of said Fund.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System, and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the

costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all Outstanding Bonds and the Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Ordinance and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the issuance of the Series 1989 Bonds, the City will adopt a budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the City Clerk and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, payments into the Reserve Fund for extensions, improvements and extraordinary repairs and maintenance, and payments into the Bond Fund. The City covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the governing body of the City determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the City agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year and, to the extent that said gross revenues are insufficient to provide for all payments required to be made under Section X hereof during such ensuing fiscal year, it will revise its rates and charges for services rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Bonds herein authorized which shall not be reduced unless an independent, recognized and reputable Independent Consulting Engineer not in the regular employ of the City gives and files in the office of the City Clerk a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current bond service requirements, depreciation requirements, operation and maintenance requirements and their several reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section X of this Ordinance and provided further that the net

income and revenues of such combined System are maintained at 1.50 times the average annual principal and interest requirements on all Bonds payable from the income and revenues of the System. Such statement shall set forth facts and figures which will support the conclusion reached.

(G) It will at all times segregate the revenues of the System from all other revenues, monies and funds of the City and will promptly and regularly make application and distribution thereof into the special funds provided in this Ordinance in the manner and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any bondholder, and any agent or representative of a bondholder. Additionally, if requested to do so by the Original Purchaser of the Series 1989 Bonds, said City will furnish to such Original Purchaser a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section X hereof.

(I) It will, within one hundred eighty (180) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the City on a monthly salary basis, showing all receipts and disbursements, with comments of the auditor concerning whether the books and records are being kept in compliance with this Ordinance and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the Office of the City Clerk where it will be available for public inspection, and will promptly mail a copy thereof to the Original Purchaser. If requested to do so, the City will furnish to any bondholder a condensed form of the Balance Sheet and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided.

(J) Any holder of said Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said City and its officers and agents of all duties imposed or required by law or this Ordinance in connection with the operation of said System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of said Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the City with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of current expenses, and to apply the revenues in conformity with this Ordinance and the provisions of said statute laws of Kentucky aforesaid.

(L) The City will cause each municipal officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Ordinance to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Mayor, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from monies available in the Operation and Maintenance Fund. In the event FmHA is the purchaser of the Bonds, FmHA shall be a co-obligee on said bond.

(M) Pursuant to KRS 96.934, rates and charges for sewer service provided by the System shall be billed simultaneously with rates for water service provided by the System, and water service shall be discontinued to any premises where there is failure to pay any part of the aggregate charges so billed, including such interest, penalties and fees for disconnection and/or reconnection as may be prescribed from time to time.

Section XIII. Registered Owners' Rights to Enforce Covenants. Any holder of the Series 1989 Bonds, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said City and its officers and agents of all duties imposed or required by law or this Ordinance in connection with the operation of said System, including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Series 1989 Bonds, then upon the filing of suit by any holder of said Bonds, any Court having jurisdiction of the action may appoint a receiver to administer the said combined and consolidated System on behalf of the City, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with this Ordinance and with the provisions of Chapter 58 of Kentucky Revised Statutes. Reasonable attorneys fees and court costs incurred by any bondholder or bondholders in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the properties securing the Bonds herein authorized.

Section XIV. General Covenants Applicable So Long As FmHA Holds Any Bonds. So long as the FmHA shall hold the any of the Series 1989 Bonds, the City shall comply with such regulations, requirements and requests as have been made by the FmHA, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by the FmHA, the carrying of insurance of such types and in such amounts as the FmHA may specify with insurance carriers acceptable to FmHA, and compliance with all the terms and conditions of the Loan Resolution between the City and FmHA.

In addition, so long as FmHA shall be the Registered Owner of any of the Series 1989 Bonds, the City shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the security interest of the Registered Owners of any Series 1989 Bonds without provisions for the prompt prepayment of said Series 1989 Bonds.

Section XV. No Priority Among Series 1989 Bonds. The Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds authorized by this Ordinance regardless of the fact that they may be actually issued in different series and delivered at different times; provided, however, its acknowledged that said Series 1989 Bonds are inferior and subordinate as to security and source of payment to the Prior First Lien Bonds and the Prior Second Lien Bonds.

Section XVI. Insurance.

(A) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level (including equipment and machinery but not including water reservoirs, standpipes, elevated tanks and non-combustible materials) the City shall, upon the sale of the Series 1989 Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Series 1989 Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

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

(B) Liability Insurance on Facilities. Upon the sale of said Series 1989 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 1989 Bonds are outstanding, public liability insurance relating to the operation of the facilities of the System with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the City's operations of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the City owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Series 1989 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 1989 Bonds are outstanding, vehicular public liability insurance with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$20,000 against claims for damage to property of others which may arise from the operation of such vehicles by the City.

(D) Workmen's Compensation. The City will carry suitable Workmen's Compensation coverage as required by the laws of the Commonwealth of Kentucky.

Section XVII. Contractual Nature of Bond Ordinance. The provisions of this Ordinance shall constitute a contract between the City and the holders of the Series 1989 Bonds; and after the issuance of any of said Series 1989 Bonds no change, variation or alteration of any kind in the provisions of this Ordinance shall be made in any manner except as herein provided until such time as all of said Series 1989 Bonds and the interest thereon have been paid or provided for in full; provided the City may enact other ordinances for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto, subject to the condition that this Ordinance shall not be so modified in any manner that may adversely affect the rights of any certain holders without similarly affecting the rights of all holders of all Series 1989 Bonds.

Section XVIII. Sale of Bonds. The City Clerk is hereby authorized and directed to cause notice for bids for the purchase of said Series 1989 Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Series 1989 Bonds to be sold, the time of sale and other details concerning the Series 1989 Bonds and the sale of the Series 1989 Bonds and shall inform prospective bidders that further information regarding said Series 1989 Bonds

is available from the City Clerk. The City Clerk shall utilize the forms of Notice of Bond Sale and Official Terms and Conditions of Bond Sale prepared by Bond Counsel in substantially the same forms as those attached to this Ordinance as Exhibits D and E, respectively and such Information for Bidders shall include, but not be limited to the following information:

(A) Bidders are required to bid a cash price of not less than par value of the Series 1989 Bonds.

(B) Interest rates must be in multiples of 1/8 or 1/20 of 1%, with not more than one interest rate per maturity being stipulated by any bidder.

(C) Bids will be considered only for the entire issue.

(D) Bidders (except the FmHA) are required to make a good faith deposit by cashier's check or certified check payable to the City, which check shall accompany the bid, in the minimum amount of 2% of the face amount of the Bonds. Checks of the unsuccessful bidders will be returned promptly after being opened.

(E) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Series 1989 Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to final maturity.

(F) Bidders shall be advised that FmHA has entered into a Loan Resolution with the City pursuant to which said FmHA reserves the right to withdraw its bid in the event bids are received from others on terms which FmHA considers reasonable.

(G) The City expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1989 Bonds at the office of the City Clerk within forty-five (45) days after notice is given of the award. If said Series 1989 Bonds are not ready for delivery and payment within forty-five (45) days from the aforesaid date of sale, the successful bidder(s) shall be relieved of any liability to accept delivery of any of the 1989 Bonds. In the event FmHA is the successful bidder, it is anticipated that delivery of the Series 1989 Bonds will be made at the time the Construction Project is substantially complete and the City's failure to deliver said Series 1989 Bonds within forty-five (45) days from said date of sale shall not relieve FmHA of its obligation to accept said Series 1989 Bonds.

(H) The City reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The Series 1989 Bonds will be tendered within said forty-five (45) day period and the successful bidder will receive the approving legal opinion of Henry M. Reed III, Bond Counsel, Louisville, Kentucky, as to the legality and tax-exemption of said Series 1989 Bonds, without additional cost to the successful bidder.

(J) Bids may be considered by the Mayor and City Clerk and may be accepted, rejected, or modified without further action by the governing body of the City.

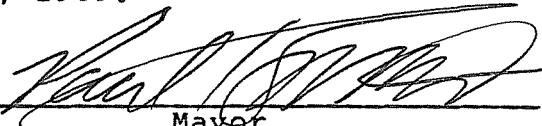
In the event that there is no bid or that all bids are rejected, the City may re-advertise the sale pursuant to this Ordinance.

Section XIX. Severability Clause. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section XX. Effective Date of Ordinance. This Ordinance shall take effect from and after its passage, approval and the publication of a summary thereof.

Given First Reading on March 16, 1989.

Passed and Adopted on March 17, 1989.



Mayor
City of Burkesville, Kentucky

ATTEST;



City Clerk

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF CUMBERLAND
CITY OF BURKESVILLE
WATER AND SEWER STSTEM REVENUE BOND
SERIES OF 1989

No. _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS:

That the City of Burkesville, Cumberland County, Kentucky, acting by and through its governing body (the "City"), for value received, hereby promises to pay to the Registered Owner hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of _____

_____ THOUSAND DOLLARS (\$ _____) on the first day of March, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here the printer will print the respective principal maturities)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America; and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, in like coin or currency, at the rate of _____ per cent (_____ %) per annum, semi-annually on the first days of March and September in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, to the Registered Owner at the address shown on the registration books of the City.

This Bond is one of a duly authorized issue of bonds in the total principal amount of Three Hundred Eighty-Seven Thousand Dollars (\$387,000) issued by the City pursuant to a duly adopted Ordinance for the purpose of financing the costs, not otherwise provided, of the construction of extensions, improvements and additions to the combined and consolidated waterworks and sewer

system of the City (the "Construction Project"). This Bond is issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including specifically, Sections 58.010 through 58.140 of said Statutes.

This Bond does not constitute an indebtedness of the City of Burkesville, Kentucky, within the meaning of any constitutional or statutory limitations, but is payable both principal and interest solely and only out of the revenues derived from the operation of the combined and consolidated water and sewer system of said City, a sufficient portion of which revenues, to pay the principal of and interest on all of said Bonds, as and when same become due and payable, shall be set aside and deposited in the "City of Burkesville Water and Sewer System Bond and Interest Redemption Fund of 1989". The City, acting by and through its governing body, covenants that it will fix and revise the rates and charges for the services and facilities of said combined water and sewer system and collect and account for the income and revenues therefrom to pay promptly the principal of and interest on this Bond and the issue of which it is one as the same become due and to pay when due all costs and expenses incident to the operation and maintenance of said water and sewer system. This Bond and the issue of which it forms a part is issued subject to prior and superior liens and pledges in favor of the holders of the outstanding City of Burkesville Water and Sewer Refunding Revenue Bonds of 1964, dated March 1, 1964 and the outstanding City of Burkesville Water and Sewer Revenue Bond, Series of 1979, dated August 20, 1980.

This Bond shall be registered as to principal and interest in the name of the holder hereof, after which it shall be transferable only upon presentation to the City Clerk as the Bond Registrar, with a written transfer duly acknowledged by the Registered Owner or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books of the City kept for that purpose.

As provided in the Bond Ordinance this Bond is exchangeable at the expense of the Registered Owner hereof at any time, upon ninety (90) days' written notice, at the request of such Registered Owner and upon surrender of this Bond to the City at the office of the City Clerk, for other Fully Registered Bonds in the denominations in multiples of \$1,000 selected by the Registered Owner as long as the selected denomination(s) are consistent with the maturities hereof, in an aggregate principal amount equal to and maturing in conformity with the unpaid principal amount of this Bond.

The City, at its option, shall have the right to prepay, on any interest payment date on and after March 1, 1991, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in multiples of One Thousand Dollars (\$1,000) as the City may determine, at a price in an amount equivalent to the principal amount to be prepaid plus

accrued interest to the date of prepayment, without any prepayment penalty. Notice of such redemption shall be given by regular United States mail to the Registered Owner of this Bond or his assignee, at least thirty (30) days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Registered Owner of this Bond.

Notwithstanding the foregoing provisions as to prepayment, this Bond may be paid as to principal without premium on any interest payment date from Bond proceeds remaining unused at the time of completion of the Construction Project. Notice of such prepayment shall be given as set forth in the preceding paragraph hereof.

Notwithstanding the foregoing provisions as to prepayment, in the event the United States Department of Agriculture, Farmers Home Administration is the Registered Owner of this Bond, the City shall have the right to make prepayments of principal on any interest payment date without premium and without the exchange of this Bond.

Upon default in the payment of any principal of or interest payment on this Bond (or on any other Bond of this issue of which it forms a part) or upon failure by the City to comply with any other provisions of this Bond or with the provisions of the Bond Ordinance, the Registered Owner may, at his option, institute all rights and remedies provided by law or by said Bond Ordinance.

This Bond is exempt from taxation in the Commonwealth of Kentucky.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the face amount of this Bond does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the City of Burkesville, in the County of Cumberland, the Commonwealth of Kentucky, by its governing body, has caused this Bond to be executed by its Mayor, its corporate seal to be hereunto affixed, and attested by its City Clerk, on the date of this Bond, which is _____.

CITY OF BURKESVILLE, KENTUCKY

By _____
Mayor

ATTEST:

City Clerk

(SEAL OF CITY)

PROVISION FOR REGISTRATION

This Bond is registered as hereinafter set out, and this Bond may thereafter be transferred only upon written transfer acknowledged by the Registered Owner or his attorney, such transfer to be made and endorsed hereon as indicated.

(FORM OF REGISTRATION)

<u>Date of</u>	<u>In Whose Name</u>	<u>Signature of the City Clerk</u>
<u>Registration :</u>	<u>Registered :</u>	
	:United States of	:
	:America, Department	:
	:Agriculture, Farmers	:
	:Home Administration	:
	:333 Waller Avenue	:
	:Lexington, Kentucky	:
	:40504	:
	:	:

COMMONWEALTH OF KENTUCKY
COUNTY OF CUMBERLAND
CITY OF BURKESVILLE
WATER AND SEWER REVENUE BOND ANTICIPATION NOTE
SERIES OF 1989

No. _____

\$ _____

The City of Burkesville, Cumberland County, Kentucky, (the "City") acting by and through its governing body under authority of Sections 58.150 and 56.513 of the Kentucky Revised Statutes, for value received hereby promises to pay to UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION, the Registered Owner hereof, the principal sum of _____ DOLLARS (\$ _____) on or before the 31st day of December, 1989, and to pay interest on said principal sum at the rate of five per cent (5%) per annum payable on the maturity date of this Note.

The principal of this Note and interest hereon are payable in lawful money of the United States of America at the office of the City Treasurer, who shall act as Note Registrar.

This Note may be assigned by the Registered Owner to another registered owner upon the execution of an appropriate notation hereon. The City should be notified in writing of any such assignment at the time of such assignment.

This Note is one of a series of Notes authorized in the aggregate principal amount of Three Hundred Eighty Seven Thousand (\$387,000), issued and to be issued by the City in anticipation of the issuance of \$387,000 City of Burkesville Water and Sewer Revenue Bonds, Series of 1989, (the "Series 1989 Bonds") for the purpose of providing interim funds to be applied solely toward the costs incident to the construction of additions, extensions and improvements to the combined and consolidated water and sewer system of the City and the costs incident to the issuance of said series of Notes and the interest thereon; all being done under and in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to Chapter 58 and Sections 58.150 and 56.513 of the Kentucky Revised Statutes, now in full force and effect, and an Ordinance passed and adopted by the City's governing body.

This Note and the series of which it is a part do not constitute an indebtedness of said City of Burkesville within the meaning of any Constitutional or statutory provision or limitation. Said Note is payable solely from and is secured by (i) the proceeds of other interim financing loans made in

anticipation of the issuance of such Series 1989 Bonds, or (ii) the proceeds derived from the issuance of the Series 1989 Bonds.

The City covenants with the Registered Owner of this Note that at a proper time or times during the construction of the additions, extensions and improvements to the combined and consolidated water and sewer system, or upon the completion thereof, the City will take all proper and necessary action under existing statutory authority (Sections 58.010 through 58.140 of the Kentucky Revised Statutes) and in accordance with law, to issue and deliver its Series 1989 Bonds, in a principal amount sufficient to pay all costs incident to the construction of said improvements to said water and sewer system and to pay the principal and interest on this Note and the series of which it is a part; said Bonds having been previously awarded to the United States Department of Agriculture, Farmers Home Administration, after due advertisement and public sale.

The City covenants with the Registered Owner of this Note that when the proceeds of said Series 1989 Bonds are received, the same will be deposited in a special escrow account upon such terms as will provide that the escrow agent shall pay from said proceeds to the respective Registered Owners of all of the Notes issued as constituting the series herein provided, as a first charge upon said proceeds.

Notwithstanding anything contained herein to the contrary, this Note is subject to payment prior to its stated maturity on any interest payment date, without penalty or premium, upon thirty (30) days' written notice sent by regular United States Mail, to the address of the Registered Owner as shown on the records of the City as Note Registrar. Such redemption may be accomplished from funds available from (i) the proceeds of such Series 1989 Bonds, or (ii) the proceeds of other interim financing loans made in anticipation of the issuance of such Series 1989 Bonds. At the time stated for redemption in said notice, the Registered Owner hereof shall present said Note to the City and shall receive the principal amount hereof, plus interest accrued at the stated rate hereon to the date of redemption, but without redemption premium. Following such prepayment the City Treasurer shall mark each such Note so paid as cancelled.

Pursuant to the statutes authorizing the issuance hereof, this Note and the receipt of interest hereon, are exempt from all taxation by the Commonwealth of Kentucky and all of its subdivisions, municipalities and taxing authorities.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance and delivery of this Note, do exist, have happened and have been performed according to law; that that provisions have been made for the payment of

the principal hereof and the interest hereon from the proceeds of the proposed issue of Series 1989 Bonds and other alternative sources identified herein.

IN TESTIMONY WHEREOF, the CITY OF BURKESVILLE, KENTUCKY, acting by and through its governing body, has caused this Water and Sewer Revenue Bond Anticipation Note, Series of 1989 to be executed in its name and on its behalf by the manual signature of its Mayor, by the impression of the seal of the City hereon, attested by the manual signature of its City Clerk, all being done on the ____ day of _____, ____.

CITY OF BURKESVILLE, KENTUCKY

By _____
Mayor

(SEAL OF CITY)

ATTEST:

City Clerk

PROVISION FOR REGISTRATION

This Note is registered as hereinafter set out, and this Note may thereafter be transferred only upon written transfer acknowledged by the Registered Owner or his attorney, such transfer to be made and endorsed hereon as indicated.

(FORM OF REGISTRATION)

Date of Registration	In Whose Name Registered	Signature of the City Treasurer
	:United States of	:
	:America, Department	:
	:Agriculture, Farmers	:
	:Home Administration	:
	:333 Waller Avenue	:
	:Lexington, Kentucky	:
	:40504	:
	:	:

CITY OF BURKESVILLE

P.O. Box 177
Burkesville, Kentucky 42717
864-4141

SUMMARY OF BOND ORDINANCE 1992-14

CITY OF BURKESVILLE, KENTUCKY

The City Council of the City of Burkesville, Kentucky (the "City") gave first reading on August 20, 1992 and passed and adopted on August 21, 1992 an Ordinance entitled:

AN ORDINANCE OF THE CITY OF BURKESVILLE, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF \$1,091,000 OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES OF 1992, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

Said ordinance provides for the issuance of \$1,091,000 of the City's Water and Sewer Revenue Bonds, Series of 1992 (the "1992 Bonds"), to provide construction monies to meet the expenses incident to the construction of improvement (wastewater treatment plant) to the City's water and sewer system (the "System"). The City has received U. S. Department of Agriculture , Farmers Home Administration Grant in the amount of approximately \$530,000 and a Community Development Block Grant in the amount of \$750,000 for said improvements. The City will be required to contribute the sum of approximately \$200,000 from its own funds other 1992 Bond proceeds.

The 1992 Bonds are payable from the income and revenues derived from the operation of the System.

The Ordinance provides for the segregation of the income and revenues of the System and the application thereof solely to the payment of the principal and interest on Bonds now outstanding and the 1992 Bonds to be issued as well as to certain other funds to provide for reserve and depreciation funds and the operation and maintenance of the System.

The Bonds are scheduled to mature on March 1 in each of the years 1995 through 2032 in varying principal amounts and are subject to redemption prior to their state maturities.

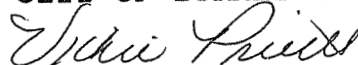
Ordinance requires that the City impose rates and charges for the services and facilities provided by the System in amounts sufficient to provide for the payment of outstanding debt obligations the proceeds of which were utilized to construct improvements to the System, and to properly operate, maintain and insure said system and provide for allowances for depreciation.

The Ordinance contains certain covenants by the City to the Registered Owners of the 1992 Bonds in regard to the operation and maintenance of the System, the proper insuring thereof, as well as certain general covenants concerning accounting and rate structure of the System.

The Ordinance sets forth the rights of the Registered Owners of the 1992 Bonds in the event of a default in the payment of the principal and interest requirements becoming due on the 1992 Bonds and recites that in the "event of default" Registered Owners have the right to file a suit to have a receiver appointed to operate the System pursuant to KRS 58.060 with the power to charge and collect rates and charges for the services and facilities provided in amounts sufficient to provide for the payment of all Bonds as the same become due.

A copy of the Ordinance is available in the office of the City Clerk for inspection during business hours. This Summary was prepared by Henry M. Reed III, Attorney at Law, Bond Counsel to the City in connection with the issuance of the Bonds.

CITY OF BURKESVILLE, KENTUCKY



VICKIE PRUITT,
City Clerk

AN ORDINANCE OF THE CITY OF BURKESVILLE, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF \$1,091,000 OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES OF 1992, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

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City of Burkesville

P.O. Box 177
Burkesville, Kentucky 42717

502-864-4141
TDD; 1-800-247-2510

August 21, 1992

CITY ORDINANCE
NUMBER 1992-14

AN ORDINANCE OF THE CITY OF BURKESVILLE, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF \$1,091,000 OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES OF 1992, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

WHEREAS, it is permitted and provided by Sections 58.010 through 58.140 of the Kentucky Revised Statutes that the City may combine and consolidate its municipal water and sewer system (the "System") and bonds payable from revenues of said combined System may be issued for the purpose of constructing improvements thereto, and the City has by Ordinance heretofore so combined and consolidated said system; and

WHEREAS, the City has determined it is necessary and desirable to construct additions, extensions and improvements to the System (the "Construction Project"); and

WHEREAS, in order to assist in financing the Construction Project to the City is to receive a Grant in the amount of approximately \$530,000 from the United States Department of Agriculture, Farmers Home Administration ("FmHA") and a Community Development Block Grant in the amount of \$750,000 from the United States Department of Housing and Urban Development ("CDBG") to be applied toward to the total cost of \$2,571,000 of the Construction Project, but the City will be required to contribute the sum of approximately \$1,091,000 toward said total cost from its own funds through the issuance of its Water and Sewer Revenue Bonds, Series of 1992 (the "Bonds") to FmHA in the event bids are not received from others for said Bonds on a basis FmHA considers reasonable, and the sum of approximately \$200,000 from its own funds other than Bond proceeds, and

NOW, THEREFORE, BE IT AND IT IS HEREBY ORDAINED BY THE CITY COUNCIL OF THE CITY OF BURKESVILLE, KENTUCKY, AS FOLLOWS:

Section 1. Definitions: As used in this Ordinance, unless the context required otherwise:

"Additional Bonds" means bonds issued in the future payable from the income and revenues of the System which may or may not rank on the basis of parity as to security and source of payment with the Outstanding Bonds and the Series 1992 Bonds.

"Assistance Agreement" means the contract between KIA and the City implementing interim financing for the Construction Project.

"Beginning Month" means the month following the month in which the Construction Project is completed, as certified by the Engineers.

"The words "bond," "owner," "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "bondholder" means and contemplates, unless the context otherwise indicates, the Registered Owners of the Fully Registered Bonds at the time issued and outstanding hereunder, or any of them.

The "Bonds" or "Series 1992 Bonds" means any of the bonds payable from the income and revenues of the System authorized by this Ordinance, specifically the \$1,091,000 City of Burkesville Water and Sewer Revenue Bonds, Series of 1992.

"Bond Anticipation Note" or "Notes" means the obligations of the City authorized by this Ordinance to provide interim construction financing or multiple advances from FmHA pending the delivery of the Series 1992 Bonds in the event KIA interim financing is not utilized.

"CDBG Grant" means the grant in the amount of \$750,000 from the United States Department of Housing and Urban Development to be applied to the Construction Project along with the proceeds of the Series 1992 Bonds, the City's Contribution and the FmHA Grant.

"City" means the City of Burkesville, Cumberland County, Kentucky.

"City Council" means the governing body of the City.

"Construction Account" means the "City of Burkesville Water and Sewer System Construction Project Account of 1992" established under the provisions of this Ordinance for the purpose of accounting for the disbursements for the Construction Project from the proceeds of the City's Contribution, Bond Anticipation Notes and/or Series 1992 Bonds and the Grants.

"Construction Project" or "Extension Project" means the construction of the extensions, additions and improvements to the City's combined and consolidated water and sewer System, which construction is being financed in part by the Series 1992 Bonds herein authorized; consisting of improvements to the wastewater treatment plant and related facilities.

"Contribution" or "City's Contribution" means the sum of

\$200,000 to be made available for the Construction Fund by the City from funds other than Bond proceeds or Grant monies which is a condition precedent to the issuance of any Bond Anticipation Notes or Series 1992 Bonds authorized under the provisions of this Ordinance.

"Date of Closing" means the date upon which the Series 1992 Bonds are delivered to the successful purchaser.

"Depository Bank" means the bank which shall serve as the depository of all of the various funds created or referred to in this Ordinance, which bank is Bank of Cumberland, Burkesville, Kentucky.

"Engineer" or "Engineers" means the Engineers, or any one of them, who prepared the plans and specifications for the Construction Project and who will supervise the construction thereof, and shall be deemed to refer to the firm of GRW Engineers, Inc., Lexington, Kentucky.

"FmHA" means the Farmers Home Administration of the Department of Agriculture of the United States of America.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fully Registered Bond" shall refer to a single bond or a series of negotiable bonds (subject to the transfer provisions) payable only to the Registered Owner or Owners in substantially the same form set forth as Exhibit A to this Ordinance; fully registered as to both principal and interest.

"FmHA Grant" means the grant in the amount of \$530,000 from FmHA to be applied to the Construction Project along with the proceeds of the Series 1992 Bonds, the City's Contribution and the CDBG Grant.

"Independent Consulting Engineer" means an independent consulting engineer or firm of engineers of recognized excellent reputation in the field of water and sewer system engineering, and such definition includes the Engineers named above.

"KIA" means the Kentucky Infrastructure Authority.

"KRS" means the Kentucky Revised Statutes.

"Original Purchaser" means the agency, person, firm or firms to which or to whom the Series 1992 Bonds herein authorized are awarded at the public sale of said Series 1992 Bonds, or their successors and such definition shall include FmHA if it is the original purchaser of said Series 1992 Bonds.

"Outstanding Bonds" means the outstanding Prior First Lien

Bonds, the outstanding Prior Second Lien Bonds and the outstanding Prior Third Lien Bonds.

"Prior First Lien Bonds" refers to \$160,000 of City of Burkesville Water and Sewer Refunding Revenue Bonds, dated March 1, 1964.

"Prior Lien Sinking Fund" refers to the "City of Burkesville Public Water and Sewer Project Bond and Interest Redemption Fund of 1964" established by the Ordinance authorizing the Prior First Lien Bonds, including the Sinking Fund Reserve established therein.

"Prior Second Lien Bonds" refers to \$222,000 of City of Burkesville Water and Sewer Revenue Bonds, Series of 1979, dated August 20, 1980.

"Prior Third Lien Bonds" refers to the \$379,000 of the City of Burkesville Water and Sewer Revenue Bonds, Series of 1989, dated January 9, 1990.

"System" means the water and sewer System of the City as combined and consolidated and which shall include the Construction Project.

"Third Lien Sinking Fund" refers to the "City of Burkesville Water and Sewer System Bond and Interest Redemption Fund of 1989" established by the Ordinance authorizing the Prior Third Lien Bonds to provide for the debt service and reserve requirements of the Series 1989 Bonds and Series 1992 Bonds.

"U. S. Obligations" means bonds or notes which are the direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America.

Section II. Ratification of Consolidation of Water and Sewer Systems as Single Public Project: That the water and sewer systems of the City as the same now exist and as the same shall be modified, extended and improved, including the Construction Project having heretofore been combined and consolidated as a single revenue producing public project or system (the "System") within the meaning of KRS 58.010 through 58.140; said consolidation is hereby ratified and affirmed, and so long as any of the City's Water and Sewer System Revenue Bonds, Series of 1992 authorized hereunder, the Outstanding Bonds, or any Additional Bonds shall remain outstanding said System shall be owned, controlled, operated and maintained on a revenue producing basis as a combined and consolidated System for the security and source of payment of the Outstanding Bonds and the Series 1992 Bonds and any Additional Bonds. All of the streets, alleys and rights-of-way within the jurisdiction of the City are hereby to

the extent required, dedicated to the use of said System.

Section III. Construction of Extensions, Additions and Improvements; Declaration of Period of Usefulness: The City shall construct the extensions, additions and improvements referred to herein as the Construction Project which is generally described in the plans, specifications and report prepared by the Engineers now on file with the City Clerk, and shall operate said System as a revenue-producing project under the provisions of the Constitution of Kentucky and Chapter 58 of Kentucky Revised Statutes.

The City hereby declares that the period of usefulness of the entire System is more than forty (40) years from the date of completion of the "Construction Project."

Section IV. Authorization of Series 1992 Bonds: It has been heretofore determined by the City that the total cost of the construction of the extensions, additions and improvements to the System including preliminary expenses, land and rights-of-way, engineering expense, interest during construction, legal and administrative expense, publication costs and all necessary and incidental expenses thereto will not exceed approximately \$2,571,000, and after deducting \$530,000 representing the FmHA Grant and \$750,000 representing the CDBG Grant and the City's Contribution in the amount of \$200,000 it is necessary that the City authorize and issue \$1,091,000 of Water and Sewer Revenue Bonds, Series of 1992, for the purpose of financing the costs (not otherwise provided) of the aforesaid extensions, additions and improvements under the provisions of Sections 58.010 through 58.140 of Kentucky Revised Statutes. There are hereby authorized to be issued and sold One Million Ninety One Thousand Dollars (\$1,091,000) principal amount of "City of Burkesville (Kentucky) Water and Sewer Revenue Bonds, Series of 1992". All of said Series 1992 Bonds shall be dated as of the date of delivery to the purchaser thereof, and shall bear interest from such date at a rate or rates as may be fixed by supplemental Order as a result of the advertised sale and competitive bidding for said Series 1992 Bonds, as hereinafter provided, and shall be issued and delivered only according to the "Form of Fully Registered Bond," as hereinafter prescribed.

Interest shall be payable semi-annually on September 1 and March 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Bonds to the ensuing September 1 or March 1 as the case may be.

Said Bonds shall mature as to principal on March 1 of each of the respective years set forth below. The Registered Owners of said Bonds shall have the right to elect that such Bonds be issued in denominations of from \$1,000 to \$1,091,000, in multiples of \$1,000 consistent with the schedule of principal

maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, SERIES 1992 BONDS

<u>Maturity Date</u>	<u>Principal Maturity</u>
March 1, 1995	10,000
1996	11,000
1997	11,000
1998	12,000
1999	12,000
2000	13,000
2001	14,000
2002	14,000
2003	15,000
2004	16,000
2005	16,000
2006	18,000
2007	18,000
2008	19,000
2009	20,000
2010	21,000
2011	22,000
2012	23,000
2013	24,000
2014	26,000
2015	27,000
2016	28,000
2017	30,000
2018	31,000
2019	33,000
2020	34,000
2021	36,000
2022	38,000
2023	40,000
2024	42,000
2025	44,000
2026	46,000
2027	48,000
2028	51,000
2029	53,000
2030	56,000
2031	59,000
2032	60,000

Section V. Provisions for Prepayment of Principal. Principal installments due on the Bonds on or after March 1, 1994 shall be subject to prepayment, in whole or in part, on March 1, 1993 and on any interest payment date thereafter, in multiples of \$1,000 in inverse chronological order of installments, upon terms of the principal amount to be prepaid, plus accrued interest to the date

of prepayment but without prepayment penalty.

In the event the City elects to prepay less than all of the Bonds, it shall exchange with the Registered Owner at the expense of the City a new Bond or Bonds representing the correct unpaid principal balance following the partial prepayment. Notwithstanding the foregoing, in the event FmHA is the Registered Owner of Bonds upon which a prepayment is made, the City shall not be required to exchange its new Bonds as indicated in the preceding sentence.

Notice of prepayment shall be given by regular United States mail to the Registered Owner of the Bonds to be prepaid not less than thirty (30) days prior to the date fixed for prepayment.

All principal payments as to which the City exercises the right of redemption and as to which notice shall have been given, and for the prepayment of which, upon the terms aforesaid, funds are duly provided, shall cease to bear interest on the redemption date so designated.

Notwithstanding any of the foregoing provisions as to prepayment Series 1992 Bonds may be redeemed at any time from the proceeds of said Bonds remaining unused at the time the Construction Project is complete upon thirty (30) days written notice to the Registered Owner.

Section VI. Series 1992 Bonds Payable From System Revenues; Priority of Certain Outstanding Bonds. All of said Series 1992 Bonds, together with the interest thereon, and any Additional Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely and only out of the "City of Burkesville Water and Sewer System Revenue Bond and Interest Redemption Fund of 1989" (the "Third Lien Sinking Fund"); established under the provisions of the Ordinance authorizing said Prior Third Lien Bonds, and shall be a valid claim of the Registered Owners thereof only against such Third Lien Sinking Fund and the System revenues pledged thereto in accordance with the provisions of Chapter 58 of Kentucky Revised Statutes. Notwithstanding anything contained in this Ordinance to the contrary, the Series 1992 Bonds are issued subject to the vested rights and priorities in favor of the owners of the Prior First Lien and Prior Second Lien Bonds.

Section VII. Form of Fully Registered Bonds; Execution Authorized. Said Fully Registered Bonds referred to herein shall be in substantially the same form as set form in Exhibit A to this Ordinance, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Ordinance. The Fully Registered Bonds shall be of a type and composition, shall be on paper of sufficient weight and strength to prevent deterioration until the last principal installment due

thereon and shall conform in size to standard bond practices.

The Fully Registered Bonds shall be executed by the manual signature of the Mayor, impressed with the corporate seal of the City and attested by the manual signature of the City Clerk.

The Registered Owner of any Fully Registered Bonds shall have the right, upon written request to the City and within ninety (90) days following such request, at the expense of the Registered Owner, to exchange Fully Registered Bonds for other Fully Registered Bonds in denominations selected by the Registered Owner in multiples of \$1,000 consistent with the schedule of principal maturities of said Series 1992 Bonds. New Bonds shall be so issued and substituted only for and upon surrender to the City of the corresponding Bonds so exchanged which shall then be immediately canceled by the Treasurer of the City.

Section VIII. City's Contribution as Prerequisite; Interim Financing; Bond Anticipation Notes; KIA Interim Loan. The City and FmHA have entered into a Loan Resolution whereby FmHA has agreed to purchase the Series 1992 Bonds herein authorized in the event the City is unable to sell said Series 1992 Bonds (or obtain credit elsewhere) at reasonable rates and terms, taking into consideration prevailing private and corporate rates and terms in the community in accordance with FmHA Regulations. Under the terms of FmHA Regulations, delivery of the Series 1992 Bonds herein authorized and the receipt of the purchase price therefor will not be accomplished until the Construction Project is substantially complete. Therefore, subject to the deposit of the City's Contribution as hereinafter set forth, in order to facilitate the completion of the Construction Project pending the issuance and delivery of the Bonds herein authorized, there are hereby authorized to be executed and delivered for the purpose of providing funds for the expenses of the Construction Project incurred in the interim period from the date of the sale of said Series 1992 Bonds until the issuance and delivery of the Series 1992 Bonds, "City of Burkesville water and Sewer Revenue Bond Anticipation Notes" in the aggregate principal amount of \$1,091,000 (hereinafter sometimes referred to as the "Bond Anticipation Notes").

The procedure for the execution of said Bond Anticipation Notes and the disbursement of the proceeds thereof shall be strictly in accordance with the terms of this Ordinance and as set forth in this Section VIII.

There is hereby created a special and separate account of the City which shall be designated as the "City of Burkesville Water and Sewer System Construction Project Account of 1992" (hereinafter sometimes referred to as the "Construction Account"). Said Construction Account shall be established with

the Depository Bank and any deposit in said Construction Account in excess of FDIC insurance coverage shall be secured by the Depository Bank in accordance with U.S. Treasury Department Circular No. 176 by a pledge of collateral with a Federal Reserve Bank. Pending the issuance and delivery of the Bonds all monies received in connection with the Construction Project from the Grants, the City's Contribution, and the proceeds of Bond Anticipation Notes shall be deposited in said Construction Account and shall be applied to meet the costs incident to said Construction Project pending the delivery of the Bonds.

The Engineers shall prepare one or more Estimate of Funds Needed, which will show the amount of funds needed during the 30-day period following the submission of such estimate (in a form satisfactory to FmHA), and which Estimates shall be executed by a representative of said Engineers in charge of the Construction Project, stating that the amount requested under said Estimate represents an estimated sum to be earned by and due to contractors under contracts with the City for work performed or materials furnished in connection with said Construction Project. Each Estimate of Funds Needed shall be countersigned by the Mayor. In regard to items of expense in connection with the Construction Project not relating to construction contracts, the Engineer's execution of the Estimate of Funds shall not be necessary and an Estimate of Funds for projected expenses of this type shall be signed only by the Mayor and approved by the duly authorized representative of FmHA.

The Estimate of Funds Needed (properly countersigned) shall be submitted to the Mayor and City Clerk, who, upon the receipt thereof, shall be authorized to execute a Bond Anticipation Note or Notes in accordance with the terms of this Ordinance in the aggregate amount represented by the Estimate of Funds submitted.

Upon the execution of the Bond Anticipation Notes, same shall be delivered to the purchaser thereof, whether said purchaser be a bank or FmHA, and the proceeds received therefrom shall be deposited in the Construction Account and disbursed from said Account in accordance with the terms of this Ordinance.

All requests for disbursements from the Construction Account shall be accompanied by one or more vouchers (Partial Payment Estimates in a form satisfactory to FmHA) executed by a representative of the Engineers in charge of said Construction Project certifying that the amount requested represents a sum actually earned by and due to contractors under a contract with the City for work performed or for materials furnished to the City in connection with said Construction Project. Each such voucher shall likewise be countersigned by the Mayor and approved by the duly authorized representative of FmHA. To the extent a requested disbursement from said Construction Account shall be for items not relating to construction contracts, a voucher (in a

form satisfactory to FmHA) for such disbursement signed only by the Mayor and approved by the duly authorized representative of FmHA shall be submitted stating that the requested advance - represents an expenditure which may be properly made under the terms of the FmHA Loan Resolution and is eligible for payment by the City from the proceeds of the Bonds herein authorized.

Disbursements from the Construction Account shall be made by check signed by the City Treasurer countersigned by the duly authorized representative of FmHA and shall be made only upon the Treasurer's receipt of such voucher.

Notwithstanding anything contained in this Ordinance to the contrary, no disbursements shall be made from the Construction Account nor shall any Bond Anticipation Notes be issued and delivered unless and until the City has been deposited in the construction Account the sum of \$200,000 representing the City's Contribution to the Construction Project from sources other than the Bond/Note or the proceeds of the Grants. The City's Contribution shall be deposited in the Construction Account prior to the advertisement for construction bids for the Construction Project.

The position of City Treasurer (or those officials of the City charged with the responsibilities for the Funds herein established) shall be covered by a Fidelity Bond in the amount of not less than \$315,000 with a surety company approved by FmHA; the City and FmHA shall be named co-obligees in such Bond, and the amount thereof shall not be reduced without the written consent of FmHA. Should the aggregate total of the deposits in the various accounts authorized to be maintained under the provisions of this Ordinance equals more than \$315,000 at any one time during the year, the Fidelity Bond of the City Treasurer will be increased to cover the larger amount so accumulated and if FmHA so requests a special fidelity bond shall be written to cover the Construction Account.

The Bond Anticipation Notes shall be in substantially the same form as the Bond Anticipation Note attached to and made a part of this Ordinance and marked for identification as Exhibit B. The Mayor and City Clerk are hereby authorized to execute said Notes periodically but in an aggregate principal amount not to exceed \$1,091,000 upon their receipt of the duly executed Estimate of Funds in accordance with the preceding paragraphs of this Section.

Said Bond Anticipation Notes shall be dated as of the date of the execution thereof and shall bear interest payable at maturity. The principal maturity date for all of said Notes shall be on or before two (2) years from the date this Ordinance is adopted. All of said Notes shall be subject to payment prior to their stated maturity without penalty or premium, at any time

upon ten (10) days' written notice of such prior redemption to the registered holder thereof.

Notwithstanding the foregoing procedure for the issuance of Bond Anticipation Notes and as an alternative procedure, upon the solicitation of bids from not less than two responsible lenders and a determination that it is in the best interest of City, the City may obtain interim financing from the Kentucky Infrastructure Authority ("KIA"). In the event of the utilization of KIA, the Mayor and City Clerk are hereby authorized to execute a Loan/Assistance Agreement to provide up to \$1,091,000 or such lesser amount as the City may determine necessary for interim financing. The KIA Loan proceeds shall be deposited with the Trustee for the KIA under the KIA's Note Indenture and thereafter transferred by said Trustee to the Construction Account herein established and disbursed in accordance with the provisions of this Section VIII. The Estimate of Funds Needed shall be periodically submitted to the Trustee for KIA to effect transfers to the City's Construction Account and thereafter disbursed in accordance with the procedure for Partial Payment Estimates under vouchers contemplated by this Section.

The Bond Anticipation Notes herein authorized shall be payable solely from and secured by a first pledge or the proceeds derived from the issuance of the Series 1992 Bonds herein authorized, or the proceeds of other interim financing loans made in anticipation of the issuance of such Bonds.

Said Notes are authorized in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to Sections 58.010 through 58.150 and 56.513 of the Kentucky Revised Statutes.

The authority hereby delegated to the Mayor and City Clerk in regard to the execution of a total aggregate principal amount of \$1,091,000 includes the execution of renewal notes in evidence of the renewal and extension of Notes becoming due, providing the aggregate of the principal amount of all such Bond Anticipation Notes outstanding and payable shall not exceed \$1,091,000 and providing the Note which is renewed or superseded is simultaneously canceled and transmitted to the City. The maximum aggregate principal amount of Bond Anticipation Notes permitted by this Ordinance shall include the interest on said Notes.

Notwithstanding anything contained in this Ordinance to the contrary, the City covenants that no Bond Anticipation Notes shall be issued and delivered unless and until the Bonds have been sold at public sale in accordance with law.

The City further covenants simultaneously with the issuance and delivery of said Bonds to the successful purchaser, all amounts due, owing and unpaid on said Bond Anticipation Notes or KIA Loan shall be repaid at said time of delivery, including principal and interest.

In the event there may from time to time be on deposit in said Construction Account funds which are not immediately needed for the payment of construction costs, same may be invested, but only in the manner permitted by FmHA; provided, however, that no deposit in said Construction Account or any other fund provided for hereunder shall be used or invested in any manner which would cause the Bonds to become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, (the "Code") or any regulations of the U.S. Treasury Department interpreting same; provided, however, that the City by the adoption of this Ordinance, covenants and agrees that it will not issue in excess of \$5,000,000 of its tax-exempt debt obligations during the calendar year in which the Series 1992 Bonds are delivered and hereby designate the Series 1992 Bonds as "qualified tax exempt obligations" pursuant to Code Section 265(b)(3). The City has been advised by Bond Counsel that by virtue of such covenant, the proceeds of the Series 1992 Bonds are exempt from certain restrictions imposed by said Code, including, but not being limited to, the rebate requirements of the Code.

Subsequent to the delivery of the Bonds and the payment in full of the Bond Anticipation Notes or KIA Loan, upon certification by the Engineers that the Construction Project is complete in accordance with the plans and specifications and all items of expense have been paid, the balance, if any, remaining in said Construction Account shall be transferred to the Third Lien Sinking Fund and said Construction Account shall be closed.

Section IX. Delivery of the Series 1992 Bonds; Payment of Bond Anticipation Notes or KIA Loan; Disbursement of Series 1992 Bond Proceeds. Upon the delivery of the Series 1992 Bonds herein authorized, the following distribution of the proceeds of said Series 1992 Bonds shall be made simultaneously with said delivery and receipt of payment (the "Date of Closing"):

(A) Simultaneously with the delivery of the Series 1992 Bonds, all amounts due and owing by the City on interim construction loans evidenced by the Bond Anticipation Notes or KIA Loan, including principal and interest, shall be paid in full and the Notes or KIA Loan shall be canceled.

(B) After observing the priority of the disbursement set forth in subparagraph (A) above, and simultaneously with the delivery of the Series 1992 Bonds, the balance of the proceeds of said Bonds remaining shall be transferred to the Construction

Account established by Section VIII of this Ordinance.

Section X. Disposition of Water and Sewer System Revenues.

From and after the delivery of any of the Series 1992 Bonds authorized under the provisions of this Ordinance, the said combined and consolidated municipal water and sewer System shall be operated on a fiscal year basis and on that basis all income and revenues derived directly or indirectly from the operation of said combined System shall be deposited promptly and as received first to the credit of a separate and special account known as the "City of Burkesville Public Water and Sewer Project Revenue Fund" (the "Revenue Fund"), established by the Ordinance authorizing the City's Prior First Lien Bonds. Such Revenue Fund shall be held separate and apart from all other funds of the City and shall be maintained so long as any of the Outstanding Bonds or the Series 1992 Bonds are outstanding and payment is not provided therefore. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(A) Prior Lien Sinking Fund.

A separate and special fund or account of the City designated "City of Burkesville Water and Sewer Project Bond and Interest Redemption Fund of 1964" (the "Prior Lien Sinking Fund"), was created by the Prior First Lien Bond Ordinance, and the same (including the Sinking Fund Reserve therein, hereinafter referred to as the "Prior Lien Reserve Fund") shall continue to be maintained as provided in the Prior First Lien Bond Ordinance. The City covenants and agrees that it will continue to deposit therein from the Revenue Fund such amounts are required by the terms of the Prior First Lien and Prior Second Lien Bond Ordinances to be so deposited; and such sums shall be held and applied by the City in the manner as follows:

(1) The monthly transfers to the Prior Lien Sinking Fund shall continue on the basis of an amount equal to one hundred and twenty percent (120%) of the average annual principal and interest requirements on the Prior First Lien Bonds and the Prior Second Lien Bonds until such time as there is accumulated and maintained in said Prior Lien Sinking Fund a required minimum balance equal to twice the maximum annual principal and interest requirements due in any ensuing twelve-month fiscal period on the Prior First Lien Bonds and the Prior Second Lien Bonds.

(2) Upon the establishment of the required minimum balance in the Prior Lien Sinking Fund as set forth in subparagraph (1) above, then the amount of the monthly transfers from the Revenue Fund to the Prior Lien Sinking Fund may be reduced to an amount equal to not less than one-twelfth (1/12th) of the actual principal and interest requirements becoming due on all Prior First Lien Bonds and Prior Second Lien Bonds then outstanding

during the next succeeding twelve months.

The Prior Lien Sinking Fund (including the Prior Lien Reserve Fund portion thereof) shall continue to be maintained at the Depository Bank (or Liberty National Bank and Trust Company of Louisville) so long as any of the Prior First Lien Bonds or Prior Second Lien Bonds are outstanding.

(B) Third Lien Sinking Fund.

A separate and special fund or account of the City was created by the Ordinance authorizing the Prior Third Lien Bonds, designated as the "City of Burkesville Water and Sewer System Bond and Interest Redemption Fund of 1989" (the "Third Lien Sinking Fund"), which shall be maintained so long as any of the Series 1992 Bonds or any Additional Bonds are outstanding in the Depository Bank, and all monies deposited therein from time to time shall be used, disbursed, and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on all of said Series 1992 Bonds and any Additional Bonds, as well as the Prior Third Lien Bonds.

Until the delivery of the Series 1992 Bonds, there shall continue to be transferred in each month from the Revenue Fund and deposited into the Prior Lien Sinking Fund, amounts sufficient to meet the debt service requirements of the Prior First and Second Lien Bonds as same become due and establish and maintain the required Prior Lien Reserve Fund. The required transfers to the Third Lien Sinking Fund for the Prior Third Lien Bonds shall likewise continue.

Beginning with the month following the delivery of the Series 1992 Bonds, there shall be transferred from the Revenue Fund and deposited into the Third Lien Sinking Fund amounts day of each month, as follows:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest installment to become due on the Prior Third Lien Bonds and Series 1992 Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of the Prior Third Lien Bonds and Series 1992 Bonds maturing on the next succeeding March 1.
- (3) The amount of not less than \$732.00 per month until there is established within said Third Lien Sinking Fund a required minimum balance of not less than \$87,840 as a Debt Service Reserve for the Prior Third Lien Bonds and Series 1992 Bonds. Upon the establishment of the required minimum balance of the

Debt Service Reserve within the Third Lien Sinking Fund, no further deposits need be made into said Third Lien Sinking Fund except for monthly principal and interest installments as set forth in subparagraphs (B)(1) and (2) above or to replace any withdrawals.

If the City for any reason shall fail to make any monthly deposits as required, then an amount equal to the deficiency shall be set apart and deposited into the Prior Lien Sinking Fund (or the Prior Lien Reserve Fund) or Third Lien Sinking Fund (or Debt Service Reserve) out of the first available revenues in the ensuing month or months, which amount shall be in addition to the monthly deposit(s) otherwise required during such succeeding month or months.

On or before the 20th days of August and/or February in each year, the Depository Bank shall transfer from the Third Lien Sinking Fund and from the Debt Service Reserve therein (if necessary) a sum equal to the interest or a sum equal to the principal and interest, as the case may be, becoming due on the Prior Third Lien Bonds and Series 1992 Bonds next following respective September 1 or March 1, and deposit the same in an account hereby created and identified as the "City of Burkesville 1989 Water and Sewer Revenue Bond and Interest Payment Account".

All funds in the Third Lien Sinking Fund and in the Debt Service Reserve therein shall be deposited in the Depository Bank, or such portion of said amounts on deposit in said Fund as is designated by the Governing Body of the City, shall be invested for the benefit of such Fund in Certificates of Time Deposit, savings accounts, (including "money market" accounts) or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for meeting interest and/or principal payments, to mature or be called. To the extent that any amounts on deposit in said Bank shall cause the total deposits of the City in said Bank to exceed the amount insured by Federal Deposit Insurance Corporation ("FDIC") coverage, such excess amount shall be continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with KRS 66.480. Investments in Certificates of Time Deposit may be made only if a separate FmHA Form 402-4 Agreement is executed, if FmHA has purchased any of the Series 1992 Bonds and as long as the FmHA is the Registered Owner of any of the Series 1992 Bonds. Any such investments will be a part of the Fund from which the proceeds invested are derived, and income from such investments will be credited to such Fund.

- (C) City to Make Principal and Interest Payments on a Monthly Basis so Long as FmHA Holds any of the Series 1992 Bonds, if Requested by the FmHA.

So long as any of the Series 1992 Bonds are held by the FmHA, the City shall, if requested by the FmHA, make payments of amounts equal to the total of (1) and (2) of Section X.(B) above, being the total of the monthly principal and interest requirements on the Series 1992 Bonds, in monthly payments directly to the FmHA.

(D) Depreciation Fund.

A separate and special fund or account of the City was created under the Prior First Lien Bond Ordinance, which fund was designated "City of Burkesville Public Water and Sewer Project Depreciation Fund of 1964" (the "Depreciation Fund"), which Fund was ratified, confirmed, and ordered to be continued in the Prior Second Lien Bond Ordinance, so long as any of the Prior First Lien Bonds, the Prior Second Lien Bonds, the Prior Third Lien Bonds and any Additional Bonds (including the Series 1992 Bonds) are outstanding. The Prior First Lien Bond Ordinance and the Prior Second Lien Bond Ordinance required, and it is hereby required, that following the required transfers set forth in paragraphs X(A) and X(B) above, there shall be transferred each month to the Depreciation Fund a sum equal to not less than one-twelfth (1/12) of five percent (5%) of the annual gross income and revenues of the System for the previous fiscal year, but in any event not less than \$670.00 per month until there is established a required minimum balance of \$80,400, which required minimum balance shall be reestablished in the event moneys are utilized for the purposes herein permitted.

Funds in the Depreciation Fund may be invested in the same manner as monies on deposit in the Third Lien Sinking Fund.

In addition to the monthly transfers to said Depreciation Fund, the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of further extensions and improvements, and the proceeds from any property damage insurance, are required to be deposited in the Depreciation Fund and used only for the purposes for which such fund is established. Monies in the Depreciation Fund shall be used for making extraordinary maintenance, repairs, renewals, or replacements to the System, which would be necessary to keep the System in good operating condition, only when there is not sufficient money included in the annual budget and in the Operation and Maintenance Fund, or for paying the costs of constructing improvements or extensions to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. Notwithstanding anything contained herein to the contrary, moneys on deposit in the Depreciation Fund shall be available for the principal and interest requirements of the Prior First and Second Lien Bonds, the Prior Third Lien Bonds, and the Series 1992 Bonds if for any reason funds are not

available in the Prior Lien Sinking Fund or Third Lien Sinking Fund sufficient to prevent a default.

Notwithstanding anything contained herein to the contrary moneys in the Depreciation Fund may be used for any extensions or improvements to said System costing in excess of \$5,000, only if the Engineers or independent consulting engineers shall supervise the construction work and shall have previously furnished the City a written opinion certifying that such improvements or extensions are economically feasible.

In the event of any withdrawals from the Depreciation Fund the required minimum balance shall be reestablished from transfers from the Revenue Fund.

(E) Operation and Maintenance Fund.

A special and separate Fund of the City was heretofore created by the Prior First Lien Bond Ordinance, distinct and apart from all other Funds and accounts of the City, designated and identified as the "City of Burkesville Public Water and Sewer Project Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), and the same was ratified in the Prior Second Lien Bond Ordinance and is hereby ratified and continued for the benefit of the System and any or all bonds payable from the income and revenues of the System. So long as any Prior First Lien Bonds, Prior Second Lien Bonds, Prior Third Lien Bonds, Series 1992 Bonds, or any Additional Bonds, remain outstanding and unpaid, there shall continue to be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers required by Subsections (A), (B) and (D) above of this Section X (which are cumulative), sufficient funds to meet the Current Expenses of operating, maintaining, repairing, and insuring the System, pursuant to the Annual Budget, for which provision is hereinafter made.

Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance of said System are met and a reserve equal to three (3) months operation and maintenance expenses of such System is accumulated and maintained at all times; such reserve may be used to meet operation and maintenance expenses of such System, but if used, same shall be replaced as soon as possible by additional transfers from the Revenue Fund.

(F) Excess Funds.

Subject to the provisions for the disposition of the income and revenues of the System set forth in Subsections (A), (B), (D) and (E) of this Section X, which provisions are cumulative and the maintenance of the required minimum balances in said Funds, and after paying or providing for the payment of debt service on

any subordinate obligations, any excess funds remaining in the Revenue Fund within sixty days after the end of each fiscal year, shall be transferred to the Depreciation Fund.

All payments into the above special funds shall be made on or before the 1st day of each month, except that when the 1st day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All moneys held in any of the above special funds shall be kept apart from all other City funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the City therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U. S. Obligations, as defined herein, having a market value equivalent to such deposit as aforesaid.

The City covenants to the Original Purchaser of the Series 1992 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 1992 Bonds at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 1992 Bonds, would have caused such Series 1992 Bonds to be "arbitrage bonds". Such covenant shall impose an obligation upon the City to comply with the requirements of Section 148 of the Code.

The City Treasurer shall be responsible for all of the various special funds established by this Ordinance and shall at all times be covered by a Fidelity Bond in accordance with the provisions of this Ordinance.

Notwithstanding anything contained in this Ordinance to the contrary, the City understands and agrees that if at any time it shall appear to FmHA that the City is able to refinance, in whole or in part, any of its debt obligations represented by the Series 1992 Bonds, by obtaining loans from commercial sources at reasonable rates and terms, FmHA shall have the right to request that the City proceed to implement such refinancing within a reasonable time in order to pay and retire all or part of the Series 1992 Bonds then held by FmHA.

Section XI. Additional Parity Bonds. The City covenants and agrees not to issue any additional parity bonds ranking on the basis of parity as to security and source of payment with the outstanding Prior First Lien Bonds or Prior Second Lien Bonds unless and until it has received the written consent of the Registered Owners of the Series 1992 Bonds.

The right and privilege of issuing Additional Bonds inferior and subordinate as to the security and source of payment with regard to the income and revenues of the System it is reserved in

the City but is likewise subject to the prior written consent of the Registered Owners of the Series 1992 Bonds; provided, however, that the proceeds of any such Additional Bonds shall be utilized only for extensions, additions, and improvements to the System.

Section XII. General Covenants City. The City of Burkesville, through adoption of this Ordinance, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 1992 Bonds, that so long as the same or any part thereof remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky and by the terms and provisions of this Ordinance.

(B) It will at all times operate said System on a revenue-producing basis and will permit no free services to be rendered or afforded thereby to any person, firm or corporation, including the City.

(C) It will maintain the said System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided, and will make renewals and replacements, as the same may be required, through application of revenues accumulated and set aside into the Depreciation Fund.

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except that if the City shall determine by resolution or ordinance that any identified properties of the System are worn out, obsolete or otherwise no longer useful and needed, the same may be sold or exchanged as the City may order, and if sold for cash, the proceeds shall be deposited in the Depreciation Fund and be available for any authorized purpose of said Fund.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System, and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining it in good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all Outstanding Bonds and the Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Ordinance and shall, if necessary, be adjusted

from time to time in order to comply herewith.

On or before the issuance of the Series 1992 Bonds, the City will adopt a budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any bonds are outstanding it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the City Clerk and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, payments into the Reserve Fund for extensions, improvements and extraordinary repairs and maintenance and payments into the Bond Fund. The City covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance, and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the governing body of the City determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the City agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year and, to the extent that said gross revenues are insufficient to provide for all payments required to be made under Section X hereof during such ensuing fiscal year, it will revise its rates and charges for services rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Bonds herein authorized which shall not be reduced unless an independent, recognized and reputable Independent Consulting Engineer not in the regular employ of the City gives and files in the office of the City Clerk a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current bond service requirements, depreciation requirements, operation and maintenance requirements and their several reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section X of this Ordinance and provided further that the net income and revenues of such combined System are maintained at 1.50 times the average annual principal and interest requirements on all Bonds payable from the income and revenues of the System. Such statement shall set forth facts and figures which will support the conclusion reached.

(G) It will at all times segregate the revenues of the

System from all other revenues, monies and funds of the City and will promptly and regularly make application and distribution thereof into the special funds provided in this Ordinance in the manner and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any bondholder, and any agent or representative of a bondholder. Additionally, if requested to do so by the Original Purchaser of the Series 1992 Bonds, said City will furnish to such Original Purchaser a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section X hereof.

(I) It will, within one hundred eighty (180) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the City on a monthly salary basis, showing all receipts and disbursements, with comments of the auditor concerning whether the books and records are being kept in compliance with this Ordinance and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the Office of the City Clerk where it will be available for public inspection, and will promptly mail a copy thereof to the Original Purchaser. If requested to do so, the City will furnish to any bondholder a condensed form of the Balance Sheet and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided.

(J) Any holder of said Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said City and its officers and agents of all duties imposed or required by law or this Ordinance in connection with the operation of said System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of said Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the City with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of current expenses, and

to apply the revenues in conformity with this Ordinance and the provisions of said statute laws of Kentucky aforesaid.

(L) The City will cause each municipal officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Ordinance to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Mayor, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from monies available in the Operation and Maintenance Fund. In the event FmHA is the purchaser of the Bonds, FmHA shall be a co-obligee on said bond.

(M) Pursuant to KRS 96.934, rates and charges for sewer service provided by the System shall be billed simultaneously with rates for water service provided by the System, and water service shall be discontinued to any premises where there is failure to pay any part of the aggregate charges so billed, including such interest, penalties and fees for disconnection and/or reconnection as may be prescribed from time to time.

Section XIII. Registered Owners' Rights to Enforce Covenants. Any holder of the Series 1992 Bonds, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said City and its officers and agents of all duties imposed or required by law or this Ordinance in connection with the operation of said System, including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Series 1992 Bonds, then upon the filing of suit by any holder of said Bonds, any Court having jurisdiction of the action may appoint a receiver to administer the said combined and consolidated System on behalf of the City, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with this Ordinance and with the provisions of Chapter 58 of Kentucky Revised Statutes. Reasonable attorneys fees and court costs incurred by any bondholder or bondholders in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the properties securing the Bonds herein authorized.

Section XIV. General Covenants Applicable So Long As FmHA Holds Any Bonds. So long as the FmHA shall hold the any of the Series 1992 Bonds, the City shall comply with such regulations, requirements and requests as have been made by the

FmHA, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by the FmHA, the carrying of insurance of such types and in such amounts as the FmHA may specify with insurance carriers acceptable to FmHA, and compliance with all the terms and conditions of the Loan Resolution between the City and FmHA.

In addition, so long as FmHA shall be the Registered Owner of any of the Series 1992 Bonds, the City shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the security interest of the Registered Owners of any Series 1992 Bonds without provisions for the prompt prepayment of said Series 1992 Bonds.

Section XV. No Priority Among Series 1992 Bonds. The Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds authorized by this Ordinance regardless of the fact that they may be actually issued in different series and delivered at different times; provided, however, it is acknowledged that said Series 1992 Bonds are inferior and subordinate as to security and source of payment to the Prior First Lien Bonds and the Prior Second Lien Bonds.

Section XVI. Insurance.

(A) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level (including equipment and machinery but not including water reservoirs, standpipes, elevated tanks and non-combustible materials) the City shall, upon the sale of the Series 1992 Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Series 1992 Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80) of the full insurable value of the damaged facility.

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

(B) Liability Insurance on Facilities. Upon the sale of said Series 1992 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the

Series 1992 Bonds are outstanding public liability insurance relating to the operation of the facilities of the System with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the City's operations of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the City owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Series 1992 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 1992 Bonds are outstanding vehicular public liability insurance with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$20,000 against claims for damage to property of others which may arise from the operation of such vehicles by the City.

(D) Workmen's Compensation. The City will carry suitable Workmen's Compensation coverage as required by the laws of the Commonwealth of Kentucky.

Section XVII. Contractual Nature of Bond Ordinance. The provisions of this Ordinance shall constitute a contract between the City and the holders of the Series 1992 Bonds; and after the issuance of any of said Series 1992 Bonds no change, variation or alteration of any kind in the provisions of this Ordinance shall be made in any manner except as herein provided until such time as all of said Series 1992 Bonds and the interest thereon have been paid or provided for in full; provided the City may enact other ordinances for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto, subject to the condition that this Ordinance shall not be so modified in any manner that may adversely affect the rights of any certain holders without similarly affecting the rights of all holders of all Series 1992 Bonds.

Section XVIII. Sale of Bonds. The City Clerk is hereby authorized and directed to cause notice for bids for the purchase of said Series 1992 Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Series 1992 Bonds to be sold, the time of sale and other details concerning the Series 1992 Bonds and the bidders that further information regarding said Series 1992 Bonds is available from the City Clerk. The City Clerk shall utilize the forms of Notice of Bond Sale and Official Terms and Conditions of Bond Sale prepared by Bond Counsel in substantially

the same forms as those attached to this Ordinance as Exhibits D and E, respectively and such Information for Bidders shall include, but not be limited to the following information:

(A) Bidders are required to bid a cash price of not less than par value of the Series 1992 Bonds.

(B) Interest rates must be in multiples of 1/8 or 1/20 of 1%, with not more than one interest rate per maturity being stipulated by any bidder.

(C) Bids will be considered only for the entire issue.

(D) Bidders (except the FmHA) are required to make a good faith deposit by cashier's check or certified check payable to the City which check shall accompany the bid, in the minimum amount of 2% of the face amount of the Bonds. Checks of the unsuccessful bidders will be returned promptly after being opened.

(E) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Series 1992 Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to final maturity.

(F) Bidders shall be advised that FmHA has entered into a Loan Resolution with the City pursuant to which said FmHA reserves the right to withdraw its bid in the event bids are received from others on terms which FmHA considers reasonable.

(G) The City expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1992 Bonds at the office of the City Clerk within forty-five (45) days after notice is given of the award. If said Series 1992 Bonds are not ready for delivery and payment within forty-five (45) days from the aforesaid date of sale, the successful bidder(s) shall be relieved of any liability to accept delivery of any of the 1992 Bonds. In the event FmHA is the successful bidder, it is anticipated that delivery of the Series 1992 Bonds will be made at the time the Construction Project is substantially complete and the City's failure to deliver said Series 1992 Bonds within forty-five (45) days from said date of sale shall not relieve FmHA of its obligation to accept said Series 1992 Bonds.

(H) The City reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The Series 1992 Bonds will be tendered within said forty-five (45) day period and the successful bidder will receive

the approving Legal Opinion of Henry M. Reed III, Bond Counsel, Louisville, Kentucky, as to the legality and tax-exemption of said series 1989 Bonds, without additional cost to the successful bidder.

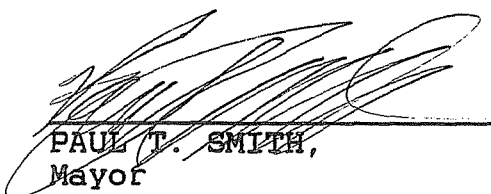
(J) Bids may be considered by the Mayor and City clerk and may be accepted, rejected, or modified without further action by the governing body of the City.

In the event that there is no bid or that all bids are rejected, the City may re-advertise the sale pursuant to this Ordinance.


Section XIX. Severability Clause. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section XX. Effective Date of Ordinance. This Ordinance shall be effective after passage, approval and the publication of a summary thereof.

Enacted this 21st day of August, 1992.


PAUL T. SMITH,
Mayor

Attest:


VICKIE PRUITT, City Clerk

City of Burkesville

P.O. Box 177
Burkesville, Kentucky 42717
864-4141

March 17, 1989

CITY ORDINANCE

NUMBER 1989-3

AN ORDINANCE OF THE CITY OF BURKESVILLE, KENTUCKY, AUTHORIZING THE CONSTRUCTION OF EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM; AUTHORIZING THE ISSUANCE OF \$387,000 OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES OF 1989, TO PROVIDE PART OF THE COSTS OF SAID CONSTRUCTION; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTION IN CONNECTION WITH SAID CONSTRUCTION AND THE ISSUANCE OF SAID BONDS.

WHEREAS, it is permitted and provided by Sections 58.010 through 58.140 of the Kentucky Revised Statutes that the City may combine and consolidate its municipal water and sewer system (the "System") and bonds payable from revenues of said combined System may be issued for the purpose of constructing improvements thereto, and the City has by Ordinance heretofore so combined and consolidated said system; and

WHEREAS, the City has determined it is necessary and desirable to construct additions, extensions and improvements to the System (the "Construction Project"); and

WHEREAS, in order to assist in financing the Construction Project the City is to receive a Grant in the amount of approximately \$363,000 from the United States Department of Agriculture, Farmers Home Administration ("FmHA") to be applied toward to the total cost of \$878,000 of the Construction Project, but the City will be required to contribute the sum of approximately \$387,000 toward said total cost from its own funds through the issuance of its Water and Sewer Revenue Bonds, Series of 1989 (the "Bonds") to FmHA in the event bids are not received from others for said Bonds on a basis FmHA considers reasonable, and the sum of approximately \$128,000 from its own funds other than Bond proceeds; and

NOW, THEREFORE, BE IT AND IT IS HEREBY ORDAINED BY THE CITY COUNCIL OF THE CITY OF BURKESVILLE, KENTUCKY, AS FOLLOWS:

Section 1. Definitions: As used in this Ordinance, unless the context requires otherwise:

"Additional Bonds" means bonds issued in the future payable from the income and revenues of the System which may or may not rank on the basis of parity as to security and source of payment with the Outstanding Bonds and the Series 1989 Bonds.

"Beginning Month" means the month following the month in which the Construction Project is completed, as certified by the Engineers.

"The words "bond," "owner," "holder" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate. The term "bondholder" means and contemplates, unless the context otherwise indicates, the Registered Owners of the Fully Registered Bonds at the time issued and outstanding hereunder, or any of them.

The "Bonds" or "Series 1989 Bonds" means any of the bonds payable from the income and revenues of the System authorized by this Ordinance, specifically the \$387,000 City of Burkesville Water and Sewer Revenue Bonds, Series of 1989.

"Bond Anticipation Note" or "Notes" means the obligations of the City authorized by this Ordinance to provide interim construction financing or multiple advances from FmHA pending the delivery of the Series 1989 Bonds.

"City" means the City of Burkesville, Cumberland County, Kentucky.

"City Council" means the governing body of the City.

"Construction Account" means the "City of Burkesville Water and Sewer System Construction Project Account of 1989" established under the provisions of this Ordinance for the purpose of accounting for the disbursements for the Construction Project from the proceeds of the City's Contribution, Bond Anticipation Notes and/or Series 1989 Bonds and the Grant.

"Construction Project" or "Extension Project" means the construction of the extensions, additions and improvements to the City's combined and consolidated water and sewer System, which construction is being financed in part by the Series 1989 Bonds herein authorized.

"Contribution" or "City's Contribution" means the sum of \$128,000 to be made available for the Construction Fund by the City from funds other than Bond proceeds or Grant monies which is a condition precedent to the issuance of any Bond Anticipation Notes or Series 1989 Bonds authorized under the provisions of this Ordinance.

"Date of Closing" means the date upon which the Series 1989 Bonds are delivered to the successful purchaser.

"Depository Bank" means the bank which shall serve as the depository of all of the various funds created or referred to in this Ordinance, which bank is Bank of Cumberland, Burkesville, Kentucky.

"Engineer" or "Engineers" means the Engineers, or any one of them, who prepared the plans and specifications for the Construction Project and who will supervise the construction thereof, and shall be deemed to refer to the firm of GRW Engineers, Inc., Lexington, Kentucky.

"FmHA" means the Farmers Home Administration of the Department of Agriculture of the United States of America.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fully Registered Bond" shall refer to a single bond or a series of negotiable bonds (subject to the transfer provisions) payable only to the Registered Owner or Owners in substantially the same form set forth as Exhibit A to this Ordinance; fully registered as to both principal and interest.

"Grant" means the grant in the amount of \$363,000 from FmHA to be applied to the Construction Project along with the proceeds of the Series 1989 Bonds and the City's Contribution.

"Independent Consulting Engineer" means an independent consulting engineer or firm of engineers of recognized excellent reputation in the field of water and sewer system engineering, and such definition includes the Engineers named above.

"KRS" means the Kentucky Revised Statutes.

"Original Purchaser" means the agency, person, firm or firms to which or to whom the Series 1989 Bonds herein authorized are awarded at the public sale of said Series 1989 Bonds, or their successors, and such definition shall include FmHA if it is the original purchaser of said Series 1989 Bonds.

"Outstanding Bonds" means the outstanding Prior First Lien Bonds and the outstanding Prior Second Lien Bonds.

"Prior First Lien Bonds" refers to \$230,000 of City of Burkesville Water and Sewer Refunding Revenue Bonds, dated March 1, 1964.

"Prior Lien Sinking Fund" refers to the "City of Burkesville Public Water and Sewer Project Bond and Interest Redemption Fund of 1964" established by the Ordinance authorizing the Prior First Lien Bonds, including the Sinking Fund Reserve established therein.

"Prior Second Lien Bonds" refers to \$236,000 of City of Burkesville Water and Sewer Revenue Bonds, Series of 1979, dated August 20, 1980.

"System" means the water and sewer System of the City as combined and consolidated and which shall include the Construction Project.

"Third Lien Sinking Fund" refers to the "City of Burkesville Water and Sewer System Bond and Interest Redemption Fund of 1989" established by this Ordinance to provide for the debt service and reserve requirements of the Series 1989 Bonds.

"U. S. Obligations" means bonds or notes which are the direct obligations of the United States of America or obligations the principal of and interest on which are guaranteed by the United States of America.

Section II. Ratification of Consolidation of Water and Sewer Systems as Single Public Project: That the water and sewer systems of the City as the same now exist and as the same shall be modified, extended and improved, including the Construction Project, having heretofore been combined and consolidated as a single revenue producing public project or system (the "System") within the meaning of KRS 58.010 through 58.140; said consolidation is hereby ratified and affirmed, and so long as any of the City's Water and Sewer System Revenue Bonds, Series of 1989 authorized hereunder, or any Additional Bonds shall remain outstanding, said System shall be owned, controlled, operated and maintained on a revenue producing basis as a combined and consolidated System for the security and source of payment of the Outstanding Bonds and the Series 1989 Bonds and any Additional Bonds. All of the streets, alleys and rights-of-way within the jurisdiction of the City are hereby, to the extent required, dedicated to the use of said System.

Section III. Construction of Extensions, Additions and Improvements; Declaration of Period of Usefulness: The City shall construct the extensions, additions and improvements referred to herein as the Construction Project which is generally described in the plans, specifications and report prepared by the Engineers now on file with the City Clerk, and shall operate said System as a revenue-producing project under the provisions of the Constitution of Kentucky and Chapter 58 of Kentucky Revised Statutes.

The City hereby declares that the period of usefulness of the entire System is more than forty (40) years from the date of completion of the "Construction Project."

Section IV. Authorization of Series 1989 Bonds: It has been heretofore determined by the City that the total cost of the construction of the extensions, additions and improvements to the System, including preliminary expenses, land and rights-of-way, engineering expense, interest during construction, legal and administrative expense, publication costs and all necessary and incidental expenses thereto will not exceed approximately

\$878,000, and after deducting \$363,000 representing the FmHA Grant to the City and the City's Contribution in the amount of \$128,000 it is necessary that the City authorize and issue \$387,000 of Water and Sewer Revenue Bonds, Series of 1989, for the purpose of financing the costs (not otherwise provided) of the aforesaid extensions, additions and improvements under the provisions of Sections 58.010 through 58.140 of Kentucky Revised Statutes. There are hereby authorized to be issued and sold Three Hundred Eighty-Seven Thousand Dollars (\$387,000) principal amount of "City of Burkesville (Kentucky) Water and Sewer Revenue Bonds, Series of 1989". All of said Series 1989 Bonds shall be dated as of the date of delivery to the purchaser thereof, and shall bear interest from such date at a rate or rates as may be fixed by supplemental Order as a result of the advertised sale and competitive bidding for said Series 1989 Bonds, as hereinafter provided, and shall be issued and delivered only according to the "Form of Fully Registered Bond," as hereinafter prescribed.

Interest shall be payable semi-annually on September 1 and March 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Bonds to the ensuing September 1 or March 1 as the case may be.

Said Bonds shall mature as to principal on March 1 of each of the respective years set forth below. The Registered Owners of said Bonds shall have the right to elect that such Bonds be issued in denominations of from \$1,000 to \$387,000, in multiples of \$1,000 consistent with the schedule of principal maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, SERIES 1989 BONDS

<u>Maturity Date</u>	<u>Principal Maturity</u>
March 1, 1991	\$ 4,000
1992	4,000
1993	4,000
1994	4,000
1995	4,000
1996	5,000
1997	5,000
1998	5,000
1999	5,000
2000	6,000
2001	6,000
2002	6,000
2003	6,000
2004	7,000
2005	7,000
2006	7,000
2007	8,000
2008	8,000

2009	9,000
2010	9,000
2011	10,000
2012	10,000
2013	11,000
2014	11,000
2015	12,000
2016	12,000
2017	13,000
2018	13,000
2019	14,000
2020	15,000
2021	16,000
2022	16,000
2023	17,000
2024	18,000
2025	19,000
2026	20,000
2027	20,000
March 1, 2028	21,000

Section V. Provisions for Prepayment of Principal.

Principal installments due on the Bonds on or after March 1, 1991 shall be subject to prepayment, in whole or in part, on March 1, 1991 and on any interest payment date thereafter, in multiples of \$1,000 in inverse chronological order of installments, upon terms of the principal amount to be prepaid, plus accrued interest to the date of prepayment but without prepayment penalty.

In the event the City elects to prepay less than all of the Bonds, it shall exchange with the Registered Owner at the expense of the City a new Bond or Bonds representing the correct unpaid principal balance following the partial prepayment. Notwithstanding the foregoing, in the event FmHA is the Registered Owner of Bonds upon which a prepayment is made, the City shall not be required to exchange its new Bonds as indicated in the preceding sentence.

Notice of prepayment shall be given by regular United States mail to the Registered Owner of the Bonds to be prepaid not less than thirty (30) days prior to the date fixed for prepayment. All principal payments as to which the City exercises the right of redemption and as to which notice shall have been given, and for the prepayment of which, upon the terms aforesaid, funds are duly provided, shall cease to bear interest on the redemption date so designated.

Notwithstanding any of the foregoing provisions as to prepayment, Series 1989 Bonds may be redeemed at any time from the proceeds of said Bonds remaining unused at the time the Construction Project is complete upon thirty (30) days written notice to the Registered Owner.

Section VI. Series 1989 Bonds Payable From System Revenues; Priority of Outstanding Bonds. All of said Series 1989 Bonds, together with the interest thereon, and any Additional Bonds that may be issued under the conditions and restrictions hereinafter set forth, shall be payable solely and only out of the "City of Burkesville Water and Sewer System Revenue Bond and Interest Redemption Fund of 1989" (the "Third Lien Sinking Fund"), established under the provisions of this Ordinance, and shall be a valid claim of the Registered Owners thereof only against such Third Lien Sinking Fund and the System revenues pledged thereto in accordance with the provisions of Chapter 58 of Kentucky Revised Statutes. Notwithstanding anything contained in this Ordinance to the contrary, the Series 1989 Bonds are issued subject to the vested rights and priorities in favor of the owners of the Outstanding Bonds.

Section VII. Form of Fully Registered Bonds; Execution Authorized. Said Fully Registered Bonds referred to herein shall be in substantially the same form as set form in Exhibit A to this Ordinance, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Ordinance. The Fully Registered Bonds shall be of a type and composition, shall be on paper of sufficient weight and strength to prevent deterioration until the last principal installment due thereon and shall conform in size to standard bond practices.

The Fully Registered Bonds shall be executed by the manual signature of the Mayor, impressed with the corporate seal of the City and attested by the manual signature of the City Clerk.

The Registered Owner of any Fully Registered Bonds shall have the right, upon written request to the City and within ninety (90) days following such request, at the expense of the Registered Owner, to exchange Fully Registered Bonds for other Fully Registered Bonds in denominations selected by the Registered Owner in multiples of \$1,000 consistent with the schedule of principal maturities of said Series 1989 Bonds. New Bonds shall be so issued and substituted only for and upon surrender to the City of the corresponding Bonds so exchanged which shall then be immediately cancelled by the Treasurer of the City.

Section VIII. City's Contribution as Prerequisite; Interim Financing; Bond Anticipation Notes. The City and FmHA have entered into a Loan Resolution whereby FmHA has agreed to purchase the Series 1989 Bonds herein authorized in the event the City is unable to sell said Series 1989 Bonds (or obtain credit elsewhere) at reasonable rates and terms, taking into consideration prevailing private and corporate rates and terms in the community in accordance with FmHA Regulations. Under the terms of FmHA Regulations, delivery of the Series 1989 Bonds herein authorized and the receipt of the purchase price therefor will not be accomplished until the Construction Project is

substantially complete. Therefore, subject to the deposit of the City's Contribution as hereinafter set forth, in order to facilitate the completion of the Construction Project pending the issuance and delivery of the Bonds herein authorized, there are hereby authorized to be executed and delivered for the purpose of providing funds for the expenses of the Construction Project incurred in the interim period from the date of the sale of said Series 1989 Bonds until the issuance and delivery of the Series 1989 Bonds, "City of Burkesville Water and Sewer Revenue Bond Anticipation Notes" in the aggregate principal amount of \$387,000 (hereinafter sometimes referred to as the "Bond Anticipation Notes").

The procedure for the execution of said Bond Anticipation Notes and the disbursement of the proceeds thereof shall be strictly in accordance with the terms of this Ordinance and as set forth in this Section VIII.

There is hereby created a special and separate account of the City which shall be designated as the "City of Burkesville Water and Sewer System Construction Project Account of 1989" (hereinafter sometimes referred to as the "Construction Account"). Said Construction Account shall be established with the Depository Bank and any deposit in said Construction Account in excess of FDIC insurance coverage shall be secured by the Depository Bank in accordance with U.S. Treasury Department Circular No. 176 by a pledge of collateral with a Federal Reserve Bank. Pending the issuance and delivery of the Bonds all monies received in connection with the Construction Project from the Grant, the City's Contribution, and the proceeds of Bond Anticipation Notes shall be deposited in said Construction Account and shall be applied to meet the costs incident to said Construction Project pending the delivery of the Bonds.

The Engineers shall prepare one or more Estimate of Funds Needed, which will show the amount of funds needed during the 30-day period following the submission of such estimate (in a form satisfactory to FmHA), and which Estimates shall be executed by a representative of said Engineers in charge of the Construction Project, stating that the amount requested under said Estimate represents an estimated sum to be earned by and due to contractors under contracts with the City for work performed or materials furnished in connection with said Construction Project. Each Estimate of Funds Needed shall be countersigned by the Mayor. In regard to items of expense in connection with the Construction Project not relating to construction contracts, the Engineer's execution of the Estimate of Funds shall not be necessary and an Estimate of Funds for projected expenses of this type shall be signed only by the Mayor and approved by the duly authorized representative of FmHA.

The Estimate of Funds Needed (properly countersigned) shall be submitted to the Mayor and City Clerk, who, upon the receipt thereof, shall be authorized to execute a Bond Anticipation Note or Notes in accordance with the terms of this Ordinance in the aggregate amount represented by the Estimate of Funds submitted.

Upon the execution of the Bond Anticipation Notes, same shall be delivered to the purchaser thereof, whether said purchaser be a bank or FmHA, and the proceeds received therefrom shall be deposited in the Construction Account and disbursed from said Account in accordance with the terms of this Ordinance.

All requests for disbursements from the Construction Account shall be accompanied by one or more vouchers (Partial Payment Estimates in a form satisfactory to FmHA) executed by a representative of the Engineers in charge of said Construction Project certifying that the amount requested represents a sum actually earned by and due to contractors under a contract with the City for work performed or for materials furnished to the City in connection with said Construction Project. Each such voucher shall likewise be countersigned by the Mayor and approved by the duly authorized representative of FmHA. To the extent a requested disbursement from said Construction Account shall be for items not relating to construction contracts, a voucher (in a form satisfactory to FmHA) for such disbursement signed only by the Mayor and approved by the duly authorized representative of FmHA shall be submitted stating that the requested advance represents an expenditure which may be properly made under the terms of the FmHA Loan Resolution and is eligible for payment by the City from the proceeds of the Bonds herein authorized.

Disbursements from the Construction Account shall be made by check signed by the City Treasurer countersigned by the duly authorized representative of FmHA and shall be made only upon the Treasurer's receipt of such voucher.

Notwithstanding anything contained in this Ordinance to the contrary, no disbursements shall be made from the Construction Account nor shall any Bond Anticipation Notes be issued and delivered unless and until the City has been deposited in the Construction Account the sum of \$128,000 representing the City's Contribution to the Construction Project from sources other than the Bond/Note or Grant proceeds. The City's Contribution shall be deposited in the Construction Account prior to the advertisement for construction bids for the Construction Project.

The position of City Treasurer (or those officials of the City charged with the responsibilities for the Funds herein established) shall be covered by a Fidelity Bond in the amount of not less than \$245,000 with a surety company approved by FmHA;

the City and FmHA shall be named co-obligees in such Bond, and the amount thereof shall not be reduced without the written consent of FmHA. Should the aggregate total of the deposits in the various accounts authorized to be maintained under the provisions of this Ordinance equals more than \$245,000 at any one time during the year, the Fidelity Bond of the City Treasurer will be increased to cover the larger amount so accumulated and if FmHA so requests a special fidelity bond shall be written to cover the Construction Account.

The Bond Anticipation Notes shall be in substantially the same form as the Bond Anticipation Note attached to and made a part of this Ordinance and marked for identification as "Bond Ordinance Exhibit B." The Mayor and City Clerk are hereby authorized to execute said Notes periodically but in an aggregate principal amount not to exceed \$387,000 upon their receipt of the duly executed Estimate of Funds in accordance with the preceding paragraphs of this Section.

Said Bond Anticipation Notes shall be dated as of the date of the execution thereof and shall bear interest payable at maturity. The principal maturity date for all of said Notes shall be on or before two (2) years from the date this Ordinance is adopted. All of said Notes shall be subject to payment prior to their stated maturity, without penalty or premium, at any time upon ten (10) days' written notice of such prior redemption to the registered holder thereof.

Notwithstanding the foregoing procedure for the issuance of Bond Anticipation Notes and as an alternative procedure, upon the solicitation of bids from not less than two responsible lenders and a determination that it is in the best interest of City, said Bond Anticipation Notes may be sold to the Kentucky Infrastructure Authority ("KIA"). In the event of a sale of the Notes to the KIA, said Notes may be issued in the form of a single, fully registered Note in the principal of \$387,000 or such lesser amount as the City may determine necessary and the interest due on said Notes in accordance with the sale to said KIA may be deducted from the proceeds of said Notes upon their delivery to the KIA and deposited with the Trustee for the KIA under the KIA's Note Indenture and thereafter transferred by said Trustee to the Construction Account herein established and disbursed in accordance with the provisions of this Section VIII. The Estimate of Funds Needed shall be periodically submitted to the Trustee for the KIA to effect transfers to the City's Construction Account and thereafter disbursed in accordance with the procedure for Partial Payment Estimates under vouchers contemplated by this Section. The Mayor and City Clerk are hereby authorized to execute an Interim Financing Agreement with the KIA in order to effect said interim financing.

The Bond Anticipation Notes herein authorized shall be payable solely from and secured by a first pledge of the proceeds derived from the issuance of the Bonds herein authorized, or the

proceeds of other interim financing loans made in anticipation of the issuance of such Bonds.

Said Notes are authorized in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to Sections 58.010 through 58.150 and 56.513 of the Kentucky Revised Statutes.

The authority hereby delegated to the Mayor and City Clerk in regard to the execution of a total aggregate principal amount of \$387,000 includes the execution of renewal notes in evidence of the renewal and extension of Notes becoming due, providing the aggregate of the principal amount of all such Bond Anticipation Notes outstanding and payable shall not exceed \$387,000 and providing the Note which is renewed or superceded is simultaneously cancelled and transmitted to the City. The maximum aggregate principal amount of Bond Anticipation Notes permitted by this Ordinance shall include the interest on said Notes.

Notwithstanding anything contained in this Ordinance to the contrary, the City covenants that no Bond Anticipation Notes shall be issued and delivered unless and until the Bonds have been sold at public sale in accordance with law.

The City further covenants simultaneously with the issuance and delivery of said Bonds to the successful purchaser, all amounts due, owing and unpaid on said Bond Anticipation Notes shall be repaid at said time of delivery, including principal and interest.

In the event there may from time to time be on deposit in said Construction Account funds which are not immediately needed for the payment of construction costs, same may be invested, but only in the manner permitted by FMHA; provided, however, that no deposit in said Construction Account or any other fund provided for hereunder shall be used or invested in any manner which would cause the Bonds to become arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, (the "Code") or any regulations of the U.S. Treasury Department interpreting same; provided, however, that the City, by the adoption of this Ordinance, covenants and agrees that it will not issue in excess of \$5,000,000 of its tax-exempt debt obligations during the calendar year in which the Series 1989 Bonds are delivered and hereby designate the Series 1989 Bonds as "qualified tax exempt obligations" pursuant to Code Section 265(b)(3). The City has been advised by Bond Counsel that by virtue of such covenant, the proceeds of the Series 1989 Bonds are exempt from certain restrictions imposed by said Code, including, but not being limited to, the rebate requirements of the Code.

Subsequent to the delivery of the Bonds and the payment in full of the Bond Anticipation Notes, upon certification by the Engineers that the Construction Project is complete in accordance

with the plans and specifications and all items of expense have been paid, the balance, if any, remaining in said Construction Account shall be transferred to the Third Lien Sinking Fund and said Construction Account shall be closed.

Section IX. Delivery of the Series 1989 Bonds; Payment of Bond Anticipation Notes; Disbursement of Series 1989 Bond Proceeds. Upon the delivery of the Series 1989 Bonds herein authorized, the following distribution of the proceeds of said Series 1989 Bonds shall be made simultaneously with said delivery and receipt of payment (the "Date of Closing"):

(A) Simultaneously with the delivery of the Series 1989 Bonds, all amounts due and owing by the City on interim construction loans evidenced by the Bond Anticipation Notes, including principal and interest, shall be paid in full and the Notes shall be cancelled.

(B) After observing the priority of the disbursement set forth in subparagraph (A) above, and simultaneously with the delivery of the Series 1989 Bonds, the balance of the proceeds of said Bonds remaining shall be transferred to the Construction Account established by Section VIII of this Ordinance.

Section X. Disposition of Water and Sewer System Revenues. From and after the delivery of any of the Series 1989 Bonds authorized under the provisions of this Ordinance, the said combined and consolidated municipal water and sewer System shall be operated on a fiscal year basis and on that basis all income and revenues derived directly or indirectly from the operation of said combined System shall be deposited promptly and as received first to the credit of a separate and special account known as the "City of Burkesville Public Water and Sewer Project Revenue Fund" (the "Revenue Fund"), established by the Ordinance authorizing the City's Prior First Lien Bonds. Such Revenue Fund shall be held separate and apart from all other funds of the City and shall be maintained so long as any of the Outstanding Bonds or the Series 1989 Bonds are outstanding and payment is not provided therefor. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(A) Prior Lien Sinking Fund.

A separate and special fund or account of the City designated "City of Burkesville Water and Sewer Project Bond and Interest Redemption Fund of 1964" (the "Prior Lien Sinking Fund"), was created by the Prior First Lien Bond Ordinance, and the same (including the Sinking Fund Reserve therein, hereinafter referred to as the "Prior Lien Reserve Fund") shall continue to be maintained as provided in the Prior First Lien Bond Ordinance. The City covenants and agrees that it will continue to deposit therein from the Revenue Fund such amounts are required by the

terms of the Prior First Lien and Prior Second Lien Bond Ordinances to be so deposited; and such sums shall be held and applied by the City in the manner as follows:

(1) The monthly transfers to the Prior Lien Sinking Fund shall continue on the basis of an amount equal to one hundred and twenty percent (120%) of the average annual principal and interest requirements on the Prior First Lien Bonds and the Prior Second Lien Bonds until such time as there is accumulated and maintained in said Prior Lien Sinking Fund a required minimum balance equal to twice the maximum annual principal and interest requirements due in any ensuing twelve-month fiscal period on the Prior First Lien Bonds and the Prior Second Lien Bonds.

(2) Upon the establishment of the required minimum balance in the Prior Lien Sinking Fund as set forth in subparagraph (1) above, then the amount of the monthly transfers from the Revenue Fund to the Prior Lien Sinking Fund may be reduced to an amount equal to not less than one-twelfth (1/12th) of the actual principal and interest requirements becoming due on all Prior First Lien Bonds and Prior Second Lien Bonds then outstanding during the next succeeding twelve months.

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

(B) Third Lien Sinking Fund.

A separate and special fund or account of the City is hereby created, designated as the "City of Burkesville Water and Sewer System Bond and Interest Redemption Fund of 1989" (the "Third Lien Sinking Fund"), which shall to be maintained so long as any of the Series 1989 Bonds or any Additional Bonds are outstanding, in the Depository Bank, and all monies deposited therein from time to time shall be used, disbursed, and applied, and are hereby irrevocably pledged, solely for the purpose of paying the principal of and interest on all of said Series 1989 Bonds and any Additional Bonds.

Until the delivery of the Series 1989 Bonds, there shall continue to be transferred in each month from the Revenue Fund and deposited into the Prior Lien Sinking Fund, amounts sufficient to meet the debt service requirements of the Outstanding Bonds as same become due and establish and maintain the required Prior Lien Reserve Fund.

Beginning with the month following the delivery of the Series 1989 Bonds, there shall be transferred from the Revenue Fund and deposited into the Third Lien Sinking Fund amounts sufficient to meet the debt service and debt service reserve requirements on all the Series 1989 Bonds on or before the 1st

day of each month, as follows:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest installment to become due on the Series 1989 Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of the Series 1989 Bonds maturing on the next succeeding March 1.
- (3) The amount of not less than \$192.00 per month until there is established within said Third Lien Sinking Fund a required minimum balance of not less than \$23,040 as a Debt Service Reserve for the Series 1989 Bonds. Upon the establishment of the required minimum balance of the Debt Service Reserve within the Third Lien Sinking Fund, no further deposits need be made into said Third Lien Sinking Fund except for monthly principal and interest installments as set forth in subparagraphs (B)(1) and (2) above or to replace any withdrawals.

If the City for any reason shall fail to make any monthly deposits as required, then an amount equal to the deficiency shall be set apart and deposited into the Prior Lien Sinking Fund (or the Prior Lien Reserve Fund) or Third Lien Sinking Fund (or Debt Service Reserve) out of the first available revenues in the ensuing month or months, which amount shall be in addition to the monthly deposit(s) otherwise required during such succeeding month or months.

On or before the 20th days of August and/or February in each year, the Depository Bank shall transfer from the Third Lien Sinking Fund and from the Debt Service Reserve therein (if necessary) a sum equal to the interest or a sum equal to the principal and interest, as the case may be, becoming due on the Series 1989 Bonds next following respective September 1 or March 1, and deposit the same in an account hereby created and identified as the "City of Burkesville 1989 Water and Sewer Revenue Bond and Interest Payment Account".

All funds in the Third Lien Sinking Fund and in the Debt Service Reserve therein shall be deposited in the Depository Bank, or such portion of said amounts on deposit in said Fund as is designated by the Governing Body of the City, shall be invested for the benefit of such Fund in Certificates of Time Deposit, savings accounts, (including "money market" accounts) or U.S. Obligations which may be converted readily into cash, having a maturity date prior to the date when the sums invested will be needed for meeting interest and/or principal payments, to mature or be called. To the extent that any amounts on deposit in said Bank shall cause the total deposits of the City in said Bank to exceed the amount insured by Federal Deposit Insurance Corporation ("FDIC") coverage, such excess amount shall be

continuously secured by a valid pledge of U.S. Obligations, having an equivalent market value, in conformity with KRS 66.480. Investments in Certificates of Time Deposit may be made only if a separate FmHA Form 402-4 Agreement is executed, if FmHA has purchased any of the Series 1989 Bonds and as long as the FmHA is the Registered Owner of any of the Series 1989 Bonds. Any such investments will be a part of the Fund from which the proceeds invested are derived, and income from such investments will be credited to such Fund.

(C) City to Make Principal and Interest Payments on a Monthly Basis so Long as FmHA Holds any of the Series 1989 Bonds, if Requested by the FmHA.

So long as any of the Series 1989 Bonds are held by the FmHA, the City shall, if requested by the FmHA, make payments of amounts equal to the total of (1) and (2) of Section X.(B) above, being the total of the monthly principal and interest requirements on the Series 1989 Bonds, in monthly payments directly to the FmHA.

(D) Depreciation Fund.

A separate and special fund or account of the City was created under the Prior First Lien Bond Ordinance, which fund was designated "City of Burkesville Public Water and Sewer Project Depreciation Fund of 1964" (the "Depreciation Fund"), which Fund was ratified, confirmed, and ordered to be continued in the Prior Second Lien Bond Ordinance, so long as any of the Prior First Lien Bonds, the Prior Second Lien Bonds, and any Additional Bonds (including the Series 1989 Bonds) are outstanding. The Prior First Lien Bond Ordinance and the Prior Second Lien Bond Ordinance required, and it is hereby required, that following the required transfers set forth in paragraphs (A) and (B) above, there shall be transferred each month to the Depreciation Fund a sum equal to not less than one-twelfth (1/12) of five percent (5%) of the annual gross income and revenues of the System for the previous fiscal year, but in any event not less than \$130.00 per month until there is established a required minimum balance of \$15,600, which required minimum balance shall be reestablished in the event moneys are utilized for the purposes herein permitted.

Funds in the Depreciation Fund may be invested in the same manner as monies on deposit in the Third Lien Sinking Fund.

In addition to the monthly transfers to said Depreciation Fund, the proceeds from the sale of any equipment no longer usable or needed, fees or charges collected from potential customers to aid in the financing of the cost of further extensions and improvements, and the proceeds from any property damage insurance, are required to be deposited in the Depreciation Fund and used only for the purposes for which such fund is established. Monies in the Depreciation Fund shall be

used for making extraordinary maintenance, repairs, renewals, or replacements to the System, which would be necessary to keep the System in good operating condition, only when there is not sufficient money included in the annual budget and in the Operation and Maintenance Fund, or for paying the costs of constructing improvements or extensions to the System which will either enhance its revenue-producing capacity or provide a higher degree of service. Notwithstanding anything contained herein to the contrary, moneys on deposit in the Depreciation Fund shall be available for the principal and interest requirements of the Outstanding Bonds and the Series 1989 Bonds if for any reason funds are not available in the Prior Lien Sinking Fund or Third Lien Sinking Fund sufficient to prevent a default.

Notwithstanding anything contained herein to the contrary, moneys in the Depreciation Fund may be used for any extensions or improvements to said System costing in excess of \$5,000, only if the Engineers or independent consulting engineers shall supervise the construction work and shall have previously furnished the City a written opinion certifying that such improvements or extensions are economically feasible.

In the event of any withdrawals from the Depreciation Fund the required minimum balance shall be reestablished from transfers from the Revenue Fund.

(E) Operation and Maintenance Fund.

A special and separate Fund of the City was heretofore created by the Prior First Lien Bond Ordinance, distinct and apart from all other Funds and accounts of the City, designated and identified as the "City of Burkesville Public Water and Sewer Project Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), and the same was ratified in the Prior Second Lien Bond Ordinance and is hereby ratified and continued for the benefit of the System and any or all bonds payable from the income and revenues of the System. So long as any Prior First Lien Bonds, Prior Second Lien Bonds, Series 1989 Bonds, or any Additional Bonds, remain outstanding and unpaid, there shall continue to be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers required by Subsections (A), (B) and (D) above (which are cumulative), sufficient funds to meet the Current Expenses of operating, maintaining, repairing, and insuring the System, pursuant to the Annual Budget, for which provision is hereinafter made.

Transfers shall be made monthly from the Revenue Fund to the Operation and Maintenance Fund so that the various operation and maintenance of said System are met and a reserve equal to three (3) months operation and maintenance expenses of such System is accumulated and maintained at all times; such reserve may be used to meet operation and maintenance expenses of such System, but if

used, same shall be replaced as soon as possible by additional transfers from the Revenue Fund.

(F) Excess Funds.

Subject to the provisions for the disposition of the income and revenues of the System set forth in Subsections (A), (B), (D) and (E) of this Section X, which provisions are cumulative and the maintenance of the required minimum balances in said Funds, and after paying or providing for the payment of debt service on any subordinate obligations, any excess funds remaining in the Revenue Fund within sixty days after the end of each fiscal year, shall be transferred to the Depreciation Fund.

All payments into the above special funds shall be made on or before the 1st day of each month, except that when the 1st day of any month shall be a Sunday or a legal holiday, then such payment shall be made on the next succeeding business day.

All moneys held in any of the above special funds shall be kept apart from all other City funds and shall be deposited in the Depository Bank, and all such deposits which cause the aggregate of all deposits of the City therein to be in excess of the amount secured by FDIC, shall (unless invested as herein authorized) be secured by a surety bond or bonds or by a pledge of U. S. Obligations, as defined herein, having a market value equivalent to such deposit as aforesaid.

The City covenants to the Original Purchaser of the Series 1989 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 1989 Bonds at any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 1989 Bonds, would have caused such Series 1989 Bonds to be "arbitrage bonds". Such covenant shall impose an obligation upon the City to comply with the requirements of Section 148 of the Code.

The City Treasurer shall be responsible for all of the various special funds established by this Ordinance and shall at all times be covered by a Fidelity Bond in accordance with the provisions of this Ordinance.

Notwithstanding anything contained in this Ordinance to the contrary, the City understands and agrees that if at any time it shall appear to FmHA that the City is able to refinance, in whole or in part, any of its debt obligations represented by the Series 1989 Bonds, by obtaining loans from commercial sources at reasonable rates and terms, FmHA shall have the right to request that the City proceed to implement such refinancing within a reasonable time in order to pay and retire all or part of the Series 1989 Bonds then held by FmHA.

Section XI. Additional Parity Bonds. The City covenants and agrees not to issue any additional parity bonds ranking on the basis of parity as to security and source of payment with the outstanding Prior First Lien Bonds or Prior Second Lien Bonds unless and until it has received the written consent of the Registered Owners of the Series 1989 Bonds.

The right and privilege of issuing Additional Bonds inferior and subordinate as to the security and source of payment with regard to the income and revenues of the System it is reserved in the City but is likewise subject to the prior written consent of the Registered Owners of the Series 1989 Bonds; provided, however, that the proceeds of any such Additional Bonds shall be utilized only for extensions, additions, and improvements to the System.

Section XII. General Covenants City. The City of Burkesville, through adoption of this Ordinance, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 1989 Bonds, that so long as the same or any part thereof remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky, and by the terms and provisions of this Ordinance.

(B) It will at all times operate said System on a revenue-producing basis and will permit no free services to be rendered or afforded thereby to any person, firm or corporation, including the City.

(C) It will maintain the said System in good condition through application of revenues accumulated and set aside for operation and maintenance, as herein provided, and will make renewals and replacements, as the same may be required, through application of revenues accumulated and set aside into the Depreciation Fund.

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except that if the City shall determine by resolution or ordinance that any identified properties of the System are worn out, obsolete or otherwise no longer useful and needed, the same may be sold or exchanged as the City may order, and if sold for cash, the proceeds shall be deposited in the Depreciation Fund and be available for any authorized purpose of said Fund.

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System, and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the

costs of operating the same and maintaining it in a good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all Outstanding Bonds and the Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Ordinance and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the issuance of the Series 1989 Bonds, the City will adopt a budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any bonds are outstanding, it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the City Clerk and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, payments into the Reserve Fund for extensions, improvements and extraordinary repairs and maintenance, and payments into the Bond Fund. The City covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the governing body of the City determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the City agrees that it will prepare an estimate of gross revenues to be derived from operation of the System for each fiscal year and, to the extent that said gross revenues are insufficient to provide for all payments required to be made under Section X hereof during such ensuing fiscal year, it will revise its rates and charges for services rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Bonds herein authorized which shall not be reduced unless an independent, recognized and reputable Independent Consulting Engineer not in the regular employ of the City gives and files in the office of the City Clerk a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current bond service requirements, depreciation requirements, operation and maintenance requirements and their several reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section X of this Ordinance and provided further that the net

income and revenues of such combined System are maintained at 1.50 times the average annual principal and interest requirements on all Bonds payable from the income and revenues of the System. Such statement shall set forth facts and figures which will support the conclusion reached.

(G) It will at all times segregate the revenues of the System from all other revenues, monies and funds of the City and will promptly and regularly make application and distribution thereof into the special funds provided in this Ordinance in the manner and with due regard for the priorities herein attributed thereto.

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any bondholder, and any agent or representative of a bondholder. Additionally, if requested to do so by the Original Purchaser of the Series 1989 Bonds, said City will furnish to such Original Purchaser a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section X hereof.

(I) It will, within one hundred eighty (180) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by an independent state-licensed accountant not in the employ of the City on a monthly salary basis, showing all receipts and disbursements, with comments of the auditor concerning whether the books and records are being kept in compliance with this Ordinance and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the Office of the City Clerk where it will be available for public inspection, and will promptly mail a copy thereof to the Original Purchaser. If requested to do so, the City will furnish to any bondholder a condensed form of the Balance Sheet and a condensed form of the Operating Report, in reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided.

(J) Any holder of said Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said City and its officers and agents of all duties imposed or required by law or this Ordinance in connection with the operation of said System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(K) If there be any default in the payment of the principal of or interest on any of said Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the City with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of current expenses, and to apply the revenues in conformity with this Ordinance and the provisions of said statute laws of Kentucky aforesaid.

(L) The City will cause each municipal officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Ordinance to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Mayor, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from monies available in the Operation and Maintenance Fund. In the event FmHA is the purchaser of the Bonds, FmHA shall be a co-obligee on said bond.

(M) Pursuant to KRS 96.934, rates and charges for sewer service provided by the System shall be billed simultaneously with rates for water service provided by the System, and water service shall be discontinued to any premises where there is failure to pay any part of the aggregate charges so billed, including such interest, penalties and fees for disconnection and/or reconnection as may be prescribed from time to time.

Section XIII. Registered Owners' Rights to Enforce Covenants. Any holder of the Series 1989 Bonds, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said City and its officers and agents of all duties imposed or required by law or this Ordinance in connection with the operation of said System, including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Series 1989 Bonds, then upon the filing of suit by any holder of said Bonds, any Court having jurisdiction of the action may appoint a receiver to administer the said combined and consolidated System on behalf of the City, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with this Ordinance and with the provisions of Chapter 58 of Kentucky Revised Statutes. Reasonable attorneys fees and court costs incurred by any bondholder or bondholders in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the properties securing the Bonds herein authorized.

Section XIV. General Covenants Applicable So Long As FmHA Holds Any Bonds. So long as the FmHA shall hold the any of the Series 1989 Bonds, the City shall comply with such regulations, requirements and requests as have been made by the FmHA, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by the FmHA, the carrying of insurance of such types and in such amounts as the FmHA may specify with insurance carriers acceptable to FmHA, and compliance with all the terms and conditions of the Loan Resolution between the City and FmHA.

In addition, so long as FmHA shall be the Registered Owner of any of the Series 1989 Bonds, the City shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the security interest of the Registered Owners of any Series 1989 Bonds without provisions for the prompt prepayment of said Series 1989 Bonds.

Section XV. No Priority Among Series 1989 Bonds. The Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System, or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds authorized by this Ordinance regardless of the fact that they may be actually issued in different series and delivered at different times; provided, however, its acknowledged that said Series 1989 Bonds are inferior and subordinate as to security and source of payment to the Prior First Lien Bonds and the Prior Second Lien Bonds.

Section XVI. Insurance.

(A) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level (including equipment and machinery but not including water reservoirs, standpipes, elevated tanks and non-combustible materials) the City shall, upon the sale of the Series 1989 Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Series 1989 Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

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

(B) Liability Insurance on Facilities. Upon the sale of said Series 1989 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 1989 Bonds are outstanding, public liability insurance relating to the operation of the facilities of the System with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the City's operations of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the City owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Series 1989 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 1989 Bonds are outstanding, vehicular public liability insurance with limits of not less than \$100,000 for one person and \$500,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$20,000 against claims for damage to property of others which may arise from the operation of such vehicles by the City.

(D) Workmen's Compensation. The City will carry suitable Workmen's Compensation coverage as required by the laws of the Commonwealth of Kentucky.

Section XVII. Contractual Nature of Bond Ordinance. The provisions of this Ordinance shall constitute a contract between the City and the holders of the Series 1989 Bonds; and after the issuance of any of said Series 1989 Bonds no change, variation or alteration of any kind in the provisions of this Ordinance shall be made in any manner except as herein provided until such time as all of said Series 1989 Bonds and the interest thereon have been paid or provided for in full; provided the City may enact other ordinances for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto, subject to the condition that this Ordinance shall not be so modified in any manner that may adversely affect the rights of any certain holders without similarly affecting the rights of all holders of all Series 1989 Bonds.

Section XVIII. Sale of Bonds. The City Clerk is hereby authorized and directed to cause notice for bids for the purchase of said Series 1989 Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Series 1989 Bonds to be sold, the time of sale and other details concerning the Series 1989 Bonds and the sale of the Series 1989 Bonds and shall inform prospective bidders that further information regarding said Series 1989 Bonds

is available from the City Clerk. The City Clerk shall utilize the forms of Notice of Bond Sale and Official Terms and Conditions of Bond Sale prepared by Bond Counsel in substantially the same forms as those attached to this Ordinance as Exhibits D and E, respectively and such Information for Bidders shall include, but not be limited to the following information:

(A) Bidders are required to bid a cash price of not less than par value of the Series 1989 Bonds.

(B) Interest rates must be in multiples of 1/8 or 1/20 of 1%, with not more than one interest rate per maturity being stipulated by any bidder.

(C) Bids will be considered only for the entire issue.

(D) Bidders (except the FmHA) are required to make a good faith deposit by cashier's check or certified check payable to the City, which check shall accompany the bid, in the minimum amount of 2% of the face amount of the Bonds. Checks of the unsuccessful bidders will be returned promptly after being opened.

(E) The lowest net interest cost will be determined by deducting the total amount of any premium bid from the aggregate amount of interest upon the Series 1989 Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Bonds will bear interest only from the date of delivery) to final maturity.

(F) Bidders shall be advised that FmHA has entered into a Loan Resolution with the City pursuant to which said FmHA reserves the right to withdraw its bid in the event bids are received from others on terms which FmHA considers reasonable.

(G) The City expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the 1989 Bonds at the office of the City Clerk within forty-five (45) days after notice is given of the award. If said Series 1989 Bonds are not ready for delivery and payment within forty-five (45) days from the aforesaid date of sale, the successful bidder(s) shall be relieved of any liability to accept delivery of any of the 1989 Bonds. In the event FmHA is the successful bidder, it is anticipated that delivery of the Series 1989 Bonds will be made at the time the Construction Project is substantially complete and the City's failure to deliver said Series 1989 Bonds within forty-five (45) days from said date of sale shall not relieve FmHA of its obligation to accept said Series 1989 Bonds.

(H) The City reserves the right, in its discretion, to determine the best bid or bids, to waive any informality or irregularity and to reject any or all bids.

(I) The Series 1989 Bonds will be tendered within said forty-five (45) day period and the successful bidder will receive the approving legal opinion of Henry M. Reed III, Bond Counsel, Louisville, Kentucky, as to the legality and tax-exemption of said Series 1989 Bonds, without additional cost to the successful bidder.

(J) Bids may be considered by the Mayor and City Clerk and may be accepted, rejected, or modified without further action by the governing body of the City.

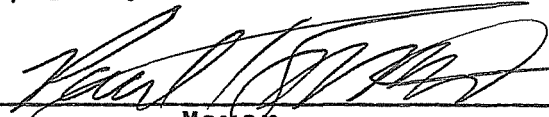
In the event that there is no bid or that all bids are rejected, the City may re-advertise the sale pursuant to this Ordinance.

Section XIX. Severability Clause. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Ordinance.

Section XX. Effective Date of Ordinance. This Ordinance shall take effect from and after its passage, approval and the publication of a summary thereof.


Given First Reading on March 16, 1989.

Passed and Adopted on March 17, 1989.



Mayor
City of Burkesville, Kentucky

ATTEST;



City Clerk

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF CUMBERLAND
CITY OF BURKESVILLE
WATER AND SEWER STSTEM REVENUE BOND
SERIES OF 1989

No. _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS:

That the City of Burkesville, Cumberland County, Kentucky, acting by and through its governing body (the "City"), for value received, hereby promises to pay to the Registered Owner hereof, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

_____ THOUSAND DOLLARS (\$ _____) on the first day of March, in years and installments as follows:

<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>	<u>Year</u>	<u>Principal</u>
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(Here the printer will print the respective principal maturities)

without deduction for exchange or collection charges, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of debts due the United States of America; and in like manner, solely from said special fund, to pay interest on the balance of said principal sum from time to time remaining unpaid, in like coin or currency, at the rate of _____ per cent (_____ %) per annum, semi-annually on the first days of March and September in each year hereafter until said sum is paid, except as the provisions hereinafter set forth with respect to prepayment may be and become applicable hereto, both principal and interest being payable, without deduction for exchange or collection charges, in lawful money of the United States of America, to the Registered Owner at the address shown on the registration books of the City.

This Bond is one of a duly authorized issue of bonds in the total principal amount of Three Hundred Eighty-Seven Thousand Dollars (\$387,000) issued by the City pursuant to a duly adopted Ordinance for the purpose of financing the costs, not otherwise provided, of the construction of extensions, improvements and additions to the combined and consolidated waterworks and sewer

system of the City (the "Construction Project"). This Bond is issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including specifically, Sections 58.010 through 58.140 of said Statutes.

This Bond does not constitute an indebtedness of the City of Burkesville, Kentucky, within the meaning of any constitutional or statutory limitations, but is payable both principal and interest solely and only out of the revenues derived from the operation of the combined and consolidated water and sewer system of said City, a sufficient portion of which revenues, to pay the principal of and interest on all of said Bonds, as and when same become due and payable, shall be set aside and deposited in the "City of Burkesville Water and Sewer System Bond and Interest Redemption Fund of 1989". The City, acting by and through its governing body, covenants that it will fix and revise the rates and charges for the services and facilities of said combined water and sewer system and collect and account for the income and revenues therefrom to pay promptly the principal of and interest on this Bond and the issue of which it is one as the same become due and to pay when due all costs and expenses incident to the operation and maintenance of said water and sewer system. This Bond and the issue of which it forms a part is issued subject to prior and superior liens and pledges in favor of the holders of the outstanding City of Burkesville Water and Sewer Refunding Revenue Bonds of 1964, dated March 1, 1964 and the outstanding City of Burkesville Water and Sewer Revenue Bond, Series of 1979, dated August 20, 1980.

This Bond shall be registered as to principal and interest in the name of the holder hereof, after which it shall be transferable only upon presentation to the City Clerk as the Bond Registrar, with a written transfer duly acknowledged by the Registered Owner or his duly authorized attorney, which transfer shall be noted upon this Bond and upon the books of the City kept for that purpose.

As provided in the Bond Ordinance this Bond is exchangeable at the expense of the Registered Owner hereof at any time, upon ninety (90) days' written notice, at the request of such Registered Owner and upon surrender of this Bond to the City at the office of the City Clerk, for other Fully Registered Bonds in the denominations in multiples of \$1,000 selected by the Registered Owner as long as the selected denomination(s) are consistent with the maturities hereof, in an aggregate principal amount equal to and maturing in conformity with the unpaid principal amount of this Bond.

The City, at its option, shall have the right to prepay, on any interest payment date on and after March 1, 1991, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in multiples of One Thousand Dollars (\$1,000) as the City may determine, at a price in an amount equivalent to the principal amount to be prepaid plus

accrued interest to the date of prepayment, without any prepayment penalty. Notice of such redemption shall be given by regular United States mail to the Registered Owner of this Bond or his assignee, at least thirty (30) days prior to the date fixed for prepayment. Notice of such prepayment may be waived with the written consent of the Registered Owner of this Bond.

Notwithstanding the foregoing provisions as to prepayment, this Bond may be paid as to principal without premium on any interest payment date from Bond proceeds remaining unused at the time of completion of the Construction Project. Notice of such prepayment shall be given as set forth in the preceding paragraph hereof.

Notwithstanding the foregoing provisions as to prepayment, in the event the United States Department of Agriculture,--Farmers Home Administration is the Registered Owner of this Bond, the City shall have the right to make prepayments of principal on any interest payment date without premium and without the exchange of this Bond.

Upon default in the payment of any principal of or interest payment on this Bond (or on any other Bond of this issue of which it forms a part) or upon failure by the City to comply with any other provisions of this Bond or with the provisions of the Bond Ordinance, the Registered Owner may, at his option, institute all rights and remedies provided by law or by said Bond Ordinance.

This Bond is exempt from taxation in the Commonwealth of Kentucky.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the face amount of this Bond does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF, the City of Burkesville, in the County of Cumberland, the Commonwealth of Kentucky, by its governing body, has caused this Bond to be executed by its Mayor, its corporate seal to be hereunto affixed, and attested by its City Clerk, on the date of this Bond, which is _____.

CITY OF BURKESVILLE, KENTUCKY

By _____
Mayor

ATTEST:

City Clerk

(SEAL OF CITY)

COMMONWEALTH OF KENTUCKY
COUNTY OF CUMBERLAND
CITY OF BURKESVILLE
WATER AND SEWER REVENUE BOND ANTICIPATION NOTE
SERIES OF 1989

No. _____

\$ _____

The City of Burkesville, Cumberland County, Kentucky, (the "City") acting by and through its governing body under authority of Sections 58.150 and 56.513 of the Kentucky Revised Statutes, for value received hereby promises to pay to UNITED STATES DEPARTMENT OF AGRICULTURE, FARMERS HOME ADMINISTRATION, the Registered Owner hereof, the principal sum of _____ DOLLARS (\$ _____) on or before the 31st day of December, 1989, and to pay interest on said principal sum at the rate of five per cent (5%) per annum payable on the maturity date of this Note.

The principal of this Note and interest hereon are payable in lawful money of the United States of America at the office of the City Treasurer, who shall act as Note Registrar.

This Note may be assigned by the Registered Owner to another registered owner upon the execution of an appropriate notation hereon. The City should be notified in writing of any such assignment at the time of such assignment.

This Note is one of a series of Notes authorized in the aggregate principal amount of Three Hundred Eighty Seven Thousand (\$387,000), issued and to be issued by the City in anticipation of the issuance of \$387,000 City of Burkesville Water and Sewer Revenue Bonds, Series of 1989, (the "Series 1989 Bonds") for the purpose of providing interim funds to be applied solely toward the costs incident to the construction of additions, extensions and improvements to the combined and consolidated water and sewer system of the City and the costs incident to the issuance of said series of Notes and the interest thereon; all being done under and in strict conformity with the Constitution of the Commonwealth of Kentucky, particular reference being made to Chapter 58 and Sections 58.150 and 56.513 of the Kentucky Revised Statutes, now in full force and effect, and an Ordinance passed and adopted by the City's governing body.

This Note and the series of which it is a part do not constitute an indebtedness of said City of Burkesville within the meaning of any Constitutional or statutory provision or limitation. Said Note is payable solely from and is secured by (i) the proceeds of other interim financing loans made in

the principal hereof and the interest hereon from the proceeds of the proposed issue of Series 1989 Bonds and other alternative sources identified herein.

IN TESTIMONY WHEREOF, the CITY OF BURKESVILLE, KENTUCKY, acting by and through its governing body, has caused this Water and Sewer Revenue Bond Anticipation Note, Series of 1989 to be executed in its name and on its behalf by the manual signature of its Mayor, by the impression of the seal of the City hereon, attested by the manual signature of its City Clerk, all being done on the ____ day of _____, ____.

CITY OF BURKESVILLE, KENTUCKY

By _____
Mayor

(SEAL OF CITY)

ATTEST:

City Clerk

PROVISION FOR REGISTRATION

This Note is registered as hereinafter set out, and this Note may thereafter be transferred only upon written transfer acknowledged by the Registered Owner or his attorney, such transfer to be made and endorsed hereon as indicated.

(FORM OF REGISTRATION)

Date of	:	In Whose Name	:	Signature of the City
Registration	:	Registered	:	Treasurer
	:	:United States of	:	
	:	:America, Department	:	
	:	:Agriculture, Farmers	:	
	:	:Home Administration	:	
	:	:333 Waller Avenue	:	
	:	:Lexington, Kentucky	:	
	:	:40504	:	
	:	:	:	

City of Burkesville

P.O. Box 177
Burkesville, Kentucky 42717
864-4141

CITY ORDINANCE

NUMBER 1988-3

AN ORDINANCE AMENDING CITY ORDINANCE
NUMBER 1982-5 WHICH ESTABLISHES RATES
TO BE CHARGED FOR WATER BY THE CITY OF
BURKESVILLE, COMMONWEALTH OF KENTUCKY

BE IT ORDAINED BY THE CITY OF BURKESVILLE,
COMMONWEALTH OF KENTUCKY THAT:

SECTION 1. Section 3 and 4 of City Ordinance Number 1982-5 are hereby
amended as follows effective July 1, 1988:

SECTION 3. Monthly Water Rates. Water rates for each meter serving
a single dwelling unit or a single business location shall be as follows:

(A) WITHIN THE CORPORATE LIMITS OF BURKESVILLE

First 2,000 gallons	\$4.70 <u>\$5.85</u> (minimum monthly charge)
Next 13,000 gallons	\$1.50 <u>\$1.95</u> per 1000 gallons
Next 15,000 gallons	\$1.25 <u>\$1.70</u> per 1000 gallons
All over 30,000 gallons	\$1.10 <u>\$1.55</u> per 1000 gallons

(B) OUTSIDE CORPORATE LIMITS OF BURKESVILLE

First 2,000 gallons	\$9.35 <u>\$11.60</u> (minimum monthly charge)
Next 3,000 gallons	\$2.90 per 1000 gallons
Next 5,000 gallons	\$2.35 per 100 gallons
All over 10,000 gallons	\$1.45 per 1000 gallons

SECTION 4. The South Cumberland Water District shall be charged a flat
rate of ~~ninety five cents (\$.95)~~ one dollar and twenty cents (\$1.20) for each one
thousand gallons of water.

SECTION 2. This ordinance shall become effective July 1, 1988 after passage,
approval and publication as required by law.

Enacted this 22nd day of April, 1988.


PAUL T. SMITH, Mayor

Attest:


VICKIE PRUITT, City Clerk