

ORDINANCE NO. 2016-03

AN ORDINANCE OF THE CITY OF WILLIAMSTOWN, KENTUCKY, AUTHORIZING THE ISSUANCE OF \$4,900,000 OF THE CITY'S UTILITY SYSTEM REVENUE BONDS, SERIES 2017, TO PROVIDE FUNDS, TOGETHER WITH OTHER AVAILABLE FUNDS, TO CONSTRUCT ADDITIONS AND IMPROVEMENTS TO THE CITY'S COMBINED AND CONSOLIDATED WATER, SEWER AND CABLE TELEVISION SYSTEM; 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 COMBINED AND CONSOLIDATED WATER, SEWER AND CABLE TELEVISION SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH SAID PLAN OF FINANCING AND THE ISSUANCE OF SAID BONDS.

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WHEREAS, the City of Williamstown, Kentucky (the "City"), pursuant to the provisions of Chapters 58, 65 and 96 of the Kentucky Revised Statutes, as amended, adopted an ordinance on October 2, 2012 (the "2012 Ordinance") authorizing a Lease Agreement dated as of December 20, 2012 with the Kentucky Bond Corporation in the aggregate principal amount of \$1,660,000 (the "2012 Parity Debt"), the proceeds of which were used to refund earlier obligations, the proceeds of which in turn financed improvements to the City's combined and consolidated water, sewer and cable television system (the "System"); and

WHEREAS, as a result of the foregoing and pursuant to the 2012 Parity Debt, the 2012 Parity Debt has a first lien on the gross revenues of the System; and

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

WHEREAS, in order to assist in financing the Construction Project, the City is to receive an Economic Development Administration Grant ("EDA Grant") of \$1,500,000 and a United States Department of Agriculture Rural Utility Service Grant ("RUS Grant") in the amount of \$2,600,000 to be applied toward to the total cost of \$17,249,165 of the Construction Project, but the City will be required to contribute the sum of approximately \$13,149,165 toward said total cost through a cash contribution in the amount of \$2,000,000 (the "City's Contribution"), the deposit of the proceeds of loans from the Kentucky Infrastructure Authority in the amount of \$6,249,165 the "KIA Loans"), and the issuance of its \$4,900,000 Utility System Revenue Bonds, Series 2017 (the "Bonds" or "Series 2017 Bonds") to the United States Department of Agriculture ("USDA") in the event bids are not received from others for said Bonds on a basis USDA considers reasonable; and

WHEREAS, the Series 2017 Bonds are to rank on a parity with the 2012 Parity Debt in accordance with the provisions of the 2012 Parity Debt.

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

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

“Additional Bonds” means bonds or obligations 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 2012 Parity Debt and the Series 2017 Bonds.

“Authorized Officer” – means the Mayor and City Clerk of the City, and any other of its officers, agents or employees duly authorized by resolution of the City to perform the act or sign the document in question.

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

“Bondholder” means the registered owners of the fully registered bonds at the time issued and outstanding hereunder, or any of them.

“Bond Owner,” “Holder” and “Person” means the person in whose name a Bond is registered and includes the plural as well as the singular number unless the context shall otherwise indicate.

“Bonds” or “Series 2017 Bonds” means any of the bonds payable from the income and revenues of the System authorized by this Ordinance, specifically the \$4,900,000 City of Williamstown, Kentucky Utility System Revenue Bonds, Series 2017.

“Certified Public Accountant” means an independent certified public accountant or firm of accountants, duly licensed in Kentucky, and may include accountants regularly employed to audit the financial affairs of the System and/or other financial matters of the City.

“City” means the City of Williamstown, Grant County, Kentucky.

“City Council” means the governing body of the City.

“Code” means the Internal Revenue Code of 1986, as amended, including any successor provisions thereof and any regulations promulgated thereunder.

“Construction Account” means the City of Williamstown, Kentucky Construction Account of 2016 established under the provisions of this Ordinance for the purpose of accounting for the disbursement for the Construction Project from the proceeds of the KIA Loans, the RUS Grant, the EDA Grant, and/or the Series 2017 Bonds as well as the City’s Contribution.

“Construction Project” or “Extension Project” means the construction of the additions and improvements to the City’s System, which construction is being financed in part by the Series 2017 Bonds herein authorized; consisting of the construction of a new 4 water treatment plant.

“Consulting Engineer” means a consulting engineer or firm of engineers of recognized excellent reputation in Kentucky in the field of waterworks and sewer system engineering.

“Contribution” or “City’s Contribution” means the sum of \$2,000,000 to be made available for the Construction Account by the City from funds other than Series 2017 Bond proceeds, which is a condition to the issuance of the Series 2017 Bonds authorized pursuant to this Ordinance.

“Date of Closing” means the date upon which the Series 2017 Bonds are delivered to the successful purchaser.

“Debt Service Reserve” means the fund so designated and required to be maintained pursuant to the 2012 Parity Debt and Section 9(C) of this Ordinance.

“Depreciation Fund” means the fund so designated and required to be maintained pursuant to Section 4(D) of the 2012 Parity Debt and Section 9(D) of this Ordinance.

“Depreciation Reserve Requirement” means an amount as shall be determined by the Consulting Engineers and set forth in a certificate filed with the City to be necessary as a reserve for major repairs or replacements of the System; provided, however, that during any period the Series 2017 Bonds remain Outstanding, Depreciation Reserve Requirement shall mean the sum of \$1,667 multiplied by the number of months between the July 1 of the first year the Construction Project becomes operational and the final maturity date of the Series 2017 Bonds.

“EDA Grant” means the grant in the amount of \$1,500,000 from the Economic Development Administration to be applied to the Construction Project along with the proceeds of the Series 2017 Bonds, the City’s Contribution, the RUS Grant and the KIA Loans.

“Depository Bank” means the bank which shall serve as the depository of all of the various funds created or referred to in the 2012 Parity Debt and this Ordinance, which bank is Forcht Bank, N.A., Williamstown, Kentucky.

“Eligible Investments” means investments which at the time of making the investment are lawful investments for the City pursuant to KRS 66.480, as the same may be amended from time to time.

“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 HDR Engineering, Lexington, Kentucky.

“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.

“KIA” means the Kentucky Infrastructure Authority.

“KIA Interim Loan” means a loan from KIA to the City providing interim financing for the Construction Project and evidenced by an Assistance Agreement between KIA and the City.

“KIA Loans” means the Assistance Agreement dated as of March 1, 2014, between the Kentucky Infrastructure Authority and the City in the original principal amount of \$6,249,165.

“KRS” means the Kentucky Revised Statutes.

“KRW” means the Kentucky Rural Water Finance Corporation.

“KRW Interim Loan” means any loan by KRW to provide interim financing for the Construction Project.

“Net Revenues” means Revenues less Operating Expenses.

“Obligations” means bonds, notes or treasury bills 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.

“Operating Expenses” means salaries, wages, cost of maintenance and operation, materials and supplies, pumping costs, insurance, and all other items that are normally and regularly so included under recognized accounting practices, exclusive of allowance for depreciation.

“Operation and Maintenance Fund” means the fund so designated and required to be maintained pursuant to Section 4(E) of the 2012 Parity Debt and Section 9(A) of this Ordinance.

“Ordinance” or Series 2017 Bond Ordinance” means this ordinance authorizing the Series 2017 Bonds.

“Original Purchaser” means the agency, person, firm or firms to which or to whom the Series 2017 Bonds herein authorized are awarded at the public sale of said Series 2017 Bonds, or their successors and such definition shall include USDA if it is the original purchaser of said Series 2017 Bonds.

“Outstanding Parity Obligations” means, collectively, the Series 2017 Bonds upon their issuance, the 2012 Parity Debt and any Parity Obligations issued in the future ranking on the basis of parity as to security and source of payment with the Series 2017 Bonds and the 2012 Parity Debt.

“Parity Obligations” means Additional Bonds or other obligations ranking on the basis of parity as to security and source of payment with the Series 2017 Bonds and the 2012 Parity Debt.

“Registered Owner” means the person in whose name a Series 2017 Bond is registered on the books of the City.

“Required Reserve” means \$226,800, provided that if the City determines to fund additional deposits to the Debt Service Reserve in order to obtain a rating on any additional Parity Obligations payable from Revenues, Required Reserve shall mean the least of (a) the maximum annual principal and interest requirements scheduled to fall due on the 2012 Parity Debt, the Series 2017 Bonds and any outstanding Parity Obligations, (b) an amount equal to 10% of the principal amount of the 2012 Parity Debt, the Series 2017 Bonds and any Parity

Obligations or (c) 125% of the average annual principal and interest requirements of the 2012 Parity Debt, the Series 2017 Bonds and any Parity Obligations.

“Revenue Fund” means the fund so designated and required to be maintained pursuant to Section 4(A) of the 2012 Parity Debt and Section 9(A) of this Ordinance.

“Revenues” means the totality of all water, sewer and cable television charges of any and all types and varieties imposed, enforced and collected by the City for any water, sewer or cable television services rendered by the System, together with other income received by the Lessee, if any, from any agency of government, both federal and state, as representing income or operating subsidies, as distinguished from capital grants, to the extent not otherwise required to be treated and applied and specifically excluding therefrom any funds received which result from assessments or assessment charges.

“RUS Grant” means the grant in the amount of \$2,600,000 from the United States Department of Agriculture, Rural Utilities Service to be applied to the Construction Project along with the proceeds of the Series 2017 Bonds, the City’s Contribution, the EDA Grant and the KIA Loans.

“Sinking Fund” means the fund so designated and required to be maintained pursuant to Section 4(B) of the 2012 Parity Debt and Section 9(B) of this Ordinance.

“System” means the water, sewer and cable television system of the City and any additions thereto and extensions thereof, and shall include the Construction Project being financed under the Series 2017 Bond Ordinance.

“USDA” means the Department of Agriculture of the United States of America, Rural Development.

“2012 Ordinance” means the ordinance of the City adopted October 2, 2012 authorizing the 2012 Parity Debt.

“2012 Parity Debt” means the \$1,660,000 Lease Agreement dated as of December 20, 2012 between the Kentucky Bond Corporation and the City.

Capitalized terms utilized in this Ordinance and not specifically defined herein shall have the meanings ascribed to such terms in the 2012 Parity Debt.

SECTION 2 Construction of Additions and Improvements; Declaration of Period of Usefulness. The City shall construct the 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 the KRS.

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 3 Authorization of Series 2017 Bonds. It has been heretofore determined by the City that the total cost of the construction of the 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 \$17,249,165, and after deducting \$2,000,000 representing the City's Contribution, \$1,500,000 representing the EDA Grant, \$6,249,165 representing the proceeds of the KIA Loans and \$2,600,000 representing the RUS Grant it is necessary that the City authorize and issue \$4,900,000 of Utility System Revenue Bonds, Series 2017, for the purpose of financing the costs (not otherwise provided) of the aforesaid additions and improvements under the provisions of §§ 58.010 through 58.140 of the Kentucky Revised Statutes. There are hereby specifically authorized to be issued and sold Four Million Nine Hundred Thousand Dollars (\$4,900,000) principal amount of City of Williamstown Utility System Revenue Bonds, Series 2017. All of said Series 2017 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 resolution or executive order as a result of the advertised sale and competitive bidding for said Series 2017 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 February 1 and August 1 of each year, provided that the first interest payment period will cover interest only from the date of delivery of the Series 2017 Bonds to the ensuing February 1 or August 1, whichever is earlier.

Said Series 2017 Bonds shall mature as to principal on February 1 of each of the respective years set forth below. The Registered Owners of said Series 2017 Bonds shall have the right to elect that such Series 2017 Bonds be issued in denominations up to \$4,900,000, in multiples of \$500 consistent with the schedule of principal maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, SERIES 2017 BONDS

<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>	<u>YEAR</u>	<u>PRINCIPAL AMOUNT</u>
2019	\$67,000	2038	\$123,500
2020	69,500	2039	127,500
2021	71,500	2040	131,500
2022	74,000	2041	136,000
2023	76,500	2042	140,000
2024	79,000	2043	145,000
2025	81,500	2044	149,500
2026	84,000	2045	154,500
2027	87,000	2046	159,500
2028	89,500	2047	164,500
2029	92,500	2048	170,000
2030	95,500	2049	175,500
2031	98,500	2050	181,000
2032	102,000	2051	187,000
2033	105,000	2052	193,000
2034	108,500	2053	199,500
2035	112,000	2054	206,000
2036	115,500	2055	212,500
2037	119,500	2056	215,500

SECTION 4 Provisions for Prepayment of Principal. Principal installments due on the Series 2017 Bonds on or after February 1, 2027 shall be subject to prepayment, in whole or in part, on or after February 1, 2026 and on any interest payment date thereafter, in multiples of \$500 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 Series 2017 Bonds, it shall exchange with the Registered Owner at the expense of the City a new Series 2017 Bond or Series 2017 Bonds representing the correct unpaid principal balance following the partial prepayment. Notwithstanding the foregoing, in the event USDA is the Registered Owner of Series 2017 Bonds, the City shall have the right to make prepayments of principal on any interest payment date without premium and the City shall not be required to exchange its new Series 2017 Bonds as indicated in the preceding sentence.

Notice of prepayment shall be given by regular United States mail to the Registered Owner of the Series 2017 Bonds to be prepaid not less than thirty (3) 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 2017 Bonds may be redeemed at any time from the proceeds of said Series 2017 Bonds remaining unused at

the time the Construction Project is complete upon thirty (30) days written notice to the Registered Owner.

SECTION 5. Form of Fully Registered Bonds; Execution Authorized. The fully registered Series 2017 Bonds referred to herein shall be in substantially the same form as set forth 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 Series 2017 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 or facsimile signature of the Mayor, impressed with the corporate seal of the City and attested by the manual or facsimile 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 \$500 consistent with the schedule of principal maturities of said Series 2017 Bonds. New Bonds shall be so issued and substituted only for and upon surrender to the City of the corresponding Series 2017 Bonds so exchanged which shall then be immediately canceled by the City Clerk of the City.

SECTION 6. Series 2017 Bonds Payable from System Revenues; Parity with 2012 Parity Debt. The Series 2017 Bonds hereby authorized to be issued shall rank on a parity with the 2012 Parity Debt, it having been determined that all conditions precedent to the issuance of the Series 2017 Bonds on a parity with the 2012 Parity Debt will be met prior to the issuance of Series 2017 Bonds. All of said Series 2017 Bonds and all the 2012 Parity Debt, together with the interest thereon, shall be payable solely and only out of the Sinking Fund being maintained in accordance with the 2012 Parity Debt Lease Agreement and which is hereby ordered continued, and shall be a valid claim of the registered owners thereof only against such Sinking Fund and the System revenues pledged thereto in accordance with the provisions of Chapters 58 and 96 of the Kentucky Revised Statutes.

SECTION 7. Interim Financing; Bond Anticipation Notes; KIA Interim Loan; KRW Interim Loan; Establishment of Construction Account. The City and USDA have entered into a loan resolution (“Loan Resolution”) whereby USDA has agreed to purchase the Series 2017 Bonds herein authorized in the event the City is unable to sell said Series 2017 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 USDA Regulations. In order to facilitate the completion of the Construction Project, if necessary, pending the issuance and delivery of the Series 2017 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 2017 Bonds until the issuance and delivery of the Series 2017 Bonds, City of Williamstown Utilities System Revenue Bond Anticipation Notes in the aggregate principal amount of \$4,900,000.

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, an appropriate Note Ordinance and the provisions of §§ 58.010 through 58.150, inclusive, and § 56.513 of the KRS.

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

Bond Anticipation Notes, if any, issued pursuant to the authority of this Ordinance 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 Bond Anticipation Notes shall be issued sold and delivered in accordance with the provisions of the provisions of §§ 58.010 through 58.150, inclusive, and § 56.513 of the KRS.

The Bond Anticipation Notes herein authorized to be issued 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 Bond Anticipation Notes shall be on or before two (2) years from the date this Ordinance is adopted. All of said Bond Anticipation 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.

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 2017 Bonds herein authorized, or the proceeds of other interim financing loans made in anticipation of the issuance of the Series 2017 Bonds.

The authorization herein contained with respect to the \$4,900,000 aggregate principal amount of Bond Anticipation Notes includes the execution of renewal notes in evidence of the renewal and extension of Bond Anticipation Notes becoming due, providing the aggregate of the principal amount of all such Bond Anticipation Notes outstanding and payable shall not exceed \$4,900,000 and providing the Bond Anticipation 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 Bond Anticipation 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 Series 2017 Bonds have been sold at public sale in accordance with law.

Notwithstanding the foregoing procedure for the issuance of Bond Anticipation Notes and as an alternative procedure, upon a determination that it is in the best interest of the City, the City may obtain a KIA Interim Loan or a KRW Interim Loan. In the event of the utilization of KIA or KRW, the Mayor and City Clerk are hereby authorized to execute either (i) an Assistance Agreement with KIA or (ii) a lease agreement and/or other necessary documents with KRW to provide up to \$4,900,000 or such lesser amount as the City may determine necessary for interim financing. The KIA Interim Loan proceeds, if any, shall be deposited with the trustee for KIA and thereafter transferred by said trustee to the Construction Account herein established and disbursed in accordance with the provisions of this Section 7. The KRW Interim Loan proceeds, if any, shall be deposited to the Construction Account herein established and disbursed in accordance with the provisions of this Section 7. The Estimate of Funds Needed shall be periodically submitted to the trustee for KIA, if applicable, 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 City further covenants simultaneously with the issuance and delivery of the Series 2017 Bonds to the successful purchaser, that all amounts due, owing and unpaid on the Bond Anticipation Notes, KIA Interim Loan or KRW Interim Loan hereunder authorized shall be repaid at said time of delivery, including principal and interest.

There is hereby created a special and separate account of the City which shall be designated as the "City of Williamstown, Kentucky Construction Account of 2017" (hereinafter sometimes referred to as the "Construction Account"). Said Construction Account shall be established with the Depository Bank. Upon any deposit in said Construction Account of an amount in excess of \$250,000, the Depository shall secure the amount in excess of \$250,000 by pledging collateral with the Federal Reserve Bank in an amount not less than the excess in accordance with 7 CFR, 1902.7(a). All monies received in connection with the Construction Project from an EDA Grant, an RUS Grant, the KIA Loan, the proceeds of Bond Anticipation Notes, KIA Interim Loan or KRW Interim Loan and cash contributions by the City shall be

deposited in said Construction Account and shall be applied to meet the costs incident to said Construction Project.

All requests for disbursements from the Construction and Acquisition Account shall be accompanied by one or more vouchers (Partial Payment Estimates in a form satisfactory to the USDA 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 be approved by the duly authorized representative of USDA. 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 USDA) for such disbursement signed only by an Authorized Officer and approved by the duly authorized representative of USDA shall be submitted stating that the requested advance represents an expenditure which may be properly made under the terms of the USDA Loan Resolution and is eligible for payment by the City from the proceeds of the Series 2017 Bonds herein authorized.

Disbursements from the Construction Account shall be made by check signed by an Authorized Officer countersigned by the duly authorized representative of USDA and shall be made only upon the Authorized Officer 's receipt of such voucher.

The position of the Authorized Officer (or those officials of the City charged with the responsibilities for the Construction Account) shall be covered by a fidelity bond (a "Fidelity Bond") in the amount of not less than \$226,800 with a surety company approved by USDA; the City and USDA - Rural Development shall be named co-obligees in such Fidelity Bond, and the amount thereof shall not be reduced without the written consent of USDA. Should the aggregate total of the deposits in the various accounts authorized to be maintained under the provisions hereof equal more than \$226,800 at any one time during the year, the Fidelity Bond of the Authorized Officer will be increased to cover the larger amount so accumulated and if USDA so requests, a special fidelity bond shall be written to cover the Construction Account.

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 USDA, the KRS and the City's investment policy (the "Investment Policy"); 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 § 148 of the Internal Revenue Code of 1986, as amended, (the "Code") or any regulations of the U.S. Treasury Department interpreting same.

Subsequent to the delivery of the Series 2017 Bonds and the payment in full of the Bond Anticipation Notes, KIA Interim Loan or KRW Interim 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 Sinking Fund and said Construction Account shall be closed.

SECTION 8. Delivery of the Series 2017 Bonds; Payment of Bond Anticipation Notes, KIA Interim Loan or KRW Interim Loan; Disbursement of Series 2017 Bond Proceeds. Upon the delivery of the Series 2017 Bonds herein authorized, the following distribution of the proceeds of said Series 2017 Bonds shall be made simultaneously with said delivery and receipt of payment (the “Date of Closing”),

(A) Simultaneously with the delivery of the Series 2017 Bonds, all amounts due and owing by the City on interim construction loans evidenced by the Bond Anticipation Notes, KIA Interim Loan or KRW Interim Loan, including principal and interest, shall be paid in full and the Bond Anticipation Notes, KIA Interim Loan or KRW Interim 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 2017 Bonds, the balance of the proceeds of said Series 2017 Bonds remaining shall be transferred to the Construction Account established by Section 7 of this Ordinance.

SECTION 9. Disposition of System Revenues. From and after the delivery of any of the Series 2017 Bonds authorized under the provisions of this Ordinance, the System shall be operated on a fiscal year basis and on that basis the 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 “Revenue Fund” (the “Revenue Fund”), established by the 2012 Parity Debt, which is hereby maintained and continued. The Revenues of the System deposited in the Revenue Fund shall be further deposited to the funds and accounts herein ordered maintained and shall be applied and invested as provided in this Section 9.

(A) Revenue Fund. The 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 2012 Parity Debt or the Series 2017 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:

There shall be transferred on or before the last day of each month, from the Revenue Fund:

(1) To the Sinking Fund, so long as any Parity Obligations remain outstanding, an amount equal to one-twelfth (1/12) of the principal amount of the Parity Obligations maturing on the next February 1.

(2) To the Sinking Fund, so long as any Parity Obligation remain outstanding, an amount equal to the sum of one-sixth of the interest requirements of the Parity Obligations coming due on the next succeeding February 1 or August 1.

(3) To the Debt Service Reserve, an amount equal to the sum of (i) \$1,890 and (ii) one-forty-eighth (1/48) of the maximum debt service requirements for any additional Parity Obligations, until the Required Reserve shall have been accumulated or restored, after which the monthly deposits may be discontinued,

subject to resumption if, whenever, and so long as same shall be reduced, by such stipulated amount.

(4) To the Depreciation Fund, if, whenever, and so long as an amount equal to the Depreciation Reserve Requirement is not then being held in the Depreciation Fund, an amount, equal to one-thirty-sixth (1/36) of the Depreciation Reserve Requirement so that the balance in the Depreciation Fund will equal the Depreciation Reserve Requirement in the month that is thirty-six months from the month such deficiency first existed. Thereafter such monthly payments may cease for so long as the required balance in the Depreciation Fund is maintained and such monthly payments shall resume again if at any time said balance is less than the Depreciation Reserve Requirement and shall continue until said balance is established.

(5) To the Operation and Maintenance Fund, an amount which, together with any funds already on deposit therein, will be sufficient to pay, as they accrue, the proper and necessary costs of operating, maintaining and insuring the System, and to accumulate and maintain, in the Operation and Maintenance Fund, an amount sufficient to pay all costs of operating, maintaining and insuring the System for three (3) full months.

(6) On a periodic basis, but no less frequently than annually, the Revenues remaining in the Revenue Fund at the end of the month, or, in the case of annual transfers, the preceding calendar year, after making the payments required by (1) through (5) above, including any balances to be accrued and maintained, may be transferred to any fund or used for any purpose deemed appropriate by the City.

Notwithstanding the foregoing, as long as any of the Series 2017 Bonds are held by the USDA, the City shall, if requested by USDA, make payments of amounts equal to the total of (1) and (2) of Section 9(A) above allocable to the Series 2017 Bonds held by USDA, being the total of the monthly principal and interest requirements on the Series 2017 Bonds held by USDA, in monthly payments directly to USDA.

As and when additional Parity Obligations are issued, provision shall be made for additional payments into the Sinking Fund to pay the interest on and the principal of such additional Parity Obligations as and when the same become due and to increase the Required Debt Service Reserve as provided in subsection (C) below.

(B) Sinking Fund. The Sinking Fund shall be maintained as provided in the 2012 Parity Debt and shall be used for the purpose of accumulating the amounts necessary to pay the principal of and interest on the outstanding Parity Obligations. The Sinking Fund is hereby pledged for the payment of the interest on and the principal of the outstanding Parity Obligations and is subject to a first and paramount lien and charge in favor of the owners of the outstanding Parity Obligations.

No further payments need be made into the Sinking Fund whenever and so long as such amount of the Parity Obligations shall have been retired so that the amounts then

held in the Sinking Fund (and in the Debt Service Reserve) are equal to the entire amount of the interest and principal that will be payable to and at the time of the retirement or maturity of all of the outstanding Parity Obligations.

All funds on deposit in the Sinking Fund shall be kept separate and apart from all other municipal funds and shall be deposited, secured and invested in the manner provided in the 2012 Parity Debt and paragraph (F) of this Section 9.

(C) Debt Service Reserve. A separate and special fund or account of the City designated “Debt Service Reserve” (the “Debt Service Reserve”) was ordered established and maintained by the 2012 Parity Debt and is hereby ordered continued. The Debt Service Reserve shall be maintained as provided in the 2012 Parity Debt so long as any Parity Obligations remain outstanding.

Amounts on deposit in the Debt Service Reserve may be withdrawn and used by the City, when necessary, and shall be so withdrawn and used by if and to the extent necessary, to prevent a default in the payment of principal and interest on the outstanding Parity Obligations as and when due if the amount on deposit in the Sinking Fund is not sufficient to make such payments in the same order of priority as provided for the use of funds in the Sinking Fund; provided, however, that in the event of any such withdrawal, or if and whenever the amount on deposit in the debt Service Reserve is less than the Required Reserve, the City shall restore such deficiency through the deposit into the Debt Service Reserve in each month thereafter, of an amount equal to 1/120 of the Required Reserve until the total Required Reserve shall have been accumulated or restored and is being maintained.

All funds on deposit in the Debt Service Reserve shall be kept separate and apart from all other municipal funds and shall be deposited, secured and invested in the manner provided in paragraph (F) of this Section 9

As and when additional Parity Obligations are issued, provision shall be made for accumulating or funding the Required Reserve, as applicable, in the Debt Service Reserve, subject to any limitations or restrictions as may be contained in Sections 103 (b) (2) and 148 of the Code in order that none of the outstanding Parity Obligations shall be deemed to be “arbitrage bonds” and for correspondingly increasing the respective amounts referred to in all related covenants, and such Required Reserve, as applicable, shall be similarly maintained and restored when necessary, in the manner specified above. No deposits shall be made in the Debt Service Reserve which would cause any of the outstanding Parity Obligations to become “arbitrage bonds”. Any amount in excess of the Required Reserve shall be transferred to the Sinking Fund and constitute a credit against the deposit next required to be made into the Sinking Fund.

(D) Depreciation Fund. A separate and special fund or account of the City was established and ordered maintained under the 2012 Parity Debt, which fund was designated “Depreciation Fund” (the “Depreciation Fund”), which Depreciation Fund is hereby directed to be continued and maintained so long as any of the 2012 Parity Debt, Series 2017 Bonds or any Parity Obligations are outstanding and in which an amount equal to the Depreciation Reserve Requirement shall be maintained.

Amounts in the Depreciation Fund may be withdrawn and used upon appropriate certification by whatever official is duly authorized by the City Council to make such certification, for the purpose of paying the cost of making unusual or extraordinary maintenance, repairs, renewals or replacements to the System, which would be necessary to keep the System in good operating condition, or for the purpose of paying the cost of constructing extensions, additions and/or improvements to the System which will either enhance the revenue-producing capacity of the System or provide a higher degree of service; provided, however, that if the combined available balances in the Sinking Fund and the Debt Service Reserve on any January 20 or July 20 shall be insufficient to pay the next maturing installment of interest or principal of the outstanding Parity Obligations, the City shall withdraw and transfer from the Depreciation Fund to the Sinking Fund whatever amount may be required to eliminate the deficiency in the Sinking Fund and to avoid a default. However, the City hereby certifies and represents that it is not reasonably anticipated that any amounts in the Depreciation Fund will be used to pay debt service on any Parity Obligations.

Deficiencies in the Depreciation Fund shall be remedied through the monthly deposits from the Revenue Fund required by the 2012 Parity Debt and this Section 9 of this Ordinance, until the total required amount has been accumulated or restored and is being maintained.

There shall also be deposited in the Depreciation Fund the proceeds of any property damage insurance not immediately used to replace the damaged or destroyed property and the cash proceeds of any surplus, worn out or obsolete properties of the System.

As and when additional Parity Obligations are issued, the City shall determine at the time of issuance thereof, with the advice of the Consulting Engineers then employed by the City, [a] whether additional amounts shall be accumulated in the Depreciation Fund, [b] the exact revision, if any, in the required deposits in the Depreciation Fund, and [c] the revised total amount necessary to be accumulated in the Depreciation Fund; whereupon covenants to that effect shall be incorporated in the proceedings authorizing the issuance of such Parity Obligations.

All funds on deposit in the Depreciation Fund shall be kept separate and apart from all other municipal funds and shall be deposited, secured and invested in the manner provided in paragraph (F) of this Section 9.

(E) Operation and Maintenance Fund. A separate and special fund or account of the City was established and ordered maintained under the 2012 Parity Debt, which fund was designated "Operation and Maintenance Fund" (the "Operation and Maintenance Fund") and which shall be maintained as provided in the 2012 Parity Debt. All costs of operating, maintaining and insuring the System shall be paid from the Operation and Maintenance Fund. All funds in the Operation and Maintenance Fund shall be kept separate and apart from all other municipal funds and shall be deposited, secured and invested in the manner provided in paragraph (F) of this Section 9.

(F) Investment of Funds. So long as any of the Series 2017 Bonds remain outstanding, all moneys held in the Revenue Fund, the Sinking Fund, the Debt Service Reserve, the Depreciation Fund and the Operation and Maintenance Fund (collectively, the “System Funds”) shall be deposited in the Depository Bank designated in the 2012 Parity Debt. Such bank or banks shall invest such portion of the System Funds as is designated by the City Council of the City, in investment obligations (“Investment Obligations”) which constitute lawful investments for cities pursuant to Section 66.480 of the Kentucky Revised Statutes, as amended, subject, however, to the following limitations:

(1) Investment Obligations purchased as an investment of moneys in any System Fund held by the City or the Depository Bank under the provisions of this Ordinance shall be deemed at all times to be a part of such System Fund and the income or interest earned, gains realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged thereto as the case may be, subject, in the case of the Debt Service Reserve, to the provisions of Section 9(C) of this Ordinance; provided that escrow agreements may provide otherwise.

(2) In computing the amount in all System Funds, including the accounts thereof, Investment Obligations purchased as an investment of moneys therein, shall be valued at the lesser of cost or fair market value. The value of investments in the Debt Service Reserve and the Depreciation Fund shall be determined as of the first day of each Fiscal Year. Valuation as of any date of computation shall include the amount of interest or gain realized to such date.

(3) The City shall sell at the best price obtainable, or present for redemption or exchange, any Investment Obligations purchased by it pursuant to this Ordinance whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the System Fund for which such investment was made. The Depository Bank shall advise the City in writing, at such times as may be requested by the City, of the details of all Investments Obligations held for the credit of each System Fund in its custody under the provisions of this Ordinance. The Depository Bank shall review and advise the City annually on the nature and value of investments in each fund or account. In the event that the value of investments in the Debt Service Reserve falls below the level required by this Ordinance, the Depository Bank shall notify the City and the City shall cure such deficiency as provided in Section 9(C) of this Ordinance.

The City represents and certifies that no investment shall be made of either the proceeds of any outstanding Parity Obligations or the Revenues of the System which will cause any outstanding Parity Obligations to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

The Treasurer of the City 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.

SECTION 10. Additional Parity Obligations; Inferior Bonds. Except as provided below, no other bonds or other obligations shall be issued by the City and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created for the outstanding Parity Obligations.

(A) Inferior Obligations. The City expressly reserves the right at any time or times to issue its bonds or other obligations payable from the Revenues of the System and not ranking on a basis of equality and parity with the outstanding Parity Obligations, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for extensions, additions, improvements or other benefits to the System, and provided such inferior bonds or obligations whenever issued or incurred may only be issued or incurred with express recognition of the priorities, liens and rights created and existing for the security, source of payment and protection of the outstanding Parity Obligations; provided, however, that nothing in this Section is intended to restrict, or shall be construed as a restriction upon, the ordinary refunding of the outstanding Parity Obligations, if such refunding does not operate to increase, in any year until the final maturity of the refunding obligations, the aggregate of the principal and interest requirements of the Parity Obligations to remain outstanding and the Parity Obligations proposed to be refunded.

(B) Parity Obligations to Finance Future Extensions, Additions or Improvements: Conditions or Showings Required. The City further reserves the right to add new water, sewer, cable television and/or related auxiliary facilities, and/or to finance future extensions, additions or improvements to the System, by the issuance of one or more additional series of obligations to be secured by a lien on the basis of parity with the lien securing the Outstanding Parity Obligations, and ratably payable from the Revenues of the System, provided that:

(1) The facility or facilities to be constructed from the proceeds of the additional obligations issued for that purpose is or are made a part of the System and its or their revenues are pledged as additional security for the additional obligations and the outstanding Parity Obligations.

(2) The City is in compliance with all covenants and undertakings in connection with all of its bonds or other obligations then outstanding and payable from the Revenues of the System or any part thereof; and

(3) There shall have been procured and filed with the City Clerk a statement by a certified public accountant, reciting the opinion based upon necessary investigation that the Net Revenues of the System for twelve (12) consecutive months out of the preceding eighteen (18) months (with adjustments as hereinafter provided) were equal to at least 1.25 times the maximum annual debt service that will become due in any fiscal year thereafter for both principal and interest on the outstanding Parity Obligations, including the obligations then proposed to be issued. (The calculation of maximum net debt service requirements of or principal of and interest on the outstanding Parity Obligations, including the additional obligations to be issued shall, regardless of whether such

obligations are to be serial or term obligations, be determined on the basis of the principal of, and interest on, such obligations being payable in approximately equal annual installments.)

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

(4) The interest payment dates for all such additional Parity Obligations shall be semiannually on February 1 and August 1 of each year, and the principal maturities thereof shall be on February 1 of the year in which any such principal is scheduled to become due.

(C) Parity Obligations to Refund or Refinance Outstanding Parity Obligations. In addition to obligations satisfying the requirements of Section 10(A) hereof issued to refund outstanding Parity Obligations, the City further reserves the right to issue one or more additional series of obligations to be secured by a parity lien on and ratably payable from the revenues of the System, for the purpose of refunding or refinancing the Outstanding Parity Obligations, or any portion thereof, provided that prior to the issuance of such additional Parity Obligations for that purpose, there shall have been procured and filed with the City Clerk a statement by a Certified Public Accountant, reciting the opinion based upon necessary investigation that:

(1) after the issuance of such Parity Obligations, the annual Net Revenues, as adjusted and defined above, of the then existing System for the fiscal year preceding the date of issuance of such Parity Obligations, after taking into account the revised debt service requirements resulting from the issuance of such Parity Obligations and from the elimination of the bonds or other obligations being refunded or refinanced thereby, are equal to not less than 120% of the maximum net annual debt service requirements then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the then outstanding Parity Obligations payable from the Revenues of the System, calculated in the manner specified above: or

(2) in the alternative, that the debt service requirements for the outstanding Parity Obligations and the proposed Parity Obligations, in any year of maturities thereof after the retirement, defeasance or redemption of the outstanding Parity Obligations scheduled to be refunded through the issuance of such proposed Parity Obligations, shall not exceed the scheduled net annual debt

service requirements applicable to the outstanding Parity Obligations for any corresponding year prior to the issuance of such proposed Parity Obligations and the retirement, defeasance or redemption of any outstanding Parity Obligations to be refunded.

The additional Parity Obligations, the issuance of which is restricted and conditioned by this Section, shall be understood to mean obligations payable from the income and revenues of the System on a parity with the outstanding Parity Obligations, and shall not be deemed to include nor to prohibit the issuance of any other obligations, the security and source of payment of which is subordinate and subject to the priority of the payments into the Sinking Fund for the outstanding Parity Obligations and such additional Parity Obligations.

The interest payment dates for all such additional Parity Obligations shall be semiannually on February 1 and August 1 of each year, and the principal maturities thereof shall be on February 1 of the year in which any such principal is scheduled to become due.

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

(1) It is in compliance with all covenants and undertakings in connection with all of the outstanding Parity Obligations then outstanding and payable from the Revenues of the System, and the Debt Service Reserve for such Outstanding Parity Obligations is being maintained at the stipulated level; and

(2) It will in the event of any such sale, apply the proceeds to either [i] redemption of outstanding Parity Obligations in accordance with the provisions governing redemption of the outstanding Parity Obligations in advance of maturity, or purchase of outstanding Parity Obligations in the open market at not exceeding the next applicable redemption price, or [ii] replacement of the facility so disposed of by another facility, the revenues of which shall be incorporated into the System as hereinbefore provided; and

(3) It certifies, in good faith, prior to any abandonment of use, that the facility or facilities to be abandoned is or are no longer economically feasible of producing substantial net revenues; and

(4) It certifies, in good faith, that the estimated Net Revenues of the remaining facilities of the System for the then next succeeding fiscal year, plus the estimated Net Revenues of the facility or facilities, if any, to be added to the System, comply with the earnings requirements hereinbefore provided in the

provisions and conditions governing the issuance of additional Parity Obligations;
and

(5) Such sale or disposition will not have the effect of causing the outstanding Parity Obligations to become arbitrage bonds.

SECTION 11. General Covenants of the City. The City, through adoption of this Ordinance, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 2017 Bonds, so long as the same or any part thereof remain outstanding and unpaid:

(A) 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.

(B) 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.

(C) To the extent permitted by law, it will not permit any competing water, sewer and cable television system, public or private, to sell or provide water, sewer and cable television services to customers within the service area of the Lessee.

(D) It will perform all duties with reference to the System required by the Statutes and Constitution of Kentucky and will not sell, lease, mortgage or in any manner dispose of the System, or any part thereof except as authorized herein.

(E) It will provide that, to the greatest extent permitted by law, utility service will be discontinued to any premises where there is a failure to pay any part of the aggregate charges billed, including such penalties and fees for disconnection or reconnection as may be prescribed from time to time.

(F) While any Parity Obligations remains outstanding and unpaid, the rates for all services and facilities rendered by the System to the City and to its citizens, corporations or others requiring the same, shall be reasonable and just, taking into account and consideration the cost and value of the System, the cost of maintaining and operating the same, the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of all outstanding Parity Obligations and the accruing interest on all such outstanding Parity Obligations, and there shall be charged such rates and amounts as shall be adequate to meet all requirements of the provisions of this Ordinance. Prior to the delivery of the Series 2017 Bonds, a schedule of rates and charges for the services rendered by the System to all users adequate to meet all requirements of this Ordinance has been established and adopted and is now in full force and effect.

(G) It will not reduce the rates and charges for services rendered by the System without first filing with the City Clerk a certification of the Consulting Engineer to the effect that the annual Net Revenues of the then existing System for the fiscal year

preceding the date on which such reduction is proposed, as such annual Net Revenues are adjusted, after taking into account the projected reduction in Revenues anticipated to result from such proposed rate decrease, are equal to not less than 120% of the maximum debt service requirements falling due in any fiscal year thereafter for the principal of and interest on all of the then outstanding Parity Obligations. For purposes of determining compliance with the coverage required by this Section and the tests contained in Section 10.B and C hereof relating to Parity Obligations, the interest rate borne by indebtedness bearing interest at a variable rate shall be assumed to be equal to the higher of (i) 5.00% or (ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt (issued pursuant to the provisions hereof) or by variable rate debt for which the interest rate is computed by reference to an index comparable to that to be utilized for the debt then proposed to be issued.

(H) It shall cause a report to be filed with the City Council of the City within six (6) months after the end of each fiscal year by a Certified Public Accountant or Consulting Engineer, setting forth what was the precise percentage (“coverage”) of the maximum debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then outstanding Parity Obligations, produced or provided by the Net Revenues (defined below) in that fiscal year and the City covenants that if and whenever such report so filed shall establish that such coverage of Net Revenues for such year was less than 120% of the maximum debt service requirements, the Lessee shall increase the rates by an amount sufficient, in the opinion of such engineers or accountants, to establish the existence of or immediate projection of, such minimum 120% coverage.

(I) Prior to the delivery of the Series 2017 Bonds it shall have adopted a budget of current expenses for the operation of the System for the remainder of the then current fiscal year ending June 30, and thereafter, on or before the first day of each fiscal year prior to the year of final maturity of any Parity Obligations, the City Council of the Lessee will adopt an annual budget of current expenses for the System (the “Annual Budget of Current Expenses”) for the ensuing fiscal year, and will furnish a copy of such Annual Budget of Current Expenses or amendments thereto, upon request, to any holder of Parity Obligations. “Current Expenses” as used herein shall include all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation payments into the Depreciation Fund for extensions, improvements, and extraordinary repairs and maintenance, and payments into the Sinking Fund and the Debt Service Reserve. The City further covenants that the Current Expenses incurred in any year shall not exceed the necessary and reasonable amounts required therefor, and that the City will not expend any amount or incur any obligations for operation, maintenance and repair in excess of the amounts provided for Current Expenses in the current Annual Budget of Current Expenses, except on proper justification and resolution by the City Council Body of the City that such expenditures are necessary to operate and maintain the System. The City further covenants that at the same time and in like manner, the City Council of the City shall prepare an estimate of Revenues to be derived from the operation of the System for such fiscal year and that sufficient Revenues shall be provided, through the maintenance of proper rates and charges (and through the increase thereof if necessary) to satisfy the requirements of all

of the provisions contained in this Ordinance, including the accumulation and maintenance of all required reserves specified herein.

SECTION 12. Events of Default; Registered Owners' Rights to Enforce Covenants. The following shall constitute an Event of Default on the part of the City:

(A) The failure to pay principal of any of the Outstanding Parity Obligations when due and payable, either at maturity or by proceedings for redemption.

(B) The failure to pay any installment of interest on the outstanding Parity Obligations when the same shall become due and payable or within 30 days thereafter.

(C) The default by the City in the due or punctual performance of any other of the covenants, conditions, agreements and provisions contained in the 2012 Parity Debt or in this Ordinance.

(D) The failure to promptly repair, replace or reconstruct needed or essential facilities of the System that have been damaged and/or destroyed.

(E) The entering of an order or decree with the consent or acquiescence of the City appointing a receiver of all or any of the System or any revenues thereof; or if such order or decree shall have been entered without the acquiescence or consent of the City, the failure of the City to have the order or decree vacated, discharged, or stayed on appeal within 60 days after entry.

(F) The failure of the City to fulfill any of its obligations pursuant to the 2012 Parity Debt or this Ordinance.

Any holder of the Series 2017 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 2017 Bonds, then upon the filing of suit by any holder of said Series 2017 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 expenses of operation and maintenance and to apply the income and revenue in conformity with the 2012 Parity Debt, this Ordinance and with the provisions of Chapters 58 and 96 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 Series 2017 Bonds herein authorized, and to take such other legal action as may be appropriate for the protection of the Lessor or any such other holder.

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

payment of the City's obligations, all contracts and other rights of the City pertaining to the System, conditionally, for such time only as such receiver or operator shall operate by authority of the court. In the event of default, the holder of any Parity Obligations may require the City Council of the City by an action in mandamus to raise the rates a reasonable amount.

SECTION 13. General Covenants Applicable So Long As USDA Holds Any Bonds. So long as USDA shall hold any of the Series 2017 Bonds, the City shall comply with such regulations, requirements and requests as have been made by USDA, including the furnishing of operating and other financial statements in such form and substance and for such periods as may be requested by USDA, the carrying of insurance of such types and in such amounts as USDA may specify with insurance carriers acceptable to USDA, and compliance with all the terms and conditions of the Loan Resolution between the City and USDA.

In addition, so long as USDA shall be the Registered Owner of any of the Series 2017 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 2017 Bonds without provisions for the prompt prepayment of said Series 2017 Bonds.

In addition, so long as USDA shall be the Registered Owner of any of the Outstanding Parity Obligations, the City shall not, from and after the date of issuance and delivery of the Bond Anticipation Notes or Series 2017 Bonds, whichever is earlier, install or permit to be installed within its service area, new water or sewer service to or within any structure or improvement which may be located within a designated floodplain, as the same shall be designated from time to time by state, local or federal governmental entities having jurisdiction, unless the City shall first have obtained the written consent of the USDA.

SECTION 14. No Priority Among Parity Obligations. The Parity Obligations authorized herein shall not be entitled to priority one over the other in the application of the 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 Parity Obligations authorized by this Ordinance regardless of the fact that they may be actually issued in different series and delivered at different times.

SECTION 15. 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 subsurface lift stations other than the electrical and pumping equipment therein) the City shall, upon the sale of the Series 2017 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 2017 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 2017 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2017 Bonds are outstanding public liability insurance relating to the operation of the facilities of the System with limits of not less than \$300,000 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, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2017 Bonds are outstanding vehicular public liability insurance with limits of not less than \$300,000 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 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.

(E) Flood Insurance. The City will, upon the sale of the Series 2017 Bonds, to the extent such insurance is not already in force, procure flood insurance on any facilities located in a special flood and mudslide prone areas in an amount deemed adequate by the Consulting Engineers.

SECTION 16. Contractual Nature of Series 2017 Bond Ordinance. The provisions of this Ordinance shall constitute a contract between the City and the holders of the Series 2017 Bonds; and after the issuance of any of said Series 2017 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 2017 Bonds and the interest thereon have been paid or provided for in full; provided (a) the City may adopt an ordinance to evidence the succession of a bank or trust company as paying agent and bond registrar and may enact other ordinances for any other purpose not inconsistent with the terms of this Ordinance, and which shall not impair the security of the holders of the Outstanding Parity Obligations and/or for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto; and provided further (b) the holders of eighty percent (80%) in principal amount of the Outstanding Parity Obligations shall have the right to consent to, and approve the adoption of ordinances, resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Ordinance, subject to the condition that this Ordinance shall not be so modified in any manner that may adversely affect the rights of certain holders without similarly affecting the rights of all holders of all Outstanding Parity Obligations or that shall reduce the percentage of the number of holders whose consent is required to effect a further modification.

SECTION 17. Expectation Regarding the Series 2017 Bonds. Pursuant to the amendments to the Code, the City, by the adoption of this Ordinance, certifies that it does not reasonably anticipate that less than 95% of the proceeds of the Series 2017 Bonds will be used for “local government activities” of the City.

SECTION 18. Sale of Series 2017 Bonds. The City Clerk is hereby authorized and directed to cause notice for bids for the purchase of said Series 2017 Bonds to be published pursuant to all applicable Kentucky Revised Statutes. Said Notice shall state the name and amount of Series 2017 Bonds to be sold, the time of sale and other details concerning the Series 2017 Bonds and notify the bidders that further information regarding said Series 2017 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 C and D, 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 2017 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 USDA) 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 Series 2017 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 2017 Bonds, computed from the first day of the month following the date of sale of the Bonds (even though the Series 2017 Bonds will bear interest only from the date of delivery) to final maturity.

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

(G) The City expects to deliver, and the successful bidder must be prepared to accept delivery of and pay for, the Series 2017 Bonds at the office of the City Clerk within forty-five (45) days after notice is given of the award. If said Series 2017 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 Series 2017 Bonds. In the event USDA is the successful bidder, it is anticipated that delivery of the Series 2017 Bonds will be made at the time the Construction Project is substantially complete and the City's failure to deliver said Series 2017 Bonds within forty-five (45) days from said date of sale shall not relieve USDA of its obligation to accept said Series 2017 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 2017 Bonds will be tendered within said forty-five (45) day period and the successful bidder will receive the approving Legal Opinion of Dinsmore & Shohl LLP, Bond Counsel, Covington, Kentucky, as to the legality and tax-exemption of said Series 2017 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 by Executive Order of the Mayor 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.

The Mayor of the City is hereby authorized by Executive Order without further action by the City to accept the bid he determines to be the best bid in accordance with the Official Terms and Conditions of Bond Sale and shall, in accepting the successful bid, determine the exact principal amount of Series 2017 Bonds to be issued and the rates of interest which said Series 2017 Bonds shall bear.

SECTION 19. Tax Covenants. The City shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the City on the Series 2017 Bonds shall, for the purposes of Federal income taxation, be exempt from income taxation under any valid provision of the Code.

The City shall not permit at any time or times any of the proceeds of the Series 2017 Bonds to be used directly or indirectly to acquire any securities or obligations the acquisition of

which would cause any such Series 2017 Bonds to be “arbitrage bonds” as defined in Sections 103(b)(2) and 148 of the Code, as then in effect.

In order to assure compliance with this Section, thereby better securing and protecting the holders of the Series 2017 Bonds, the City covenants that it will not purchase any obligation or invest the proceeds of the Series 2017 Bonds in any obligations that produce a yield in excess of the applicable maximum yield as may be permitted by the Code.

The City further covenants that prior to the issuance of the Series 2017 Bonds and as a condition precedent to such issuance the City shall certify by issuance of a certificate of the Mayor, supplemental to this Ordinance, that on the basis of the facts, estimates and circumstances in existence on the date of issue of the Series 2017 Bonds, it is not expected that the proceeds of the Series 2017 Bonds will be used in a manner which would cause such obligations to be “arbitrage bonds” under the Code. The Mayor is hereby designated and charged by the City with the responsibility for issuing the Series 2017 Bonds herein authorized.

The City further covenants that it will cause to be filed with the Internal Revenue Service the reporting statements required by the Code.

SECTION 20. 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 21. Effective Date of Ordinance. This Ordinance shall take effect from and after its passage, approval and the publication of a summary thereof.

Rick Skinner, Mayor
City of Williamstown, Kentucky

ATTEST:

Vivian Link, City Clerk/Treasurer

2016-03

1st Reading 02/01/16

2nd Reading 02/09/16

Published 02/18/16

EXHIBIT A
[FORM OF FULLY REGISTERED BOND]

UNITES STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF GRANT
CITY OF WILLIAMSTOWN, KENTUCKY
UTILITY SYSTEM REVENUE BOND, SERIES 2017

No. _____

\$ _____

KNOW ALL MEN BY THESE PRESENTS:

That the City of Williamstown, Grant County, Kentucky, acting by and through its governing body (the "City"), for value received, hereby acknowledges itself obligated to, and promises to pay to _____, registered owner hereof, or to its registered assigns, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

FOUR MILLION NINE HUNDRED THOUSAND DOLLARS

on the first day of February, in the years and the principal amounts as follows:

<u>MATURITIES</u>	<u>PRINCIPAL</u>	<u>MATURITIES</u>	<u>PRINCIPAL</u>
<u>FEBRUARY 1</u>	<u>AMOUNT</u>	<u>FEBRUARY 1</u>	<u>AMOUNT</u>

[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 the 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 _____ percent (_____ %) per annum, on the first day of February and August 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 DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY OF WILLIAMSTOWN, 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, SEWER AND CABLE TELEVISION

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 WILLIAMSTOWN REVENUE BOND AND INTEREST REDEMPTION FUND."

This Bond is one of a duly authorized issue of bonds in the total principal amount of Four Million Nine Hundred Thousand Dollars (\$4,900,000) Utility System Revenue Bonds, Series 2017 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 water, sewer and cable television 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, Chapter 96 and §§ 58.010 through 58.140 of said Statutes.

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, sewer and cable television 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 becomes due and to pay when due all costs and expenses incident to the operation and maintenance of said water, sewer and cable television system.

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 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 multiples of \$500 and in the denomination(s) 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 February 1, 2026, 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 Five Hundred Dollars (\$500) 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 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 its 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 Williamstown, in the County of Grant, 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 the _____ day of _____, 2017.

(SEAL)

RICK SKINNER, MAYOR
CITY OF WILLIAMSTOWN, KENTUCKY

ATTEST:

VIVIAN LINK, CITY CLERK/TREASURER

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 its attorney, such transfer to be made and endorsed hereon as indicated.

<u>Date of Registration and Authentication</u>	<u>Name of Registered Owner</u>	<u>Registrar</u>	<u>Signature of Authorized Officer of Registrar</u>
_____	_____	City of Williamstown, Kentucky	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto:

(Please print or typewrite name and address of transferee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints:

_____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____
Signature

In the presence of: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

EXHIBIT B

(FORM OF BOND ANTICIPATION NOTE)

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF GRANT
CITY OF WILLIAMSTOWN
UTILITY SYSTEM REVENUE BOND ANTICIPATION NOTE, SERIES 2016

No. R-1

\$4,900,000

NOTE DATE: _____, 2016

RATE _____%

MATURITY DATE: _____

REGISTERED HOLDER: _____

PRINCIPAL AMOUNT: FOUR MILLION NINE HUNDRED THOUSAND DOLLARS

KNOW ALL MEN BY THESE PRESENTS: That the City of Williamstown, in Grant County, Kentucky (the "City"), for value received, hereby acknowledges itself obligated to, and promises to pay to the Registered Holder identified above, or registered assigns, solely from the limited sources hereinafter described, the principal sum identified above (or, if any part thereof has been paid, the balance thereof remaining unpaid), unless called for optional redemption prior thereto, on the first day of _____, and to pay interest on said principal sum (or, if any part thereof has been paid, the balance thereof remaining unpaid) from the date hereof at the rate of interest per annum identified above, payable at maturity, except as the provisions hereinafter set forth with respect to prior redemption may be and become applicable hereto, both principal and interest being payable to the registered holder hereof at the address shown on the registration books of the City without deduction for exchange or collection charges, in lawful money of the United States of America at _____, Williamstown, Kentucky, (the "Paying Agent and Registrar").

This note (the "Note") is duly authorized by the City and issued in anticipation of the issuance and delivery of "City of Williamstown Utility System Revenue Bonds, Series 2017" (the "2017 Bonds"), and this Note is issued pursuant to Ordinance No. ___ of the City, duly adopted on _____, 2016, (the "Note Ordinance") authorizing this Note, and a Bond Ordinance heretofore adopted on _____, 2016 (the "Bond Ordinance") authorizing the 2017 Bonds (to which ordinances reference is hereby made for a complete description of the nature and extent of the security thereby created, the rights and limitations of rights of the holder of this Note and the rights, obligations and duties of the City), for the purpose of paying a portion of the costs of certain major improvements and additions (the "Project") to the City's combined and consolidated water, sewer and cable television system (the "System") all as defined in the Note Ordinance. This Note has been issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including among others Chapter 96, Sections 58.010 to 58.150, inclusive, and Section 56.513, of the Kentucky Revised Statutes.

This Note is subject to redemption at any time prior to maturity at the option of the City, at par plus accrued interest to the redemption date.

The Paying Agent and Registrar shall, upon being indemnified to its satisfaction, and receiving funds necessary to redeem such Note, cause notice of the call for any redemption identifying the Note or portions thereof (integral multiples \$1,000) to be redeemed to be sent by United States mail, postage prepaid, at least thirty days prior to the date fixed for redemption to the registered owner of each Note to be redeemed at the address shown on the address of the holder of each Note called for redemption as set forth in the registration books maintained by the Registrar. Failure to give such notice by mailing or any defect therein in respect of any Note shall not affect the validity of any proceedings for the redemption of any Note.

The City pledges as the sources of payment of the principal of and interest on the Note (a) a portion, if available, of the interest derived from investment of the proceeds of the Note, pending disbursement, and (b) the proceeds of the 2017 Bonds when said 2017 Bonds are sold and delivered and the proceeds thereof shall have been received and are made available, except to the extent provision shall have been previously made for payment from other funds as authorized and permitted by law.

The City covenants with the holder of this Note that prior to the maturity date of the Note, the City will take all proper and necessary action under existing statutory authority and in accordance with law to offer at public sale, to issue and to deliver the 2017 Bonds in an amount sufficient to provide for the retirement of the Notes.

The City covenants with the holder of this Note that when the proceeds of the 2017 Bonds are received, a sufficient amount of such proceeds shall be deposited in the "City of Williamstown Revenue Bond Anticipation Note Redemption Fund" for the prompt payment of the principal amount of the Note, together with interest thereon (to the extent that such interest shall not have been paid from proceeds of the Note or investment income as hereinabove described), and the Note shall constitute a first charge upon said proceeds of the 2017 Bonds.

This Note is exempt from ad valorem taxation in the Commonwealth of Kentucky and is exchangeable for other Notes of a like aggregate principal amount in other authorized denominations.

This Note 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 _____, Williamstown, Kentucky as the Registrar, with a written transfer duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this Note and upon the books of the Registrar kept for that purpose.

The Note is a special, limited obligation of the City and does not constitute an indebtedness of the City within the meaning of any constitutional or statutory limitations or provisions, and the City shall not be obligated to pay the Note or the interest thereon except from the sources herein specified or from the proceeds of renewal notes, if any.

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; and that proper provision has been made and shall be made for (a) the payment of the principal hereof from the proceeds of the 2017 Bonds and (b) for the payment of interest hereon from a portion of the proceeds of the Note set aside for such purpose and other specified funds.

IN WITNESS WHEREOF, the City of Williamstown, in the Commonwealth of Kentucky, has caused this Note to be executed in its name and on its behalf by the authorized manual or reproduced facsimile signature of its Mayor, and its corporate seal or the reproduced facsimile of its corporate seal to be imprinted hereon and attested by the manual signature of its City Clerk, as of this first day of _____, 2016.

RICK SKINNER, MAYOR
CITY OF WILLIAMSTOWN, KENTUCKY

ATTEST:

VIVIAN LINK, CITY CLERK/TREASURER

FORM OF NOTE REGISTRAR'S AUTHENTICATION CERTIFICATE

The undersigned, for and on behalf of the Note Registrar, hereby certifies that this is the Note described above.

as Note Registrar

By: _____
Authorized Officer

Date: _____

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto:

(Please print or typewrite name and address of transferee)

the within note and all rights thereunder, and hereby irrevocably constitutes and appoints:

_____ attorney to transfer the within note on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature

In the presence of: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within note in every particular, without alteration or enlargement or any change whatever.

EXHIBIT C

NOTICE OF BOND SALE

The City of Williamstown, Kentucky (the “City”), will until ___:___ A.M., E.D.T., on _____, 2016, receive at the offices of the City Clerk, City Hall, 400 North Main Street, Williamstown, Kentucky 41097, sealed competitive bids for the purchase of its \$4,900,000 Utility System Revenue Bonds, Series 2017 (the “Series 2017 Bonds”), maturing February 1, 2018 through February 1, 2057 and subject to redemption, as set out in the ordinance approving the Series 2017 Bonds.

Bids will be opened by the City Clerk of the City at the time stated and will be referred to and acted upon by the Mayor of the City on the same day. The United States Department of Agriculture (“USDA”) has made a commitment to submit a bid to purchase the Series 2017 Bonds at par at an interest rate of three and twenty-five one hundredths percent (3.25%) per annum, if no other qualified bid is received from any other bidder.

The Series 2017 Bonds are to be issued subject to the approving legal opinion of Dinsmore & Shohl LLP, Bond Counsel to the City, and are offered for sale on the usual tax-exempt basis. Use of the Official Bid Form and a check in the amount of two percent (2.00%) as a good faith deposit is required from any bidder other than USDA. The right to reject all bids is reserved. The bidding conditions and terms of the offering are contained in the Official Terms and Condition of the Bonds Sale, which, together with the Official Bid Form, may be obtained from the City Clerk at the address set forth above. The City does not intend to provide an Official Statement regarding the Series 2017 Bonds.

CITY OF WILLIAMSTOWN, KENTUCKY

/s/ Vivian Link

City Clerk/Treasurer

City of Williamstown, Kentucky

EXHIBIT D

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

City of Williamstown, Kentucky
Utility System Revenue Bonds
Series 2017

SALE: _____, _____ at ___:___ A.M., E.D.T.

As duly advertised, the City of Williamstown, Kentucky (the "City") will, until the _____ day of _____, _____, at the hour of ___:___ A.M., E.S.T., at the offices of the City Clerk, 400 North Main Street, Williamstown, Kentucky 41097, receive sealed competitive bids for the revenue bonds herein described (the "Bonds"). To be considered, a proposal for the purchase of such Bonds must be submitted on an Official Bid Form, unless submitted by the United States Department of Agriculture ("USDA"), and must be delivered to the City Clerk at the address indicated on the date of sale no later than the hour indicated. Bids will be opened and acted upon by the Mayor pursuant to the authority of the Bond Ordinance described below.

STATUTORY AUTHORITY AND PURPOSE OF ISSUE

These Bonds are authorized pursuant to Chapters 58 and 96 of the Kentucky Revised Statutes and are being issued in accordance with a Bond Ordinance adopted by the City Council of the City on February __, 2016. The Bonds are revenue bonds and do not constitute a direct indebtedness of the City.

The Bonds are being issued finance improvements to the City's combined and consolidated water, sewer and cable television system (the "System"). The proceeds of the Bonds are to be supplemented by a United States Department of Agriculture, Rural Utilities Service Grant in the amount of \$2,600,000, an Economic Development Administration Grant in the amount of \$1,500,000, loans from the Kentucky Infrastructure Authority in the aggregate amount of \$6,249,165 and a cash contribution from the City in the amount of \$2,000,000.

The Bonds, in the opinion of Bond Counsel, will constitute legal, valid and binding special obligations of the City of Williamstown, Kentucky, payable solely from and secured by a first pledged of and lien on the revenues of the System, ranking on a parity with the outstanding principal amount of a Lease Agreement dated as of December 20, 2012 between the Kentucky Bond Corporation and the City (the "2012 Parity Debt"). The right is reserved by the City to issue additional bonds ranking on a parity ("Parity Obligations") as to security and source of payment with the 2012 Parity Debt and the Bonds upon meeting the requirements prescribed by the Bond Ordinance. The Ordinance provides that so long as any of the 2012 Parity Debt, the Bonds and/or any additional Parity Obligations are outstanding, the System shall be owned and operated by the City as a single, revenue producing, public project or System within the meaning of the aforesaid Statutes, for the security and source of payment of any and all of such Parity Obligations.

In order to further secure the Bonds, the City has covenanted as follows:

(A) 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.

(B) 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.

(C) 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 had 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 Obligations 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.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will bear interest from their date of delivery, payable on the first day of each February and August, commencing _____ 1, 2017. The Bonds are scheduled to mature in each of the years as follows:

Payment Due		Payment Due	
<u>February 1</u>	<u>Principal</u>	<u>February 1</u>	<u>Principal</u>
2019	\$67,000	2038	\$123,500
2020	69,500	2039	127,500
2021	71,500	2040	131,500
2022	74,000	2041	136,000
2023	76,500	2042	140,000
2024	79,000	2043	145,000
2025	81,500	2044	149,500
2026	84,000	2045	154,500
2027	87,000	2046	159,500
2028	89,500	2047	164,500
2029	92,500	2048	170,000
2030	95,500	2049	175,500
2031	98,500	2050	181,000
2032	102,000	2051	187,000
2033	105,000	2052	193,000
2034	108,500	2053	199,500
2035	112,000	2054	206,000
2036	115,500	2055	212,500
2037	119,500	2056	215,500

The Bonds are subject to redemption prior to maturity on or after February 1, 2026 on any interest payment date at a redemption price of par, plus accrued interest to the redemption date.

BIDDING CONDITIONS AND RESTRICTIONS

The terms and conditions of the sale of the Bonds are as follows:

(A) Bidders, except for USDA, are required to submit their bids on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the best bid.

(B) Bidders are required to bid for the entire issue of each series of Bonds at a minimum price of not less than 100% of par, PAYABLE IN IMMEDIATELY AVAILABLE FUNDS.

(C) Bidders must name an interest rate or rates in a multiple of 1/8 or 1/20 of 1%, which rates must be on an ascending scale, in that the rate on the Bonds of any series in any maturity is not less than the rate on the Bonds of such series for any preceding maturity and all Bonds of such series of the same maturity shall bear the same and a single interest rate from the date thereof to maturity.

(D) The determination of the best purchase bid for both series of Bonds shall be made on the basis of all bids submitted for the respective Bonds at the maturities offered for sale hereunder. USDA will submit a bid for the purchase of the Bonds. In the event that a bid(s) from non-governmental bidder(s) shall be received, the rate and terms of which are determined by USDA to be reasonable, then said USDA bid will be withdrawn.

(E) more consecutive years may, in lieu of maturing in each of such years be combined to comprise one or more maturities of Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Bonds scheduled in the year of maturity of the term Bonds, which principal amount shall mature in that year. Bidders may specify up to two of such term Bonds.

(F) CUSIP identification numbers will be printed on the Bonds at the expense of the City. The purchaser shall pay the CUSIP Service Bureau Charge. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Bonds in accordance with the terms of any accepted proposal for the purchase of the Bonds.

(G) No Official Statement is being prepared with respect to the Bonds.

(H) Bids (except for bids by USDA) must be accompanied by a certified or bank cashier's good faith check in the amount of 2% of the principal amount of the Bonds being bid on (\$98,000). Such amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of the Bonds when ready.

The good-faith amount will be applied (without interest) to the purchase price upon delivery of the Bonds. Good faith checks, shall be returned uncashed to the unsuccessful bidders (except for USDA). The successful bidder shall not be required to take delivery and pay for the Bonds unless delivery is made within 45 days from the date the bid is accepted.

(I) Delivery will be made in Covington, Louisville or Lexington, Kentucky, at no expense to the purchaser or at any other place in the continental United States desired by the purchaser at its expense; PROVIDED, HOWEVER, the purchaser shall bear any bank service charge for processing the delivery of the Bonds and closing the transaction if delivery is made at a location other than the Payment shall be in principal office of the Bond Registrar. Payment shall be in IMMEDIATELY AVAILABLE FUNDS.

It is intended that delivery will be effected by Bond Certificates, but the right to utilize a fully registered manuscript (typed) Master Bond in the name of the manager of the purchasing syndicate in the full amount of the issue is reserved in the City.

The purchaser shall be required to supply the Bond Registrar with the name, address, social security number or taxpayer identification number, principal amount and principal maturity for each person or entity in whose name Bonds are to be registered. Failure of a purchaser to fully designate the Registered Owners of Bonds shall result in the issuance of Bond Certificates by the Registrar in the purchaser's "street name" (to the extent a purchaser fails to designate).

(J) The City reserves the right to reject any and all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the final approving legal opinion of Dinsmore & Shohl LLP, Covington, Kentucky, which opinion will be qualified in accordance with the section hereof on TAX TREATMENT.

(K) As required by the Code, the purchaser of the Bonds will be required to certify to the City as to certain of its activities regarding any reoffering to the public of the Bonds, including any reoffering prices.

TAX TREATMENT

Bond Counsel is of the opinion that:

(A) The Bonds and the interest payable thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) Under the laws, regulations, rulings and judicial decisions in effect as of the date hereof, interest on the Bonds is excludible from gross income for Federal income tax purposes, pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Furthermore, interest on the Bonds will not be treated as a specific item of tax preference,

under § 57(a)(5) of the Code, in computing the alternative minimum tax for individuals and corporations. In rendering the opinions in this paragraph, we have assumed continuing compliance with certain covenants designed to meet the requirement of § 103 of the Code. We express no other opinion as to the federal tax consequences of purchasing, holding or disposing of the Bonds.

(C) The Bonds have been designated as “qualified tax-exempt obligations” within the meaning of § 265(b) of the Code.

/s/ Vivian Link

City Clerk/Treasurer

City of Williamstown, Kentucky

OFFICIAL BID FORM

Subject to the Official terms and Conditions of Bond Sale relating to the \$4,900,000 City of Williamstown Kentucky Utility System Revenue Bonds, Series 2017 (the “Bonds”), and in accordance with the Notice of Bond Sale, as duly advertised, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for said \$4,900,000 principal amount of the Bonds maturing on February 1 of the years and in the amounts set forth below, the total sum of \$_____ (not less than \$4,900,000), at the following annual rate(s), payable semi-annually, commencing _____ 1, 2017 (rates on ascending scale, number of interest rates unlimited):

<u>Payment Due</u> <u>February 1</u>	<u>Principal</u> <u>Installments</u>	<u>Rate</u>	<u>Payment Due</u> <u>February 1</u>	<u>Principal</u> <u>Installments</u>	<u>Rate</u>
2019	\$67,000		2038	\$123,500	
2020	69,500		2039	127,500	
2021	71,500		2040	131,500	
2022	74,000		2041	136,000	
2023	76,500		2042	140,000	
2024	79,000		2043	145,000	
2025	81,500		2044	149,500	
2026	84,000		2045	154,500	
2027	87,000		2046	159,500	
2028	89,500		2047	164,500	
2029	92,500		2048	170,000	
2030	95,500		2049	175,500	
2031	98,500		2050	181,000	
2032	102,000		2051	187,000	
2033	105,000		2052	193,000	
2034	108,500		2053	199,500	
2035	112,000		2054	206,000	
2036	115,500		2055	212,500	
2037	119,500		2056	215,500	

The amounts indicated above maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

The amounts indicated above maturing in the following years: _____ are sinking fund redemption amounts for term bonds due _____.

It is understood that the City will furnish the final, approving Legal Opinion of Dinsmore & Shohl LLP, Bond Counsel to the City. We understand that a certified or bank cashier’s check in the amount of \$98,000 will be required to accompany the bid (from bidders other than USDA) and that such amount will, if we are the successful bidder, be applied (without interest) to the purchase price when the Bonds are tendered to us for delivery.

If we are the successful bidder, we agree to accept and make payment for the Bonds in immediately available funds within forty-five (45) days from the date of sale in accordance with the terms of the sale.

Respectfully submitted,

By _____

Bidder

Address

Total interest cost from date of delivery

to final maturity \$ _____

less premium \$ _____

Net interest cost (Total interest cost

less premium) \$ _____

Average interest rate or cost _____%

The above computation of net interest cost and of average interest rate or cost is submitted for information only and is not a part of this Bid.

Accepted this ____ day of _____, _____ by the City of Williamstown, Kentucky.

Rick Skinner, Mayor
City of Williamstown, Kentucky