

**NOTICE OF ADOPTION AND SUMMARY OF BOND ORDINANCE
CITY OF DRY RIDGE, KENTUCKY**

The City Council of the City of Dry Ridge, Kentucky, at a meeting on October 6, 2003 at 7:00 p.m. in the City Building, Dry Ridge, Kentucky gave second reading to and adopted the following ordinance:

Ordinance No. 651-2003

ORDINANCE OF THE CITY OF DRY RIDGE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF \$209,000 PRINCIPAL AMOUNT OF CITY OF DRY RIDGE, KENTUCKY UTILITIES SYSTEM REVENUE BONDS, SERIES 2003, FOR THE PURPOSE OF FINANCING THE COST OF FINANCING EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S WATER AND SEWER SYSTEM, SETTING FORTH THE TERMS AND CONDITIONS ON WHICH SAID SERIES 2003 BONDS ARE TO BE AND MAY BE ISSUED AND OUTSTANDING, RANKING ON A PARITY WITH CERTAIN OUTSTANDING BONDS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 2003 BONDS AND THE ENFORCEMENT THEREOF; AND RATIFYING AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE SERIES 2003 BONDS.

This is a revenue bond ordinance authorizing the issuance of \$209,000 principal amount of City of Dry Ridge, Kentucky Utilities System Revenue Bonds, Series 2003 (the "Bonds") to permanently finance the cost of construction of additions and improvements to the existing combined water and sewer system (the "System") of the City of Dry Ridge, Kentucky (the "City"). The Bonds are being issued under Chapters 58 and 96 of the Kentucky Revised Statutes, and are to be retired and secured from the revenues of the System. THE BONDS SHALL NOT REPRESENT OR CONSTITUTE AN INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY. Reference is hereby made to the full text of the Bond Ordinance for a complete statement of its provisions and terms.

CERTIFICATION

I, the undersigned City Clerk of the City of Dry Ridge, Kentucky, hereby certify that the foregoing Bond Ordinance of the City of Dry Ridge, Kentucky, was approved by the City Council for first reading on October 1, 2003, and adopted after second reading on October 6, 2003, and was further approved for publication following adoption according to law. I further certify that the foregoing summary was prepared for the City by David B. Malone, Esq. of Peck, Shaffer Williams LLP, Attorneys at Law, 118 W. Fifth Street, Covington, Kentucky 41011.

WITNESS my hand and seal of said City, this 6th day of October, 2003.

/s/ Cindy L. Harris
City Clerk,
City of Dry Ridge, Kentucky

PREPARATION CERTIFICATE

The undersigned Attorney at Law, licensed to practice in Kentucky, hereby certifies that the foregoing title summary of a Bond Ordinance of the City of Dry Ridge, Kentucky, was prepared by the undersigned and constitutes a general summary of essential provisions of said Bond Ordinance, reference to the full text of which Bond Ordinance is hereby made for a complete statement of its provisions and terms.

/s/ David B. Malone, Esq. _____

David B. Malone, Esq.

Peck, Shaffer & Williams LLP

118 W. Fifth Street

Covington, Kentucky 41011

#79403

BOND ORDINANCE
CITY OF DRY RIDGE, KENTUCKY
UTILITIES SYSTEM REVENUE BONDS
SERIES 2003

IN THE AMOUNT OF \$209,000

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ORDINANCE OF THE CITY OF DRY RIDGE, KENTUCKY, AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF \$209,000 PRINCIPAL AMOUNT OF CITY OF DRY RIDGE, KENTUCKY UTILITIES SYSTEM REVENUE BONDS, SERIES 2003, FOR THE PURPOSE OF FINANCING THE COST OF FINANCING EXTENSIONS, ADDITIONS AND IMPROVEMENTS TO THE CITY'S WATER AND SEWER SYSTEM, SETTING FORTH THE TERMS AND CONDITIONS ON WHICH SAID SERIES 2003 BONDS ARE TO BE AND MAY BE ISSUED AND OUTSTANDING, RANKING ON A PARITY WITH CERTAIN OUTSTANDING BONDS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID SERIES 2003 BONDS AND THE ENFORCEMENT THEREOF; AND RATIFYING AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE SERIES 2003 BONDS.

WHEREAS, the City of Dry Ridge, a third class city of Grant County, Kentucky (the "City"), owns and operates the existing combined and consolidated waterworks and sewer system (the "System") of said City, and in that connection has presently outstanding a \$242,000 loan through the Kentucky Infrastructure Authority ("KIA" hereinafter the "KIA Loan"); and

WHEREAS, the KIA Loan by its terms is payable from and are secured by a first pledge of the income and revenues from the operation of the System, and for the security of which a certain Sinking Fund (hereinafter defined) and certain reserves are being maintained in the amounts and in the manner prescribed in the ordinance authorizing the KIA Loan; and

WHEREAS, the City desires to finance the cost (not otherwise provided) of a construction project consisting of the construction of extensions, additions and improvements to the System located in the Grant County portion of the System (the "Project"); and

WHEREAS, the City deems it advisable at this time to authorize the issuance and sale of \$209,000 of City of Dry Ridge, Kentucky Utilities System Revenue Bonds, Series 2003 (the "Current Bonds"), dated December 1, 2003 or such other date as is set forth in a subsequent ordinance or the resolution of the Governing Body after public sale of the Current Bonds or in a certificate executed by the Mayor of the City, for the purpose of providing funds, which when added to the USDA Grant (as hereinafter defined), will be sufficient for the construction of the Project;

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

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

"ACT" refers to Sections 82.082, 58.010 through 58.140, and 58.440 of the Kentucky Revised Statutes.

"BONDS" refers to the Current Bonds, the KIA Loan and any Parity Bonds.

"BONDHOLDER" or "BONDOWNER" refers to the owner of any one or more Bonds.

"BOND COUNSEL" refers to the firm of Peck, Shaffer & Williams LLP, Municipal Bond Attorneys, 188 West Fifth Street, Covington, Kentucky 41011, which firm has prepared the legal proceedings for the issuance of the Current Bonds, has furnished all of the customary services of Bond Counsel in this financing.

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

"BOND REGISTRAR", "REGISTRAR", "TRANSFER AGENT" or "PAYING AGENT" refers to the City Clerk who shall act as the Bond Registrar, Transfer Agent and Paying Agent with respect to the Current Bonds, who shall have the duties and responsibilities of (a) issuing semiannual checks in payment of interest requirements as to

the Current Bonds, (b) paying the principal (and premium, if any) of same at maturity or applicable redemption prior to maturity upon surrender of the Current Bonds, (c) authenticating, issuing and delivering the Current Bonds to the original purchasers of same in accordance with the sale of the Current Bonds, at the direction of the City, (d) maintaining the Bond Register, (e) handling exchanges, cancellations, reissuance, redemption and all appurtenant duties of a bond registrar, Paying Agent and transfer agent with respect to the Current Bonds, as hereinafter set out. The initial Bond Registrar, Transfer Agent and Paying Agent hereby designated is the City Clerk of the City of Dry Ridge, Kentucky 41035; provided, however, it is understood that the City Council of the City reserves the right to designate a different financial institution to perform any and all of such functions of bond registrar, transfer agent and Paying Agent as to the Current Bonds.

"CERTIFIED PUBLIC ACCOUNTANTS" refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky, and may include accountants regularly employed to audit the financial affairs of the System and/or of other financial matters of the City. Until otherwise directed by the Governing Body of the City, such term shall be deemed to refer to the firm of Gerald Hunt, P.S.C.

"CITY" refers to the City of Dry Ridge, Kentucky.

"CODE" refers to the United States Internal Revenue Code of 1986, as amended.

"CONSTRUCTION FUND" refers to the City of Dry Ridge, Kentucky Utilities System Revenue Bonds Construction Fund created in Section 17 of this Current Bond Ordinance.

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

"CURRENT BONDS" refers to the \$209,000 of City of Dry Ridge, Kentucky Utilities System Revenue Bonds, Series 2003 authorized herein.

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

"DEPOSITORY BANK" refers to the bank or banks in which all of the Funds created in this Current Bond Ordinance, have been and will be deposited (in approximately equal amounts), and maintained, which bank is Eagle Bank, Williamstown, Kentucky 41035.

"FDIC" refers to the Federal Deposit Insurance Corporation, or its successors or assigns.

"GOVERNING BODY" refers to the City Council, or such other body as shall be the governing body of the City under the laws of Kentucky at any given time.

"GROSS REVENUES" refers to the gross income and revenues of the System and includes investment income, connection fees, disconnection fees, monthly water and sewer charges and all other items of income which have been established as "reasonably anticipated annual income of the System" based upon a certification of Independent Consulting Engineers and/or Certified Public Accountants.

"INDEPENDENT CONSULTING ENGINEERS" refers to an Independent Consulting Engineer or firm of Engineers of national reputation or of recognized reputation in Kentucky in the field of waterworks and sewer system engineering. Until otherwise directed by the Governing Body of the City, such term shall be deemed to refer to the firm of Kenvirns, Inc., Frankfort, Kentucky.

"INTEREST PAYMENT DATE" refers to January 1 and July 1 of each year, beginning July 1, 2004.

"INTERIM LOAN" means the loan in the amount of \$209,000 by Eagle Bank to provide the interim financing for the Construction Project.

"INTERIM LOAN ORDINANCE" means the ordinance or resolution, if any, enacted by the City authorizing the issuance and delivery of the Interim Loan.

"INVESTMENTS" or "PERMITTED INVESTMENTS" refers to investments of funds on deposit in the various funds created herein, and includes the following:

- (a) Obligations of the United States of America or any of its agencies fully guaranteed as to principal and interest by the United States of America;
- (b) Certificates of Deposit issued by banks which are insured by the FDIC; provided, that if such Certificates of Deposit are in excess of the amount insured by the FDIC they shall be secured by a pledge of (i) obligations of the United States of America or any of its agencies, fully guaranteed as to principal and interest by the United States of America or (ii) municipal securities with an A rating or better (by either Moody's Investors Service or Standard & Poor's Corporation), provided that (1) such pledged obligations or securities are held in safekeeping by an FDIC bank other than those which issue the Certificates of Deposit and (2) the market value of the pledged securities shall be maintained, and when necessary, revised, not less often than semiannually, based on current market appraisals, at a level at least equal to 105% of the face amount of the Certificates of Deposit, less the amount insured by FDIC;
- (c) A pool or fund of not less than \$100,000,000 made up entirely of U.S. Government Obligations or obligations guaranteed both as to principal and interest by the United States of America;
- (d) Repurchase Agreements, secured in the same manner as is provided in (b) above for Certificates of Deposit.

"KIA" means the Kentucky Infrastructure Authority.

"KIA LOAN" means, the loan from KIA to the City currently outstanding in the principal amount of approximately \$242,000.

"NET REVENUES" consist of gross income and revenues less operating expenses, which expenses shall include 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 debt service requirements and allowances for depreciation.

"ORIGINAL PURCHASERS" or "PURCHASERS" refers to the original Purchasers of the Current Bonds at the public sale, including all members of their purchasing syndicate or group.

"OUTSTANDING BONDS" refers to the outstanding KIA Loan and Current Bonds.

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

"PROJECT" refers to the sewer line extensions, additions and improvements to the portion of the System located in Grant County.

"REGULAR RECORD DATE" refers to the 15th day of the month preceding and Interest Payment Date.

"SPECIAL RECORD DATE" refers to the date described in Section 4 of this Current Bond Ordinance.

"SYSTEM" refers to the combined and consolidated waterworks and sewer system of the City.

"USDA" means the United States of America, Department of Agriculture.

"USDA GRANT" means the grant from USDA in connection with the Project in an amount not to exceed \$171,000.

"U.S. OBLIGATIONS" refers to bonds, notes or Treasury bills which are direct obligations of the United States of America, including but not limited to, book-entry obligations of the United States Treasury - State and Local Government Series.

Section 2. Authorization of Bonds. For the purpose of providing funds to construct the Project, there are hereby authorized to be presently issued and sold Two Hundred Nine Thousand Dollars (\$209,000) principal amount of the City of Dry Ridge, Kentucky Utilities System Revenue Bonds, Series 2003, (the "Current Bonds"). The Current Bonds shall mature serially on January 1, in the respective years, as set out below, and shall bear interest payable semiannually on the first day of January and July of each year, commencing on the first January 1 or July 1 occurring subsequent to the issuance of the Current Bonds, at an interest rate or rates to be fixed by Resolution of the Governing Body as a result of the publicly advertised sale of the Current Bonds.

The maturities of said \$209,000 of Current Bonds shall be as follows:

<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>
2006	\$2,000	2019	\$3,700	2032	\$6,900
2007	2,100	2020	3,900	2033	7,200
2008	2,200	2021	4,100	2034	7,600
2009	2,300	2022	4,300	2035	7,900
2010	2,400	2023	4,500	2036	8,300
2011	2,500	2024	4,700	2037	8,700
2012	2,700	2025	4,900	2038	9,200
2013	2,800	2026	5,200	2039	9,600
2014	2,900	2027	5,400	2040	10,100
2015	3,100	2028	5,700	2041	10,600
2016	3,200	2029	6,000	2042	11,100
2017	3,400	2030	6,300	2043	11,400
2018	3,500	2031	6,600		

Section 3. Current Bonds to be Issued as Fully Registered Bonds; Registered Owners. The Current Bonds shall be issued only in fully registered form, without coupons, in the denomination of \$1,000 or any integral multiple thereof within a single maturity, and shall be numbered consecutively from R-1 upward. Each initially issued Current Bond and each Current Bond issued prior to the first Interest Payment Date on the Current Bonds, shall be dated as of and shall bear interest from the dated date of the Current Bonds. Each Current Bond issued (as a result of exchange or transfer) after such first Interest Payment Date on the Current Bonds shall be dated as of and shall bear interest from the Interest Payment Date next preceding the date on which such Current Bond is issued, unless such Current Bond is issued on an Interest Payment Date, in which case it shall be dated as of and shall bear interest from such date of issue; provided, however, that if at the time of issuance of any Current Bonds the interest thereon is in default, such Current Bond shall be dated as of the date to which interest has been paid in full.

The person in whose name any Bond is registered on the Bond Register maintained by the Bond Registrar, on the Regular Record Date with respect to an Interest Payment Date, shall be entitled to receive the interest payable on such Interest Payment Date (unless such Bond shall have been called for redemption on a redemption date which is

prior to such Interest Payment Date) notwithstanding the cancellation of such Bond upon any registration of transfer or exchange thereof subsequent to such Regular Record Date and prior to such Interest Payment Date, except in the event of default.

Section 4. Place of Payment and Manner of Execution. The principal of (and premium, if any) and interest on the Current Bonds shall be payable in lawful money of the United States of America as they respectively become due, whether at maturity or by prior redemption. Principal of each Bond is payable upon surrender of same at the main office of the Paying Agent. Interest on the Bonds shall be paid by check mailed by the Paying Agent to the persons entitled thereto as of the end of business on the Regular Record Date preceding each applicable Interest Payment Date, at the respective addresses appearing on the Bond Register.

So long as any Bonds remain outstanding, the Bond Registrar shall keep at its principal office a Bond Register showing and recording a register of the owners of the Bonds and shall provide for the registration and transfer of Bonds in accordance with the terms of this Current Bond Ordinance, subject to such reasonable regulations as the Bond Registrar may prescribe.

The Bonds shall be executed on behalf of the City with the duly authorized reproduced facsimile signature of the Mayor, and the reproduced facsimile of the City's corporate seal shall be imprinted thereon and attested by the reproduced facsimile signature of the City Clerk; and said officials, by the execution of appropriate certifications, shall adopt as and for their own proper signatures, their respective facsimile signatures on said Bonds; provided the Authentication Certificate of Bond Registrar must be executed by the manual signature of the Bond Registrar on each Bond before such Bond shall be valid, as set out in Section 7 below.

The Bond Registrar shall have the right to order the preparation of whatever number of printed bond certificates as, in the sole discretion of the Bond Registrar, shall be deemed necessary in order to enable the Bond Registrar to maintain an adequate reserve supply of such bond certificates, to effect properly, the continuing transfers and exchanges of ownership of bond certificates as same are sold, exchanged and/or otherwise surrendered in the future. No further action regarding the authorization or execution of additional bond certificates shall be required by the Governing Body, the Mayor or the City Clerk.

At least three business days prior to the delivery of the Current Bonds, each of the Original Purchasers (other than the United States of America, Department of Agriculture) shall furnish to the Bond Registrar, the name, address, social security number or taxpayer identification number, principal amount and maturities of each party to whom the Current Bonds shall have been resold and in whose name the Current Bonds are to be registered.

All Bonds shall be exchangeable and transferable upon the presentation and surrender thereof at the office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, for a Bond or Bonds of the same maturity and interest rate and in the denomination of \$1,000 and/or a multiple thereof within a single maturity, in an aggregate principal amount or amounts equal to the unpaid principal amount of the Bonds presented for exchange. The Bond Registrar shall be and is hereby authorized to (authenticate and) deliver exchange Bonds in accordance with the provisions of this Section 4. Each exchange Bond delivered in accordance with this Section 4 shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Current Bond Ordinance to the same extent as the Bond or Bonds in lieu of which such exchange Bond is delivered.

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

Section 5. Redemption Provisions. The Current Bonds maturing on and after January 1, 2014, are subject to redemption prior to maturity at the option of the City, on any date on or after January 1, 2013, in inverse order of maturities and by lot within a single maturity at the par amount of such Current Bonds so called for redemption, plus accrued interest to the date of redemption.

In the event that a Bond subject to redemption is in a denomination larger than \$1,000, a portion of such Bond may be redeemed, but only in a principal amount equal to \$1,000 or any integral multiple thereof, if the Bond is one of the maturities, amounts, or part of the maturities and amounts called for redemption. Upon surrender of any Bond for redemption in part, the Registrar shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bonds so surrendered.

The Registrar shall give notice of any redemption by sending at least one such notice by certified or registered mail not less than thirty (30) and not more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Current Bond to be redeemed in whole or in part at the address shown on the Bond Register as of the date of mailing of such notice. The Registrar may furnish one other form of such notice more than sixty (60) days prior to the date fixed for redemption, provided at least one such notice shall be sent not less than thirty (30) no more than sixty (60) days prior to such date. Such notice shall state the redemption date, the redemption price, the amount or number of months of accrued interest payable on the redemption date, the place of which the Bonds are to be surrendered for payment, and, if less than all of the Bonds outstanding are to be redeemed an identification of the Bonds or portions of thereof to be redeemed. Any notice mailed as provided in this Section shall be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Prior to each redemption date, the Registrar shall make provision, to the extent funds are then available therefore for the payment of the redemption price of the Bonds to be redeemed on such date by setting aside and holding in trust an amount sufficient to pay such redemption price. Upon presentation and surrender of any such Bond at the main corporate trust office of the Registrar on or after the date fixed for redemption, the Registrar shall pay the redemption price of such Bond (including accrued interest) from the funds set aside for such purpose.

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

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

Notwithstanding the foregoing redemption provisions, in the event USDA is the Registered Owner of any of the Current 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 Current Bonds as indicated above.

Section 6. Mutilated, Lost, Stolen or Destroyed Bonds. If any Current Bond shall be mutilated, lost, stolen or destroyed, the City may execute, authenticate and deliver a new Bond of like maturity and tenor in lieu of and in substitution for the Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the City, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the City satisfactory evidence of the ownership of such Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Bond Registrar. If any such Bond shall have matured, the City (through the Bond Registrar) may pay the same instead of issuing a new Bond. The City and/or the Bond Registrar may charge the owner of such Bond such reasonable fees and expenses in connection with execution, authentication, issuance and delivery of a new Bond.

Section 7. Authentication of Bonds. The Current Bonds, after execution by the City, shall be delivered to the Bond Registrar. No Current Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this Current Bond Ordinance unless and until such Current Bond has been duly authenticated by the Bond Registrar by the execution of the Authentication Certificate of Bond Registrar (the "Authentication Certificate") appearing on such Current Bond. Such Authentication Certificate appearing on any Current Bond shall be deemed to have been

duly executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar. It shall not be required that the same officer of the Registrar sign such Authentication Certificate on all of the Current Bonds.

Section 8. Interim Financing; Interim Loan. The City and USDA have entered into a loan resolution ("Loan Resolution") whereby USDA has agreed to purchase the Current Bonds herein authorized in the event the City is unable to sell said Current 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 Project, if necessary, pending the issuance and delivery of the Current Bonds herein authorized, the City is hereby authorized to obtain an interim loan from a lending institution evidenced by the execution of a Loan Agreement, a bond anticipation note and other necessary documentation executed and delivered for the purpose of providing funds for the expenses of the Project incurred in the interim period from the date of the sale of said Current Bonds until the issuance and delivery of the Current Bonds, in the aggregate principal amount of \$209,000.

The procedure for the execution of said Interim Loan documents and the disbursement of the proceeds thereof shall be strictly in accordance with the terms of this Current Bond Ordinance, an appropriate Interim Loan Ordinance and the provisions of §§96.350 through 96.510, inclusive, of the KRS.

The proceeds of the Interim Loan, shall be deposited to the Construction Fund created in Section 18 of this Current Bond Ordinance and shall be used strictly in accordance with the provisions of that Section for payment of expenses related to the issuance of the Series 2003 Bonds or the Interim Loan; and construction of the Project.

To the extent that the City shall have found it necessary and profitable to expend funds for various items of construction costs relating the Project prior to the closing of the Interim Loan, the aggregate of all of such expenditures shall be reimbursed to the City, upon the written approval of the engineers for the City, and countersigned by the Mayor and USDA. If and to the extent not reimbursed at the time of delivery of the Current Bonds, such amount may subsequently be reimbursed, with the same written approval, out of the Construction Fund created in Section 18 hereof. The Estimate of Funds Needed shall be periodically submitted to the Depository Bank for the City 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.

Section 9. Reaffirmation of Declaration of System to Constitute Revenue Producing Public Project. The previous action of the City in declaring the System of the City to constitute a combined and consolidated revenue-producing public project or system within the meaning of Sections 58.010 through 58.140 of the Kentucky Revised Statutes, is hereby authorized, approved, ratified and confirmed; and so long as any of the KIA Loan, Current Bonds or any additional Parity Bonds shall remain outstanding, said System shall be owned, controlled, operated and maintained on a revenue-producing basis, for the security and source of payment of the Current Bonds, the KIA Loan and any additional Parity Bonds under the authority hereinbefore stated.

Notwithstanding this Section 9 or any other provisions of this Current Bond Ordinance, the City reserves the right to combine and consolidate into the System any other revenue-producing utility which it may own or operate.

Section 10. Current Bonds Payable out of Revenues on a Parity with KIA Loan. All of the Current Bonds, with interest thereon, and any additional Parity Bonds that may be issued and outstanding under the conditions and restrictions of this Current Bond Ordinance, are to be issued in anticipation of the revenues to be derived from the operation of the System, all as hereinafter more specifically provided, shall be payable out of the Sinking Fund created in this Current Bond Ordinance, on a parity basis with the KIA Loan, and shall be a valid claim of the holders thereof against said Sinking Fund and against a sufficient portion of the Gross Revenues of the System pledged to said Sinking Fund.

Section 11. Bond Form. The aforesaid authorized issue of Current Bonds shall be in substantially the form set forth in Exhibit A attached hereto.

Section 12. Disposition of Waterworks and Sewer System Revenues. From and after the delivery of any of the Current Bonds authorized under the provisions of this Ordinance, the said combined and consolidated municipal water and sewer System shall be operated on a fiscal year basis and on that basis all income and revenues derived directly or indirectly from the operation of said combined System shall be deposited promptly and as received first to the credit of a separate and special account known as the "City of Dry Ridge Public Waterworks and Sewer Project Revenue Fund" (the "Revenue Fund"), established hereby. Such Revenue Fund shall be held separate and apart from all other funds of the City and shall be maintained so long as any of the Current Bonds are outstanding and payment is not provided therefore. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(A) Sinking Fund. A separate and special fund or account of the City designated "City of Dry Ridge Waterworks and Sewer Project Bond and Interest Redemption Fund of 2003" (the "Sinking Fund"), is created hereby, and the same shall continue to be maintained as long as the KIA Loan, the Current Bonds and any Additional Bonds are outstanding. The City covenants and agrees that it will deposit therein from the Revenue Fund such amounts as are required by the terms of this Ordinance to be so deposited; and such sums shall be held and applied by the City in the manner set forth herein.

Until the delivery of the Current Bonds, there shall be transferred in each month from the Revenue Fund and deposited into the Sinking Fund, amounts sufficient to meet the debt service requirements of the Current Bonds as same become due.

In accordance with the provisions of the preceding paragraph, beginning with the month following the delivery of the Current Bonds, there shall be transferred from the Revenue Fund and deposited into the Sinking Fund amounts sufficient to meet the Debt Service requirements on the Current Bonds on or before the first day of each month, as follows:

- (1) An amount equal to one-sixth (1/6) of the next succeeding six-month interest installment to become due on the Current Bonds then outstanding, plus
- (2) A sum equal to one-twelfth (1/12) of the principal of the Current Bonds maturing on the next succeeding January 1.

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

On or before the 20th days of June and/or December in each year, the Depository Bank shall transfer from the Sinking Fund a sum equal to the interest or a sum equal to the principal and interest, as the case may be, becoming due on the Current Bonds on the next following respective July 1 or January 1, and deposit the same in accordance with this Ordinance.

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

of the Fund from which the proceeds invested are derived, and income from such investments will be credited to such Fund.

(B) City to Make Principal and Interest Payments on a Monthly Basis so Long as USDA Holds any of the Current Bonds, if Requested by the USDA. So long as any of the Current Bonds are held by the USDA, the City shall, if requested by the USDA, make payments of amounts equal to the total of (1) and (2) of Section 10 (A) above, being the total of the monthly principal and interest requirements on the Current Bonds, in monthly payments directly to the USDA.

(C) Depreciation Reserve Fund. A separate and special fund or account of the City is hereby created and designated "City of Dry Ridge Public Waterworks and Sewer System Depreciation Reserve Fund" (the "Depreciation Fund"), which Fund is ordered to be continued so long as any of the Current Bonds are outstanding. It is hereby required, that following the required transfers set forth in Section 10 (A) above, there shall be transferred each month to the Depreciation Fund a sum equal to not less than \$105.00 until such time as the balance in such Fund reaches \$12,600. If the balance in the Depreciation Fund shall at any time be below \$12,600 (the "Minimum Balance"), the City shall make supplemental monthly deposits of \$105.00 until the Minimum Balance is again attained.

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

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

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

(D) Operation and Maintenance Fund. A special and separate fund of the City is hereby created by, distinct and apart from all other funds and accounts of the City, designated and identified as the "City of Dry Ridge Public Waterworks and Sewer System Project Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), and is hereby ratified and continued for the benefit of the System and any or all bonds payable from the income and revenues of the System. So long as any Current Bonds, or any Additional Bonds, remain outstanding and unpaid, there shall continue to be deposited monthly into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers required by Subsections (A) and (C) above of this Section 12 (which are cumulative), sufficient funds to meet the current expenses of operating, maintaining, repairing, and insuring the System, pursuant to the Annual Budget, for which provision is hereinafter made.

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

(E) Excess Funds. Subject to the provisions for the disposition of the income and revenues of the System set forth in Subsections (A), (C) and (D) of this Section 12, which provisions are cumulative and the maintenance of the required minimum balances in said Funds, and after paying or providing for the payment of debt service on any subordinate obligations, any excess funds remaining in the Revenue Fund within sixty days after the end of each fiscal year, shall be (i) transferred to the Depreciation Fund (ii) used to purchase any Current Bonds and (iii) used for any lawful purpose of the System.

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

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

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

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

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

Section 13. Rate Covenant. The City covenants that while the Current Bonds, the KIA Loan and any future Parity Bonds remain outstanding and unpaid, such rates and charges for services of the System will be imposed and collected so that the gross income and revenues of the System will be sufficient to provide for all principal and interest requirements of all Bonds outstanding against the System, to provide for all expenses of operation, repair, maintenance and insurance, of the system and to produce net revenues in each year equal to not less than 110% of the maximum annual principal and interest requirements of all Bonds outstanding against the System, calculated in the manner (and with the defined terms) specified in Section 14 hereof, authorizing the issuance of future Parity Bonds, except that for the purpose of such calculation, no adjustment shall be permitted for future projections or for any other matter; and the City shall enact promptly and enforce increased rates whenever such increase shall be necessary to fulfill any covenants of or payments required by this Current Bond Ordinance.

Section 14. Provision Permitting Additional Parity Bonds. The Current Bonds shall not be entitled to priority one over the other in the application of the income and revenues of the System, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Current Bonds, regardless of the fact that they may be actually issued and delivered at different times, and provided further that the lien and security of and for any bonds, notes or other obligations hereafter issued that are payable from the income and revenues of the System shall, except as hereinafter set out, be subject to the priority of the KIA Loan and the Current Bonds, as may from time to time be outstanding.

Provided the City does hereby reserve the right and privilege, of issuing additional bonds from time to time payable from the income and revenues of the System ranking on a parity with the KIA Loan and with the Current

Bonds, but only under the conditions specified in this Ordinance, taking into account the issuance of the Current Bonds, as follows:

The City reserves the right to add new water and/or sewer facilities, and/or related auxiliary facilities, and/or to finance future acquisition (including the purchase of assessment facilities) and/or construction of extensions, additions and/or improvements to the System by the issuance of one or more additional series of bonds to be secured by a parity lien on and ratably payable from, the revenues of the System, provided in each instance that:

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

(b) There shall have been procured and filed with the City a statement by the Certified Public Accountants reciting the opinion based upon necessary investigation that the Net Revenues of the System for 12 consecutive months of the preceding 18 months (with adjustments as hereinafter provided) were equal to at least 110% of the maximum debt service requirements falling due in any year thereafter on the Outstanding Parity Bonds and the Bonds proposed to be issued.

(c) 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 Bonds, and (ii) any increase in such Net Revenues projected by reason of the revenues anticipated to be derived from the extensions, additions and/or improvements to the System being financed (in whole or in part) by such additional Parity Bonds; provided such latter adjustment shall be made only if contracts for the immediate acquisition and/or construction of such extensions, additions and/or improvements have been or will have been entered into (secured by 100% performance bond) prior to the issuance of such additional Parity Bonds. All of such adjustments shall be based upon the written certification of an Independent Consulting Engineer.

(d) The terms "Net Revenues", "Gross Revenues", "Operating Expenses", as used in this Section, shall be those terms as defined in the definitions contained in Section 1 of this Current Bond Ordinance.

(e) The City hereby reserves the right to issue Parity Bonds to refund or refinance Outstanding Bonds, provided such right shall henceforth apply to the refunding or refinancing of any part or all of the KIA Loan and the Current Bonds and further provided that the provisions of this Section 14 have been met.

Section 15. Sale of Bonds Ratified. The Current Bonds shall be offered publicly for sale upon the basis of sealed, competitive bids at such time as the Mayor shall determine. Any public sale of the Current Bonds occurring prior to the passage of this Current Bond Ordinance is hereby ratified. As part of the arrangement for the public sale of the Current Bonds, the preparation and/or publishing and distribution of a Notice of Bond Sale, Official Terms and Conditions of Sale of Bonds, Bid Form, and an Official Statement, in the customary forms as are necessary or desirable by the Mayor and/or the City Clerk are hereby ratified, without further action being taken by the Governing Body. 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. Any action taken by the Mayor and/or the City Clerk in that connection prior to the second reading and enactment of this Current Bond Ordinance is hereby approved, ratified and confirmed.

Section 16. Acceptance of Bid for Purchase of Bonds. Upon the date and at the hour set forth for the opening and consideration of purchase bids, the sealed bids received by the City Clerk shall be publicly opened and publicly read by the presiding officer. If there shall be one or more bids that conform in all respects to the prescribed terms and conditions, the same shall be compared and the Governing Body agrees that if it accepts any bid, it will accept the best of such bids, as measured in terms of the lowest interest cost to the City, as calculated in the manner prescribed in the "Official Terms and Conditions of Sale of Bonds".

If upon the basis of the foregoing, the Governing Body shall accept a purchase bid for the Current Bonds, the Governing Body shall adopt a resolution to that effect, supply proper evidence of such acceptance to the bidder submitting the accepted purchase bid, and thereupon arrangements shall be made for the Current Bonds to be printed in accordance therewith.

Section 17. Disposition of Proceeds of Bonds. Whenever the Current Bonds shall have been sold and delivered, the proceeds shall be applied as follows:

(a) The amount received from the purchaser representing accrued interest from the dated date of the Current Bonds to the date of delivery, if any, shall immediately be deposited into the Sinking Fund.

(b) There shall next be paid any and all expenses incident to the issuance, sale and delivery of the Current Bonds, including such appropriate expenses as may be approved by the Mayor and USDA.

(c) There shall next be paid to the lender of the Interim Loan an amount sufficient to pay in full the principal of and interest due and owing on the Interim Loan to the Note Redemption Fund such amount as is necessary to retire the Interim Loan, which amount shall be transferred to the lender in connection with the Interim Loan on the date of issuance of the Current Bonds.

(d) The balance of the proceeds remaining shall be deposited in a special construction account, hereby created, entitled "City of Dry Ridge, Kentucky Utilities System Revenue Bonds (East Grant Water Project) Construction Fund" (the "Construction Fund"), which Construction Fund shall be maintained at the Depository Bank; and the amount on deposit in said Construction Fund shall be applied to the extent necessary, to pay the cost of construction of the Project.

~~The amount deposited in said Construction Fund shall, to the extent that same may cause the aggregate deposits of said City in said Depository Bank to be in excess of the amount insured by the FDIC, be collaterally secured by direct obligations of the United States of America, or any of its agencies, having a market value equivalent to such deposit, or such Depository Bank may invest for the benefit of such account whatever portion of such account is designated by the Governing Body, in such direct obligations of the United States of America, maturing at such time or times as to make such funds available when needed for construction purposes, or in Certificates of Deposit, secured (to the extent of the amount in excess of the amount insured by the FDIC) by direct obligations of the United States of America, or any of its agencies, in accordance with KRS 66.480.~~

Investment income derived from investment of the Construction Fund shall, as received, be deposited in the Construction Fund.

Said Depository Bank shall be obligated to send written notice to the City of the need for investment directions if and whenever funds in excess of \$10,000 shall remain uninvested for a period of more than ten (10) days.

Payment from the Construction Fund for costs in connection with the Project shall be made only upon vouchers (Partial Payment Estimates in a form satisfactory to USDA) approved by the engineers having charge of supervising such construction, and countersigned by the Mayor and approved by a duly authorized representative of USDA, said engineers to certify in each instance that the voucher represents a sum actually earned by and due to the proposed payee under a contract with said City for work performed and/or materials furnished in connection with the Project, or represents a sum necessary to be expended for land and/or rights of way necessary to be acquired by the City in connection with said Project, provided all checks drawn against said Construction Fund shall be signed by the City Treasurer, countersigned by the Mayor, and accompanied by such voucher before being honored by said Depository Bank of the Construction Fund. The aforementioned officials are hereby authorized to execute such checks from time to time, in the necessary amounts, upon the aforesaid certification being executed by the engineers, countersigned as set out above, and presented to them, or to their duly authorized agents or representatives, without the necessity of any further meetings, authorizations, ordinances or motions by the Governing Body of the City.

Such checks shall be fully negotiable, and the Depository Bank shall be authorized to honor and pay the same, if said certification of the engineers is attached thereto, provided said Depository Bank assumes the responsibility for the propriety of all endorsements or if all endorsements to it are guaranteed by another responsible FDIC bank.

No expenditure shall be made from the Construction Fund except for proper and authorized expenses relating to the construction of the Project in accordance with the plans and specifications approved by the City, for which construction contracts have been awarded by the City to insure the completion of the Project.

Pending disbursement for the authorized purposes, the proceeds of the Current Bonds shall be subject to a first and paramount lien and charge in favor of the Owners of the Current Bonds and for their future security.

After completion of the Project, as certified by the engineers, any balance then remaining on deposit in the Construction Fund shall, subject to any and all applicable legal provisions and applicable arbitrage regulations necessary to assure the exemption of interest on the Current Bonds from Federal income taxation, upon orders of the Governing Body, be transferred to the or to the Depreciation Fund, to be used for the purposes thereof.

If the engineers shall certify to the City that funds are needed prior to delivery of the Current Bonds to pay costs of the Project, the Mayor shall be authorized on behalf of the City to borrow sums from FDIC banks, and to execute notes in evidence thereof, secured by a pledge of the proceeds of the Current Bonds when delivered, subject to the priority of any then existing pledge to secure any other notes then outstanding. The proceeds of such notes shall be deposited in the Construction Fund and disbursed in the manner set out in this Section.

The position of City Treasurer (or those officials of the City charged with the responsibilities for the Funds herein established) shall be covered by a fidelity bond (a "Fidelity Bond") in the amount of not less than the amount of construction funds on hand at any one time during the construction of the Project with a surety company approved by USDA; the City and the United States Department of Agriculture - Rural Development shall be named Co-Obligee in such Bond, and the amount thereof shall not be reduced without the written consent of USDA.

Section 18. Federal Limitations on Investment of Funds. The City covenants and certifies, in compliance with Federal arbitrage regulations, on the basis of known facts and circumstances in existence on the date of enactment of this Current Bond Ordinance, that it is not expected that the proceeds of the Current Bonds or the revenues of the System will be used in a manner which would cause such Current Bonds to be "arbitrage bonds," within the meaning of Section 148 of the Code and the applicable regulations. The City covenants to the purchasers and/or holders of the Current Bonds that (1) the City will make no use of the proceeds of said Current Bonds, or the revenues of the System, which, if such use had been reasonably expected on the date of issue of such Current Bonds, would have caused such Current Bonds to be "arbitrage bonds", and (2) that the City will comply with (i) all of the requirements of Section 148 of the Code and (ii) all of the requirements of applicable Income Tax Regulations thereunder, to whatever extent is necessary to assure that the Current Bonds shall not be treated as "arbitrage bonds".

The City designates the Current Bonds as "qualified tax-exempt obligations" for the purposes set forth in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The City does not anticipate issuing more than \$10,000,000 of "qualified tax-exempt obligations" during calendar year 2003.

Furthermore, the City does not reasonably anticipate that less than 95% of the proceeds of the Current Bonds will be used for "local government activities" of the City or that the aggregate face amount of all tax-exempt obligations issued by the City will exceed \$5,000,000 for the calendar year 2003.

The City reserves the right to make any investment permitted by state law if, whenever, and to the extent that Section 148 of the Code or regulations promulgated thereunder shall be repealed, amended or relaxed, or shall be held void by a final decision of a court of competent jurisdiction, but only if any investment made by virtue of such repeal, or relaxation, amendment, or decision would not, in the opinion of recognized Bond Counsel, result in making the interest on the Current Bonds or any Parity Bonds subject to Federal income taxation.

Prior to or at the time of delivery of the Current Bonds, the Mayor and the City Treasurer, who are jointly and severally charged with the responsibility for the issuance of the Current Bonds, are jointly and severally authorized to execute the appropriate certification with reference to the matters referred to above, setting out all known and contemplated facts (apart from legal conclusions) concerning such anticipated construction, expenditures and investments, including the execution of necessary and/or desirable certifications of the type contemplated by the "Arbitrage Regulations", as amended, in order to assure that interest on the Current Bonds will be exempt from all Federal income taxes and that such Current Bonds will not be treated as "arbitrage bonds".

Section 19. Defeasance of Bonds. Except as provided below, the City reserves the right, at any time, to cause the pledge of the revenues securing the KIA Loan and all Parity Bonds to be defeased and released by paying an amount into an escrow fund sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or direct or fully guaranteed obligations of the United States Government, to assure the availability in such escrow fund of an adequate amount (a) to call for redemption and to redeem and retire all of such Outstanding Bonds and Parity Bonds (except the KIA Loan and the Current Bonds which are not subject to redemption prior to maturity), both as to principal and as to interest, on the next optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest requirements on such outstanding bonds as same mature, without redemption in advance of maturity, the determination of whether to defease or to be made by the Governing Body of the City. Such investments shall have such maturities as to assure that there will be sufficient funds for such purpose. The City shall take all steps necessary to publish notice of the redemption of such outstanding bonds on the next applicable redemption date. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary. Provided no such defeasement shall be accomplished through the use of amounts on deposit in the Sinking Fund or through any other funds if such defeasement would, in the opinion of recognized Bond Counsel, adversely affect the exemption of interest on any of the outstanding Bonds from Federal income taxation.

So long as the United States of America is the registered owner of the Current Bonds, this Section 19 shall not apply to the Current Bonds.

Section 20. Additional Parity Bonds; Inferior Bonds. So long as the United States of America is the Registered Owner of the Current Bonds, the City covenants and agrees not to issue any Additional Bonds ranking on the basis of parity as to security and source of payment with the outstanding Current Bonds unless and until it has obtained the consent of the Registered Owner of the Current Bonds.

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

Section 21. 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 Current Bonds, so long as the same or any part thereof remain outstanding and unpaid:

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

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

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

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

(E) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System, and the same shall be reasonable and just, taking into account And consideration the cost 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 Bonds and the Current Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Ordinance and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the issuance of the Current Bonds, the City will adopt a budget of Current Expenses for the System for the remainder of the current fiscal year of the System, and thereafter, on or before the first day of each fiscal year so long as any bonds are outstanding it will adopt an Annual Budget of Current Expenses for the ensuing fiscal year and will file a copy of each such Budget and of any amendments thereto in the Office of the City Clerk and furnish copies thereof to the holder of any Bond upon request. The term "Current Expenses," as used herein, includes all reasonable and necessary costs of operating repairing, maintaining and insuring the System, but shall exclude any allowance for depreciation, payments into the Depreciation Fund for extensions, improvements and extraordinary repairs and maintenance and payments into the Sinking Fund. The City covenants that the Current Expenses incurred in any year will not exceed the reasonable and necessary amounts therefor, and that it will not expend any amount or incur any obligations for operation, maintenance, and repairs in excess of the amounts provided for Current Expenses in the Annual Budget, except upon order duly adopted by the governing body of the City determining that such expenses are necessary in order to operate and maintain the System. At the same time and in like manner the City agrees that it will prepare an estimate of Gross Revenues to be derived from operation of the System for each fiscal year and, to the extent that said Gross Revenues are insufficient to provide for all payments required to be made under Section 10 hereof during such ensuing fiscal year, it will revise its rates and charges for services rendered by the System so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Bonds herein authorized which shall not be reduced unless an independent, recognized and reputable Independent consulting Engineer not in the regular employ of the City gives and files in the office of the City Clerk a statement, based upon a complete examination of the records of such System, certifying in facts and figures that any proposed rate reduction will still maintain current bond service requirements, depreciation requirements, operation and maintenance requirements and their several reserves, and provided those requirements and reserves have been accumulated to the maximum accumulation required by Section 10 of this Ordinance. Such statement shall set forth facts and figures which will support the conclusion reached.

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

(H) It will keep proper books of record and account separate and clearly distinguishable from all other municipal records and accounts, showing complete and correct entries, of all transactions relating to said System, and the same shall be available and open to inspection by any bondholder, and any agent or representative of a bondholder. Additionally, if requested to do so by the Original Purchaser of the Current

Bonds, said City will furnish to such Original Purchaser a monthly statement of income and expenses of the System in reasonable detail and showing all transfers to the special funds referred to in Section 10 hereof.

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

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

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

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

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

Section 22. Registered Owners' Rights to Enforce Covenants. Any holder of the Current 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 Current Bonds, then upon the filing of suit by any holder of said Bonds, any court having jurisdiction of the action may appoint a receiver to administer the said combined and consolidated System on behalf of the City, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with this Ordinance and with the provisions of Chapter 58 of Kentucky Revised Statutes. Reasonable attorneys' fees and court costs incurred by any

bondholder or bondholders in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the properties securing the Bonds herein authorized.

Section 23. No Priority Among Current Bonds. The Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Bonds authorized by this Ordinance regardless of the fact that they may be actually issued in different series and delivered at different times.

Section 24. 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 Current Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

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

In the event of any damage to or destruction of any part of the System, the 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 Current Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Current Bonds are outstanding public liability insurance relating to the operation of the facilities of the System with limits of not less than \$100,000 for one person and \$750,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$100,000 from claims for damage to property of others which may arise from the City's operations of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the City owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Current Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Current Bonds are outstanding vehicular public liability insurance with limits of not less than \$100,000 for one person and \$750,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$20,000 against claims for damage to property of others which may arise from the operation of such vehicles by the City.

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

(E) Flood Insurance. The City will, upon the sale of the Current 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 Engineers.

Section 25. Contractual Nature of Ordinance. The provisions of this Current Bond Ordinance shall constitute a contract between the City and the holders of the Current Bonds; and after the issuance of the Current Bonds, no change, variation or alteration of any kind, in the provisions of this Current Bond ordinance shall be made in any manner, except for the purpose of curing an ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any proceeding pertaining hereto, and except as herein provided,

until such time as all of the Current Bonds and the interest thereon have been paid in full; provided, however, that the holders of eighty percent (80%) in principal amount of the Current Bonds at any time outstanding shall have the right to consent to and approve the adoption of resolutions, ordinances or other proceedings, modifying or amending any of the terms or provisions contained in this Current Bond Ordinance; provided, however, that no such modifications or amendments shall be made which will permit: (a) a reduction in the principal amount of any Current Bond or the redemption premium or the rate of interest thereon, or (b) the creation of a lien upon or a pledge of revenues ranking prior to or on a parity with the lien or pledge of the KIA Loan or the Current Bonds, except as expressly authorized herein or (c) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the percentage of the aggregate principal amount of the KIA Loan or Current Bonds, required to consent to any such modification or amendment, or (e) impair in any way the rights of the holders of the Current Bonds.

Section 26. Provisions in Conflict Repealed. All ordinances, resolutions and orders, or parts thereof, in conflict herewith are, to the extent of such conflict; hereby repealed, and it is hereby specifically ordered and provided that except for the permissible issuance of Parity Bonds pursuant to Section 10 hereof, any proceedings heretofore taken for the issuance of other bonds payable or secured in any manner by all or any part of the income and revenues of the System, or any part thereof, and which have not heretofore been issued and delivered, are hereby revoked and rescinded, and none of such other bonds shall be issued and delivered.

Section 27. Appointment and Duties of Bond Registrar, Transfer Agent and Paying Agent. The City Clerk of the City of Dry Ridge, Kentucky 41035, is hereby designated as the Bond Registrar, Transfer Agent, and Paying Agent.

(a) Duties as Bond Registrar and Transfer Agent. The Bond Registrar's duties as Bond Registrar and Transfer Agent shall be as follows:

- (1) To authenticate the Current Bonds authorized herein.
- (2) To register all of the Current Bonds in the names of the respective owners thereof in accordance with the Code.
- (3) Upon being supplied with a properly authenticated assignment satisfactory to the Bond Registrar (in the sole discretion of such Bond Registrar), to transfer the ownership of Current Bonds from one registered Bondowner to another within three (3) business days of the receipt of such proper assignment by the Bond Registrar.
- (4) To cancel and destroy (or remit to the City for destruction, if so requested by the City) all exchanged, matured, retired and redeemed Current Bonds, and to maintain adequate records relevant thereto.

(b) Duties as Paying Agent. The Paying Agent's duties as Paying Agent shall be as follows:

- (1) To maintain the Current Bond Payment Account in accordance with the provisions of Section 12(b) hereof.
- (2) To remit, but only to the extent that all required funds are made available to the Paying Agent by the City, semiannual interest payments directly to the registered owner of each Current Bond by regular United States mail. Said interest payments shall be deposited in the United States mail no later than each Interest Payment Date. Matured or redeemed Bonds shall be payable upon presentation to the Paying Agent. For interest payment purposes, the Paying Agent shall be entitled to rely on its records as Bond Registrar as to the ownership of each Current Bond as of the 15th day of the month preceding an interest payment date, and the Paying Agent's check shall be drawn and mailed accordingly.
- (3) To supply the City with a written accounting evidencing the payment of interest on and principal of the Current Bonds within 30 days following each respective due date.

The Bond Registrar and Paying Agent shall be entitled to the advice of counsel and shall be protected for any acts taken by it in good faith in reliance upon such advice. The Bond Registrar and Paying Agent shall not be liable for any actions taken in good faith and believed by it to be within its discretion or the power conferred upon it by this Current Bond Ordinance, or the responsibility for the consequences of any oversight or error of judgment.

The Bond Registrar and/or Paying Agent may at any time resign from its duties set forth in this Current Bond Ordinance by filing its resignation with the City Clerk and notifying the original purchaser or purchaser of the Current Bonds. Thereupon, the City shall designate a successor Bond Registrar/Paying Agent which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of the resignation of the Transfer Agent, Bond Registrar and/or Paying Agent, provision shall be made for the orderly transition of the books, records and accounts relating to the Current Bonds to the successor Bond Registrar or Paying Agent in order that there will be no delinquencies in the payment of interest or principal due on the Current Bonds.

The Bond Registrar or Paying Agent shall indicate its acceptance of its duties as Bond Registrar, Transfer Agent and Paying Agent, by signing the Acceptance of Area Bank at the conclusion of this Current Bond Ordinance.

Section 28. Further Provisions with Respect to USDA; Approval of Execution of USDA Documents.

So long as USDA shall hold any of the Current 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 Letter of Conditions dated September 12, 2001 and the Loan Resolution between the City and USDA.

In addition, so long as USDA shall be the owner of any of the Current Bonds, the City shall not issue any bonds or other obligations for the purpose of defeasing or otherwise terminating the security interest of the owners of any Current Bonds without provisions for the prompt prepayment of said Current Bonds.

In addition, so long as USDA shall be the owner of any of the Current Bonds, the City shall not, from and after the date of issuance and delivery of the Interim Loan or Current 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.

The following documents required by USDA are hereby approved and the Mayor and City Clerk are authorized to execute such documents prior to the preclosing on the Current Bonds.

- A. Form RD 1942-47, "Association Loan Resolution (Public Body)."
- B. Form RD 400-1, "Equal Opportunity Agreement."
- C. Form RD 400-4, "Assurance Agreement."
- D. Form AD-1047, "Certification Regarding Debarment, Suspension, and Other Responsibility Matters - Primary Covered Transaction."
- E. Form RD 1910-11, "Applicant Certification Federal Collection Policies for Consumer or Commercial Debts."
- F. FmHA Instruction 1940-Q, Exhibit A-1, "Certification for Contracts, Grants and Loan."

Section 29. Signatures of Officers. If any of the officers whose signatures or facsimile signatures appear on the Current Bonds, cease to be such officers before delivery of the Current Bonds, such signatures shall nevertheless be valid for all purposes the same as if said officers had remained in office until delivery, as provided in KRS 58.040 and in KRS 61.390.

Section 30. Severability Clause. If any section, paragraph clause or provision of this Current Bond Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Current Bond Ordinance.

Section 31. Effective Date of Ordinance. That this Current Bond Ordinance shall become effective upon its passage and approval at its second reading and the publication of a summary thereof.

Given first reading on October 1, 2003.

Given second reading and enacted on October 6, 2003.

CITY OF DRY RIDGE, KENTUCKY

William Cull
Mayor

(Seal)

Attest:

Cindy L. Harris
City Clerk

CERTIFICATE OF CITY CLERK

I, Cindy Harris, hereby certify that I am the duly qualified and acting City Clerk of the City of Dry Ridge, Kentucky, that the foregoing ordinance is a true and correct copy of an ordinance authorizing the issuance of \$209,000 City of Dry Ridge, Kentucky Utilities System Revenue Bonds, Series 2003, that said Ordinance was introduced and given its first reading by the City Council on 10-1, 2003, and that it was placed and remained on file in my office for public inspection in substantially the same form until 10-6, 2003, on which date it was given its second reading and final passage and adoption by said City Council.

I further certify that said meetings were duly held in accordance with all applicable requirements of Kentucky law, including KRS 61.810, 61.815, 51.830, and 61.825, that a quorum was present at each of said meetings, that said Ordinance has not been modified, amended, revoked, or repealed, and that same is now in full force and effect.

IN TESTIMONY WHEREOF, witness my signature as City Clerk and the official Seal of said City this October 6, 2003.



City Clerk

EXHIBIT A

[FORM OF FULLY REGISTERED BOND]

UNITES STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF GRANT
CITY OF DRY RIDGE
UTILITIES SYSTEM REVENUE BOND
SERIES 2003

No. R-1

\$209,000

KNOW ALL MEN BY THESE PRESENTS:

That the City of Dry Ridge, 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 the United States of America, registered owner hereof, or to its registered assigns, as hereinafter provided, solely from the special fund hereinafter identified, the sum of

TWO HUNDRED NINE THOUSAND DOLLARS

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

<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>
2006	\$2,000	2019	\$3,700	2032	\$6,900
2007	2,100	2020	3,900	2033	7,200
2008	2,200	2021	4,100	2034	7,600
2009	2,300	2022	4,300	2035	7,900
2010	2,400	2023	4,500	2036	8,300
2011	2,500	2024	4,700	2037	8,700
2012	2,700	2025	4,900	2038	9,200
2013	2,800	2026	5,200	2039	9,600
2014	2,900	2027	5,400	2040	10,100
2015	3,100	2028	5,700	2041	10,600
2016	3,200	2029	6,000	2042	11,100
2017	3,400	2030	6,300	2043	11,400
2018	3,500	2031	6,600		

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 four and eight hundred seventy-five thousandths percent (4.875%) per annum, on the first day of January and July 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 DRY RIDGE, KENTUCKY, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATIONS, BUT IS PAYABLE AS TO BOTH PRINCIPAL AND INTEREST SOLELY AND ONLY OUT OF THE REVENUES DERIVED FROM THE OPERATION OF THE COMBINED AND CONSOLIDATED WATER AND SEWER

SYSTEM OF SAID CITY, A SUFFICIENT PORTION OF WHICH REVENUES TO PAY THE PRINCIPAL OF AND INTEREST ON ALL OF SAID BONDS, AS AND WHEN SAME BECOME DUE AND PAYABLE, SHALL BE SET ASIDE AND DEPOSITED IN THE "CITY OF DRY RIDGE UTILITIES SYSTEM REVENUE BOND, SERIES OF 2003 BOND AND INTEREST REDEMPTION FUND."

This Bond is one of a duly authorized issue of bonds in the total principal amount of Two Hundred Nine Thousand Dollars (\$209,000) Utilities System Revenue Bonds, Series 2003 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 and sewer system of the City (the "Construction Project"). This Bond is issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including specifically, 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 and sewer system and collect and account for the income and revenues therefrom to pay promptly the principal of and interest on this Bond and the issue, of which it is one, as the same becomes due and to pay when due all costs and expenses incident to the operation and maintenance of said waterworks and sewer 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 \$1,000 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 January 1, 2014, in the inverse chronological order of the installments due on this Bond, the entire principal amount of this Bond then remaining unpaid, or such lesser portion thereof, in multiples of One Thousand Dollars (\$1000) 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, Rural Development 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 Dry Ridge, 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 6th day of October, 2003.

(SEAL)

CITY OF DRY RIDGE, KENTUCKY

William Cull
Mayor

(Seal)

Attest:

Cindy L. Harris
City Clerk

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>
_____	_____	<u>City of Dry Ridge, Kentucky</u>	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

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

NOTICE OF BOND SALE

The City of Dry Ridge, Kentucky (the "City"), will until 11:00 A.M., E.S.T., on September 25, 2003, receive at the offices of the City Clerk, City Hall, 31 Broadway, Dry Ridge, Kentucky 41035, sealed competitive bids for the purchase of its \$209,000 Utilities System Revenue Bonds, Series 2003 (the "Series 2003 Bonds"), maturing January 1, 2005 through January 1, 2043 and subject to redemption, as set out in the ordinance approving the Series 2003 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, Rural Development ("USDA") has made a commitment to submit a bid to purchase the Bonds at par at an interest rate of four and eight hundred seventy five thousandths percent (4.875 %) per annum, if no other qualified bid is received from any other bidder.

The Bonds are to be issued subject to the approving legal opinion of Peck, Shaffer & Williams 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 Bonds.

CITY OF DRY RIDGE, KENTUCKY

/s/ Cindy L. Harris

City Clerk, City of Dry Ridge, Kentucky

EXHIBIT C

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$209,000

**City of Dry Ridge, Kentucky
Utilities System Revenue Bonds
Series 2003**

SALE: September 25, 2003 at 11:00 A.M., E.S.T.

As duly advertised, the City of Dry Ridge, Kentucky (the "City") will, until the 25th day of September, 2003, at the hour of 11:00 A.M., E.S.T., at the offices of the City Clerk, 31 Broadway, Dry Ridge, Kentucky 41035, 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 Rural Development, 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 to be adopted by the City Council of the City on October 6, 2003. The Bonds are revenue bonds and do not constitute a direct indebtedness of the City.

The Bonds are being issued to finance improvements to the City's combined and consolidated waterworks and sewer system (the "System"). The proceeds of the Bonds are to be supplemented by a grant from the United States Department of Agriculture, Rural Development in the amount of \$171,000.

The Bonds, in the opinion of Bond Counsel, will constitute legal, valid and binding special obligations of the City of Dry Ridge, Kentucky, payable solely from and secured by a first pledge of and lien on the gross revenues of the City's combined water and sewer system (the "System"), ranking on a parity with an outstanding KIA Loan. The right is reserved by the City to issue additional bonds ranking on a parity ("Parity Bonds") as to security and source of payment with the KIA Loan upon meeting the requirements prescribed by the Bond Ordinance. The Bond Ordinance provides that so long as any of the KIA Loan, the Bonds and/or any additional Parity Bonds 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 outstanding bonds.

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 Bonds and the Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Ordinance and shall, if necessary, be adjusted from time to time in order to comply herewith.

**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 January and July, commencing January, 2004. The Bonds are scheduled to mature in each of the years as follows:

<u>Maturity January 1,</u>	<u>Principal Amount</u>	<u>Maturity January 1,</u>	<u>Principal Amount</u>	<u>Maturity January 1,</u>	<u>Principal Amount</u>
2006	\$2,000	2019	\$3,700	2032	\$6,900
2007	2,100	2020	3,900	2033	7,200
2008	2,200	2021	4,100	2034	7,600
2009	2,300	2022	4,300	2035	7,900
2010	2,400	2023	4,500	2036	8,300
2011	2,500	2024	4,700	2037	8,700
2012	2,700	2025	4,900	2038	9,200
2013	2,800	2026	5,200	2039	9,600
2014	2,900	2027	5,400	2040	10,100
2015	3,100	2028	5,700	2041	10,600
2016	3,200	2029	6,000	2042	11,100
2017	3,400	2030	6,300	2043	11,400
2018	3,500	2031	6,600		

The Bonds are subject to redemption prior to maturity on or after January 1, 2014 on any interest payment date at a redemption price of par, plus accrued interest to the redemption date. So long as the United States of America, Rural Development is the owner of the Bonds, the Bonds are not subject to optional redemption prior to maturity.

BIDDING CONDITIONS AND RESTRICTIONS

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

(A) Bidders, except for Rural Development, 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. Rural Development 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 Rural Development to be reasonable, then said Rural Development bid will be withdrawn.

(E) Bidders have the option of specifying that all the Bonds maturing in any two of 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 may 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 Rural Development) 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 (\$4,180). 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 Rural Development). 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 Peck, Shaffer & Williams 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 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/ Cindy Harris
City Clerk, City of Dry Ridge, Kentucky

OFFICIAL BID FORM

Subject to the Official terms and Conditions of Bond Sale relating to the \$209,000 City of Dry Ridge Utilities System Revenue Bonds, Series 2003 (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 \$209,000 principal amount of the Bonds maturing on January 1 of the years and in the amounts set forth below, the total sum of \$_____ (not less than \$209,000), at the following annual rate(s), payable semi-annually, commencing _____ (rates on ascending scale, number of interest rates unlimited):

<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>	<u>Maturity</u> <u>January 1,</u>	<u>Principal</u> <u>Amount</u>
2006	\$2,000	2019	\$3,700	2032	\$6,900
2007	2,100	2020	3,900	2033	7,200
2008	2,200	2021	4,100	2034	7,600
2009	2,300	2022	4,300	2035	7,900
2010	2,400	2023	4,500	2036	8,300
2011	2,500	2024	4,700	2037	8,700
2012	2,700	2025	4,900	2038	9,200
2013	2,800	2026	5,200	2039	9,600
2014	2,900	2027	5,400	2040	10,100
2015	3,100	2028	5,700	2041	10,600
2016	3,200	2029	6,000	2042	11,100
2017	3,400	2030	6,300	2043	11,400
2018	3,500	2031	6,600		

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 Peck, Shaffer & Williams LLP, Bond Counsel to the City. We understand that a certified or bank cashier's check in the amount of \$4,180 will be required to accompany the bid (from bidders other than Rural Development) 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 _____, 2003 by the City of Dry Ridge, Kentucky, as follows:

William Cull
Mayor