

SUMMARY OF ORDINANCE
CITY OF GEORGETOWN, KENTUCKY

The following is a summary of an Ordinance of the City of Georgetown, Kentucky, adopted on September 9, 2013, identified by its title or caption as follows:

ORDINANCE NO. 13-020

AN ORDINANCE OF THE CITY OF GEORGETOWN, KENTUCKY, PROVIDING FOR THE ISSUANCE OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES 2013A, FOR THE PURPOSES OF FINANCING THE COSTS OF MAJOR MUNICIPAL WATER AND SEWER FACILITIES, INCLUDING PAYMENT AND DISCHARGE OF AN INTERIM FINANCING NOTE, AND FINANCING RELATED COSTS; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE SERIES 2013A BONDS ARE TO BE, AND ADDITIONAL PARITY BONDS MAY BE, ISSUED AND SECURED; PROVIDING FOR THE COLLECTION, SEGREGATION AND DISTRIBUTION OF THE INCOME, REVENUES AND FUNDS OF THE COMBINED WATER AND SEWER SYSTEM OF THE CITY; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF THE SERIES 2013A BONDS AND THE ENFORCEMENT THEREOF; AND PROVIDING FOR AN ADVERTISED, PUBLIC, COMPETITIVE SALE OF THE SERIES 2013A BONDS.

The full text of this Ordinance is available for public inspection during the normal City of Georgetown business hours in the office of the City Clerk, City Hall, Georgetown, Kentucky.

Summary

1. For the purposes of financing the costs of acquisition, construction and installation of major municipal water and sewer facilities (the "Project"), paying and discharging an interim financing note issued in 2009 (the "2009 Note"), funding a debt service reserve and paying related costs, the City authorizes the sale and issuance of its \$4,775,000 (subject to adjustment) Water and Sewer Revenue Bonds, Series 2013A (the "2013A Bonds"), to be payable from the revenues of the City's combined municipal waterworks and sanitary sewer (wastewater) system (the "System"). The 2013A Bonds are to be issued on a parity with the City's outstanding Water and Sewer Refunding Revenue Bonds, Series 2003B, and its Water and Sewer Refunding Revenue Bonds, Series 2013B to be concurrently issued, are scheduled to mature on May 1, 2014 - 2033, and will bear interest semiannually at rates established by competitive bidding. The form of the 2013A Bonds, provisions with respect to registration, authentication, transfer and exchange of 2013A Bonds and provisions relating to the appointment and duties of a Paying Agent and Bond Registrar are set out in detail in the Ordinance. The 2013A Bonds will be issued initially in book-entry form and shall be special and limited obligations of the City payable solely from the revenues of the System.

2. System revenues shall be collected in a Revenue Fund and then deposited monthly to a Bond Fund (which includes a Reserve Account) for the payment and security of the 2013A Bonds and parity bonds, and then to an Operation and Maintenance Fund and a Depreciation Fund for the System. The City covenants to levy and collect sufficient rates and charges for the use of the System to meet all costs of the System and to preserve the financial integrity and security of the 2013A Bonds. Additional parity bonds may be issued upon meeting a coverage test (net revenues over debt service). The City will insure the System, account for all revenues and have annual audits. Additional covenants are made with respect to the operation of the System as a revenue-producing public project, the City's Board of Water and Sanitary Sewer Commissioners and the tax-exempt status of interest on the 2013A Bonds, all for the benefit of the bondholders.

3. Terms are provided for a public competitive sale of the 2013A Bonds. Sale documents are approved.

* * *

The foregoing provisions, including the above caption of the Ordinance, are intended to be a summary of the Ordinance, and reference is hereby made to the full text of the Ordinance for a full and complete statement of its contents.

Certification

The undersigned City Clerk of the City of Georgetown, Kentucky, hereby certifies that the foregoing Summary of Ordinance was approved by the City Council for first reading on August 26, 2013, and for second reading on September 9, 2013, and was further approved for publication following adoption according to law. I further certify that the foregoing summary was prepared for the City by Mark S. Franklin, of Stoll Keenon Ogden PLLC, Attorneys at Law, 500 West Jefferson Street, Suite 2000, Louisville, Kentucky 40202.

WITNESS my hand this 9th day of September, 2013.

/s/ Tracie Hoffman
City Clerk
City of Georgetown, Kentucky

Preparation Certificate

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

/s/ Mark S. Franklin
Stoll Keenon Ogden PLLC
200 West Jefferson Street
Suite 2000
Louisville, Kentucky 40202

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Adopted September 9, 2013

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convenience of reference only.)

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WHEREAS, the City of Georgetown, Kentucky (the "City"), has for many years owned and operated its combined and consolidated municipal waterworks and sanitary sewer system (the "System") for the public benefit, welfare and convenience, and the City currently has outstanding, payable from the revenues of the System, the following bonds and obligations:

- (i) \$219,323.91 outstanding principal amount of a semi-annual repayment obligation (the "1991 KIA Loan") owed by the City to the Kentucky Infrastructure Authority ("KIA") pursuant to an Assistance Agreement dated December 1, 1992 by and between the City and KIA (the "1991 KIA Assistance Agreement");
- (ii) \$2,815,000.00 outstanding principal amount of Water and Sewer Revenue Bonds, Series 2003A, maturing (or subject to mandatory sinking fund installments) on May 1, 2014 - 2023 (the "Series 2003A Bonds"), authorized by Ordinance adopted on March 20, 2003 (the "Series 2003A Ordinance");
- (iii) \$775,000.00 outstanding principal amount of Water and Sewer Refunding Revenue Bonds, Series 2003B, maturing on May 1, 2014 and having remaining sinking fund installments of \$395,000 (the "Series 2003B Bonds"), authorized by Ordinance adopted on March 20, 2003 (the "Series 2003B Ordinance");
- (iv) \$5,377,000.04 outstanding principal amount of a semi-annual loan repayment obligation (the "2007 KRWFC Loan") to the Kentucky Rural Water Finance Corporation ("KRWFC"), pursuant to an Assistance Agreement by and between the City and KRWFC dated January 30, 2007 (the "2007 KRWFC Assistance Agreement"); and

- (v) \$7,499.97 outstanding principal amount of a semi-annual loan repayment obligation (the "2007 KIA Loan") owed by the City to KIA pursuant to an Assumption and Supplemental Assistance Agreement dated March 1, 2007 by and between the City and KIA (the "2007 KIA Assumption Agreement"), whereby the City formally assumed all of the rights and obligations of the City of Stamping Ground, Kentucky ("Stamping Ground") with respect to the Assistance Agreement dated as of September 1, 1994 by and between Stamping Ground and KIA (the "1994 KIA Assistance Agreement"), such 2007 KIA Loan being secured by the revenues of the portion of the waterworks system of Stamping Ground acquired by the City; and

WHEREAS, the Series 2003A Bonds, the Series 2003B Bonds and the 2007 KRWFC Loan rank on a parity with one another and are secured by a first pledge of the revenues of the System; and

WHEREAS, the 1991 KIA Loan and the 2007 KIA Loan rank on a parity with one another and are secured by a second pledge of the revenues of the System subordinate to the first pledge securing the Series 2003A Bonds, the Series 2003B Bonds and the 2007 KRWFC Loan; and

WHEREAS, the Series 2003A Bonds, the Series 2003B Bonds and the 2007 KRWFC Loan are current as to the payment of principal and interest and for their security certain funds and reserves are being maintained in the amounts and manner prescribed by the Series 2003A Ordinance, the Series 2003B Ordinance and the 2007 KRWFC Assistance Agreement; and

WHEREAS, the City Council has determined, upon the recommendation of the City's Board of Water and Sanitary Sewer Commissioners (the "Board"), that it is necessary, desirable and in the public interest that the City acquire, construct and install, as a part of the System, major new water and sanitary sewer (wastewater) service facilities, including without limitation (i) the acquisition, expansion and improvement of the Mallard Point Wastewater Collection System; and (ii) the acquisition, construction and installation of new wastewater pumping facilities and wastewater lines (collectively, the "Project"), all in accordance with plans, designs and specifications prepared or to be prepared by the City's consulting engineers for the Project (the "Engineers"); and in order to pay the costs of such acquisition, construction and installation of the Project (to the extent not otherwise provided to be paid), to pay and discharge a subordinate bank note designated Series 2009 in the outstanding principal amount of \$1,000,000 (the "2009 Note") previously issued for the interim financing of force main extensions and improvements, which 2009 Note is due and payable on or before August 31, 2014, to fund a debt service reserve and to pay costs of issuance of the Series 2013A Bonds (defined below), the City has determined it is necessary to issue at this time \$4,775,000 principal amount (subject to adjustment) of its Water and Sewer Revenue Bonds, Series 2013A (the "Series 2013A Bonds"), pursuant to this Ordinance; and

WHEREAS, the City Council has further determined, upon the recommendation of the Board, that it is necessary and desirable and in the public interest that the City currently refund,

redeem and discharge the Series 2003A Bonds within the next ninety (90) days in order to achieve debt service savings; and

WHEREAS, in order to carry out such current refunding, to fund a debt service reserve and to pay costs of issuance of the Series 2013B Bonds (defined below), the City Council has determined it is necessary at this time to issue \$2,675,000 principal amount (subject to adjustment as provided herein) of its Water and Sewer Refunding Revenue Bonds, Series 2013B (the "Series 2013B Bonds"), pursuant to a concurrently adopted separate Ordinance (the "Series 2013B Ordinance"); and

WHEREAS, in the Series 2003A Ordinance, the Series 2003B Ordinance and the 2007 KRWFC Assistance Agreement, the City reserved the right and privilege, subject to compliance with conditions and restrictions therein set forth, to issue additional bonds from time to time payable from the revenues of the System and ranking on a basis of parity with the Series 2003A Bonds, the Series 2003B Bonds and the 2007 KRWFC Loan; and

WHEREAS, the conditions and restrictions contained in the 2003A Ordinance, the Series 2003B Ordinance and the 2007 KRWFC Assistance Agreement governing the issuance of such parity bonds may and shall be complied with and satisfied so as to permit the issuance of the Series 2013B Bonds and the Series 2013A Bonds on a parity with the Series 2003B Bonds and the 2007 KRWFC Loan; and

WHEREAS, the issuance of the Series 2013A Bonds is authorized by the provisions of Chapter 58 of the Kentucky Revised Statutes ("KRS"); and it is the desire and intent of the City at this time to adopt this Ordinance which, among other things, authorizes and provides for the issuance of the Series 2013A Bonds for the above stated purpose and sets forth the restrictions and conditions on which the Series 2013A Bonds and any additional bonds ranking on a parity therewith are to be and may be issued and outstanding;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY OF GEORGETOWN, KENTUCKY, ACTING BY AND THROUGH ITS CITY COUNCIL, AS FOLLOWS:

Section 1. Affirmation of Preamble; Continuation of System. It is hereby found, determined and declared that the facts, recitals, determinations and declarations set forth in the preamble of this Ordinance are true and correct and are hereby affirmed, and all acts described in the preamble are hereby approved. Such facts, recitals, determinations and declarations, including the terms defined therein, are adopted and incorporated as a part of this Ordinance.

From and after the issuance of the Series 2013A Bonds herein authorized, the combined and consolidated municipal waterworks and sanitary sewer system of the City constituting the System, as such System presently exists and as may hereafter be expanded and improved from time to time, shall continue, so long as any of the obligations represented by the Series 2003B Bonds, the 2007 KRWFC Loan, the Series 2013A Bonds hereinafter authorized and the Series 2013B Bonds remain outstanding, to be owned, controlled, operated and maintained on a combined and consolidated basis for the security and source of payment for such revenue obligations. The System, as it presently exists and as expanded and improved from time to time,

is hereby declared to constitute a public project within the meaning and application of KRS 58.010 to 58.140, inclusive.

Section 2. Authorization of Series 2013A Bonds. For the purposes recited in the preamble hereof and pursuant to the Constitution and laws of the Commonwealth of Kentucky, particularly KRS 58.010 to 58.140, inclusive, and 58.410 to 58.430, inclusive, there are hereby authorized to be issued \$4,775,000 aggregate principal amount (subject to adjustment as provided herein) of Series 2013A Bonds, each of which Series 2013A Bonds shall be designated a “City of Georgetown, Kentucky, Water and Sewer Revenue Bond, Series 2013A.”

Section 3. Description of Series 2013A Bonds.

(a) Payment of Principal and Interest; Other Provisions. The Series 2013A Bonds shall be dated the date of original issuance and delivery thereof, and shall bear interest payable on November 1, 2013, and on each May 1 and November 1 thereafter to maturity or redemption and payment of the Series 2013A Bonds. Interest on each Series 2013A Bond not registered in Book-Entry Form to a Securities Depository (as described in Section 3(b) hereof) shall be paid by check or draft drawn upon the Paying Agent and Bond Registrar, hereinafter designated, and mailed to each person in whose name a Series 2013A Bond is registered as hereinafter provided (each a “Registered Holder” and collectively, the “Registered Holders”) at the address of such Registered Holder as it appears on the registration books of the Paying Agent and Bond Registrar. The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, is hereby designated and appointed as the Paying Agent and Bond Registrar. The principal of the Series 2013A Bonds not registered in Book-Entry Form to a Securities Depository (as described in Section 3(b) hereof) shall be payable to the respective Registered Holders without exchange or collection charges, in lawful money of the United States of America, upon their presentation and surrender as they respectively become due and payable at the principal corporate trust office of the Paying Agent and Bond Registrar in Louisville, Kentucky. The Series 2013A Bonds shall be issued and reissued by the Paying Agent and Bond Registrar from time to time only as fully registered bonds without coupons in the denominations of \$5,000 and any integral multiple thereof, as hereinafter provided. Unless the City shall otherwise direct, the Series 2013A Bonds shall be numbered separately from 1 upward.

Principal of and interest on Series 2013A Bonds registered in Book-Entry Form in the name of the Securities Depository or the Securities Depository Nominee (all as described in Section 3(b) hereof) shall be payable by wire transfer from the Paying Agent and Bond Registrar to the Securities Depository or its nominee.

The Series 2013A Bonds shall bear interest at a rate or rates to be established by official action of the Mayor or the Finance Director of the City on the basis of competition after the Series 2013A Bonds are offered for sale at an advertised, public, competitive sale as hereinafter provided. The fifteenth (15th) day of the month before a May 1 or November 1 interest payment date shall be the record date for the Series 2013A Bonds (the “Record Date”) for the purpose of determining the Registered Holder to whom interest shall be payable on the next succeeding interest payment date, and the Paying Agent and Bond Registrar may treat for such purpose the person in whose name any Series 2013A Bond is registered on the Record Date as the Registered

Holder thereof. Interest shall be computed on the basis of a year of 360 days consisting of twelve 30-day months.

The Series 2013A Bonds shall mature and be payable as to principal as follows:

<u>Maturity Date</u>	<u>Principal Amount*</u>	<u>Maturity Date</u>	<u>Principal Amount*</u>
May 1, 2014	\$170,000	May 1, 2024	\$230,000
May 1, 2015	190,000	May 1, 2025	240,000
May 1, 2016	195,000	May 1, 2026	250,000
May 1, 2017	195,000	May 1, 2027	255,000
May 1, 2018	200,000	May 1, 2028	270,000
May 1, 2019	200,000	May 1, 2029	280,000
May 1, 2020	205,000	May 1, 2030	290,000
May 1, 2021	210,000	May 1, 2031	305,000
May 1, 2022	215,000	May 1, 2032	320,000
May 1, 2023	225,000	May 1, 2033	330,000

*Aggregate principal amount and annual maturities are subject to increase or reduction as provided in Section 27 hereof.

provided, however, certain Series 2013A Bonds may become Term Bonds subject to mandatory sinking fund redemption as described in Section 4(a) and Section 27 hereof.

The Series 2003B Bonds, the 2007 KRWFC Loan, the 2013A Bonds and the Series 2013B Bonds and any additional bonds ranking on a parity therewith as may be issued and outstanding from time to time under the conditions and restrictions hereinafter set forth (collectively, the “First Lien Parity Bonds”), and all interest thereon, shall be payable only out of the special fund as hereinafter more specifically provided identified as the “Water and Sewer Bond and Interest Redemption Account” (the “Bond Fund”) created by Ordinance No. 916 adopted by the City Council on April 25, 1963 (the “1963 Ordinance”), and shall be a valid claim of the Registered Holders thereof only against the Bond Fund and the portion or amount of the income and revenues of the System pledged to the Bond Fund. The Series 2013A Bonds and the other First Lien Parity Bonds are and shall be secured by a first pledge of a fixed portion of the gross revenues of the System as set out in the form of the Series 2013A Bonds in Section 6 hereof.

(b) Series 2013A Bonds Issued in Book-Entry Form. As used in this Ordinance, the following terms shall have the indicated meanings:

“Book-Entry Form” means, with respect to the Series 2013A Bonds, a form or system, as applicable, under which: (i) the ownership of beneficial interests in 2013A Bonds and principal and interest payments thereon may be transferred only through a book entry; and (ii) physical Series 2013A Bond certificates in fully registered form are registered only in the name of a Securities Depository or its nominee as Registered Holder, with the physical Series 2013A Bond certificates held in the custody of a Securities Depository.

“Participant” means a member of, or a participant in, the Securities Depository.

“Securities Depository” means any securities depository that is a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act, operating and maintaining, with its Participants or otherwise, a Book-Entry System to record ownership of beneficial interests in bonds and bond service charges, and to effect transfers of bonds in Book-Entry Form, and means, initially, The Depository Trust Company (a limited purpose trust company), New York, New York.

“Securities Depository Nominee” means any nominee of a Securities Depository and shall initially mean Cede & Co., New York, New York, as nominee of The Depository Trust Company.

The Series 2013A Bonds shall initially be issued in Book-Entry Form and registered in the name of the Securities Depository or the Securities Depository Nominee as provided in this Section 3(b). Except when the Series 2013A Bonds are no longer issued in Book-Entry Form as provided below in this Section 3(b), the Series 2013A Bonds shall be registered in the name of the Securities Depository or the Securities Depository Nominee, and ownership thereof shall be maintained in Book-Entry Form by the Securities Depository for the account of the Participants thereof. Initially, the Series 2013A Bonds shall be registered in the name of Cede & Co., as the nominee of The Depository Trust Company, which shall be the initial Securities Depository. Either of the Mayor or City Clerk is authorized to approve and execute on behalf of the City a letter of representations or other appropriate instrument with The Depository Trust Company (to which the Paying Agent and Bond Registrar may also be a party) relating to the issuance and administration of the Series 2013A Bonds in Book-Entry Form.

Except when the Series 2013A Bonds are no longer issued in Book-Entry Form as provided below in this Section 3(b), the Series 2013A Bonds may be transferred, in whole but not in part, only to the Securities Depository or the Securities Depository Nominee, or to a successor Securities Depository selected or approved by the City or to a nominee of such successor Securities Depository.

As to any Series 2013A Bond, the person in whose name the Series 2013A Bond shall be registered shall be the Registered Holder and the absolute owner thereof for all purposes, and payment of or on account of the principal of and interest on any such Series 2013A Bond shall be made only to or on the order of the Registered Holder thereof or his legal representative.

Neither the Issuer nor the Paying Agent and Bond Registrar shall have any responsibility or obligation with respect to:

- (i) the accuracy of the records of the Securities Depository or any Participant with respect to any beneficial ownership interest in the Series 2013A Bonds;
- (ii) the delivery to any Participant, any beneficial owner of the Series 2013A Bonds or any other person, other than the Securities Depository, of any notice with respect to the Series 2013A Bonds; or

(iii) the payment to any Participant, any beneficial owner of the Series 2013A Bonds or any other person, other than the Securities Depository, of any amount with respect to the principal or interest on the Series 2013A Bonds.

So long as any Series 2013A Bonds are registered in Book-Entry Form, the City and the Paying Agent and Bond Registrar may treat the Securities Depository as, and deem the Securities Depository to be, the absolute owner and the Registered Holder of such Series 2013A Bonds for all purposes whatsoever, including without limitation:

- (i) the payment of principal and interest on the Series 2013A Bonds;
- (ii) giving notices of redemption and other matters with respect to the Series 2013A Bonds;
- (iii) registering transfers with respect to the Series 2013A Bonds;
- (iv) selection of Series 2013A Bonds for redemption; and
- (v) for purposes of obtaining any consents under this Ordinance.

As used herein, the terms “holder of Series 2013A Bonds” or “Bondholder” shall be deemed to refer to the Registered Holder of the Series 2013A Bonds.

If at any time the Securities Depository notifies the City that it is unwilling or unable to continue as Securities Depository with respect to the Series 2013A Bonds, or if at any time the Securities Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Securities Depository is not appointed by the City within ninety (90) days after the City receives notice or becomes aware of such condition, as the case may be, then this Section 3(b) shall no longer be applicable and the City shall execute and the Paying Agent and Bond Registrar shall authenticate and deliver certificates representing the Series 2013A Bonds to the Registered Holders.

Payment of principal and interest on any Series 2013A Bonds not registered in Book-Entry Form shall be made as provided in Section 3(a) hereof.

Section 4. Redemption of Series 2013A Bonds.

(a) Mandatory Bond Fund Redemption. If the successful bidder and original purchaser of the Series 2013A Bonds so elects in accordance with the provisions of Section 27 hereof and as may be provided in the official action of the Mayor or the Finance Director of the City, the Series 2013A Bonds stated to mature on the maturity dates set out in the successful bid of such original purchaser shall be combined to comprise the maturities of Term Bonds as set out in said successful bid and in said official action of the Mayor or the Finance Director of the City; and such Term Bonds shall be subject to mandatory redemption in part, at the selection of the Paying Agent and Bond Registrar by lot in such manner as the Paying Agent and Bond Registrar may determine, from moneys in the Bond Fund on each applicable May 1 at par plus accrued interest to the redemption date, according to the mandatory sinking fund redemption schedule or schedules established by official action of the Mayor or the Finance Director of the City and in

principal amounts corresponding to the maturity schedule for such series set out in Section 3(a) hereof (subject to adjustment as herein provided).

(b) Optional Redemption. The Series 2013A Bonds maturing on and after May 1, 2024, are subject to redemption by the City, at its option, before maturity on and after May 1, 2023, in whole or in part at any time or times in any order of maturity (less than all of a single maturity to be selected by lot in such manner as the Paying Agent and Bond Registrar may determine) at the redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

The Series 2013A Bonds maturing on and after May 1, 2024, shall be called for redemption by the Paying Agent and Bond Registrar as herein provided upon receipt by the Paying Agent and Bond Registrar at least forty five (45) days before the redemption date of a certificate of the City specifying the principal amount and maturities of the Series 2013A Bonds so to be called for redemption and the applicable redemption price or prices.

(c) Other Redemption Provisions. The Paying Agent and Bond Registrar shall, upon being satisfactorily indemnified as to expenses, cause notice of the call for any redemption, identifying the Series 2013A Bonds or portions thereof (\$5,000 or any integral multiple thereof) to be redeemed, to be sent by first class mail at least thirty (30) days but no more than sixty (60) days before the date fixed for redemption to the Registered Holder of each Series 2013A Bond to be redeemed at the address shown on the registration books. Failure to give such notice by mailing or any defect therein in respect of any Series 2013A Bond shall not affect the validity of any proceedings for the redemption of any other Series 2013A Bond. Any notice mailed as provided in this Section 4(c) shall be conclusively presumed to have been duly given, irrespective of whether the Registered Holder receives the notice.

Before the date fixed for redemption of Series 2013A Bonds, funds shall be deposited by the City with the Paying Agent and Bond Registrar to pay, and the Paying Agent and Bond Registrar is hereby authorized and directed to deposit such funds into the Bond Fund hereinafter identified and to apply such funds to the payment of the Series 2013A Bonds or portions thereof called for redemption, together with accrued interest thereon to the redemption date. Upon the giving of notice and the deposit of adequate funds in the Bond Fund for redemption of Series 2013A Bonds, interest on the Series 2013A Bonds or portions thereof so called for redemption shall cease to accrue after the date fixed for redemption. No payment of principal or interest shall be made by the Paying Agent and Bond Registrar upon any Series 2013A Bond or portion thereof called for redemption until such Series 2013A Bond or portion thereof shall have been delivered to the Paying Agent and Bond Registrar for payment or cancellation, or the Paying Agent and Bond Registrar shall have received the items required by Section 7 hereof with respect to any mutilated, lost, stolen or destroyed Series 2013A Bond.

A portion of any Series 2013A Bond may be redeemed, but Series 2013A Bonds shall be redeemed only in the principal amount of \$5,000 each or any integral multiple thereof. Upon surrender of any Series 2013A Bond for redemption in part only, the City shall execute and the Paying Agent and Bond Registrar shall register, authenticate and deliver to the holder thereof, within a period of three (3) days from surrender of such Series 2013A Bond to the Paying Agent and Bond Registrar, at the expense of the City, a new Series 2013A Bond or Series 2013A Bonds

of the same maturity, of authorized denominations and in aggregate principal amount equal to the unredeemed portion of the Series 2013A Bond surrendered.

Section 5. Execution of Series 2013A Bonds; Limited Obligation. The Series 2013A Bonds shall be executed on behalf of the City by the manual or reproduced facsimile signature of the Mayor and shall have impressed or imprinted thereon either a true impression or a reproduced facsimile of the official seal of the City and shall be attested with the manual or reproduced facsimile signature of the City Clerk. Any authorized facsimile signature shall have the same force and effect as a manual signature. In case any officer of the City whose signature or a facsimile of whose signature shall appear on the Series 2013A Bonds shall cease to be such officer before the delivery of such Series 2013A Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes, the same as if he or she had remained in office until delivery.

The Series 2013A Bonds are not and shall not be general obligations of the City but are special and limited obligations payable solely from the Bond Fund as hereinafter provided, and the Bond Fund and the income and revenues of the System are hereby assigned and pledged to the holders of the Series 2013A Bonds and outstanding parity bonds for the amortization of the Series 2013A Bonds and outstanding parity bonds in the manner and to the extent provided herein. The Series 2013A Bonds and the interest thereon shall not constitute a debt, indebtedness or a pledge of the faith and credit of the City within the meaning of any applicable provision or limitation of the Constitution or statutes of the Commonwealth of Kentucky and shall not constitute or give rise to a pecuniary liability of the City or a charge against its general credit or taxing powers. The City shall not be obligated to pay the principal of the Series 2013A Bonds or the interest thereon or other costs incident thereto except from the revenues and amounts assigned and pledged therefor, and neither the faith and credit nor the taxing power of the City is assigned or pledged to the payment of the principal of the Series 2013A Bonds or the interest thereon or other costs incident thereto.

Section 6. Form of Series 2013A Bonds. The Series 2013A Bonds shall be issued only in the form of bonds registered as to payment of both principal and interest in substantially the following form, with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance, as follows:

(FORM OF SERIES 2013A BOND)

No. _____

\$ _____

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
CITY OF GEORGETOWN, KENTUCKY
WATER AND SEWER REVENUE BONDS
SERIES 2013A

INTEREST RATE BOND DATE MATURITY DATE CUSIP
_____ % _____ May 1, _____ _____

REGISTERED HOLDER: _____

PRINCIPAL AMOUNT: _____

KNOW ALL MEN BY THESE PRESENTS: That the City of Georgetown, Kentucky (the "City"), for value received, hereby promises to pay to the Registered Holder identified above, or its registered assigns, solely from the sources pledged for that purpose as hereinafter referred to and not otherwise, the principal amount set out above, on the maturity date set out above, and to pay interest from the same source on the unpaid balance of said principal amount at the interest rate per annum set out above, payable on the first days of May and November in each year, beginning November 1, 2013, until payment of the principal amount or until the date fixed for redemption if this Bond is called for prior redemption and payment on such redemption date is duly provided for. Each such interest payment shall represent interest accruing on this Bond from the later of the bond date set out above or the most recent interest payment date (May 1 or November 1) to which interest has been paid or duly provided for. Interest shall be computed on the basis of a year of 360 days consisting of twelve 30 day months.

Interest accruing on this Bond shall be payable as aforesaid by check or draft drawn upon The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, as the Paying Agent and Bond Registrar (the "Paying Agent and Bond Registrar"), and mailed to the person who is the Registered Holder hereof as of the close of business on the Record Date for such interest installment, which Record Date shall be the fifteenth (15th) day of the month (whether or not a business day) next preceding an interest payment date, at the address of such Registered Holder as it appears on the books of the Paying Agent and Bond Registrar. Principal shall be paid when due upon delivery of this Bond for payment at the principal office of the Bond Registrar and Paying Agent.

This Bond is one of a duly authorized issue of Bonds of the City designated "City of Georgetown, Kentucky, Water and Sewer Revenue Bonds, Series 2013A" (the "Bonds"), issued in the original principal amount of \$ _____, authorized and issued by the City pursuant to an Ordinance duly adopted by its Council (the "Bond Ordinance") for the purpose of financing the costs of certain municipal waterworks and sanitary sewer (wastewater) facilities to constitute a part of the City-owned and operated, combined and consolidated municipal waterworks and sanitary sewer system (the "System"), and related costs; and this Bond has been issued under and in full compliance with the Constitution and statutes of the Commonwealth of Kentucky, including among others Sections 58.010 to 58.140, inclusive, and Sections 58.410 to 58.430, inclusive, of the Kentucky Revised Statutes.

Reference is made to the Bond Ordinance for the provisions with respect to the nature and extent of the security, the rights, duties and obligations of the City and the Paying Agent and Bond Registrar and the holders of the Bonds, the terms upon which the Bonds are issued and the terms and conditions upon which the Bonds will be deemed to be paid at or before their

scheduled maturity or redemption upon the making of provision for the payment thereof in the manner set forth in the Bond Ordinance.

*The Bonds maturing on May 1, 20__, are subject to mandatory sinking fund redemption in part, at the selection of the Paying Agent and Bond Registrar by lot, from moneys in the special fund identified hereinafter on each May 1, beginning May 1, 20__, at the principal amount thereof plus accrued interest to the redemption date, according to the following schedule of mandatory sinking fund installments:

<u>May 1</u>	<u>Amount</u>
_____	_____
_____	_____

*This paragraph is to be inserted, and may be repeated, with respect to any Term Bonds as described in Section 4(a) of this Ordinance.

The Bonds maturing on and after May 1, 2024, are subject to redemption by the City, at its option, before maturity on and after May 1, 2023, in whole or in part at any time or times in any order of maturity (less than all of a single maturity to be selected by lot by the Paying Agent and Bond Registrar) at the redemption price of 100% of the principal amount thereof plus accrued interest to the redemption date.

At least thirty (30) but no more than sixty (60) days before the redemption date of any Bonds, the Paying Agent and Bond Registrar shall cause a notice of redemption to be mailed postage prepaid by first class mail to all Registered Holders of Bonds to be redeemed in whole or in part at their registered addresses. Failure to mail any notice or any defect therein in respect of any such Bond shall not affect the validity of the redemption of any other Bond. The redemption notice shall set forth in detail the redemption provisions.

This Bond and the series of which it forms a part, together with previously issued and outstanding parity bonds and such additional bonds ranking on a parity therewith as may be hereafter issued and outstanding from time to time under the conditions and restrictions set forth in the Bond Ordinance, are payable from and secured by a first pledge of a fixed portion of the gross revenues to be derived from the operation of the System, which fixed portion shall be sufficient to pay the principal of and interest on this Bond and the series of which it forms a part and such outstanding parity bonds as and when the same become due and payable and which shall be set aside as a special fund for that purpose created by an ordinance of the City and identified as the City's "Water and Sewer Bond and Interest Redemption Account." This Bond and the series of which it forms a part do not constitute an indebtedness of the City within the meaning of any applicable constitutional or statutory provisions or limitations. The City covenants that the System will be continuously operated as a revenue producing undertaking and that it will fix and charge such rates for the services and facilities of the System, and will collect and account for the income and revenues therefrom, so that such income and revenues will be sufficient to pay the interest on and principal of all bonds that are payable therefrom as may be outstanding from time to time and also to pay the costs of operation and maintenance of the System.

This Bond is issued under and pursuant to the Constitution and statutory laws of the Commonwealth of Kentucky and its construction will be governed thereby.

This Bond shall be transferable only upon the presentation and surrender hereof at the principal corporate trust office of the Paying Agent and Bond Registrar duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Holder or his authorized representative. The Paying Agent and Bond Registrar shall not be required to transfer or exchange this Bond: (a) during any period beginning five (5) days before the selection by the Paying Agent and Bond Registrar of Bonds to be redeemed before maturity and ending on the date of mailing of notice of any such redemption; or (b) if this Bond has been selected or called for redemption in whole or in part.

Bonds shall be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent and Bond Registrar for a Bond or Bonds of the same maturity, and in the denomination of \$5,000 or any integral multiple thereof, in an aggregate principal amount or amounts equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent and Bond Registrar shall authenticate and deliver Bonds delivered in exchange in accordance herewith.

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 execution and delivery of this Bond have existed, have happened and have been performed in due time, form and manner as required by law; that the issuance of this Bond and the issue of which it forms a part, together with all other obligations of the City, does not exceed or violate any constitutional or statutory limitations; and that a sufficient portion of the revenues of the System has been pledged to and will be set aside into said special fund by the City for the prompt payment of the principal of and interest on all bonds and notes that are payable from said special fund.

This Bond is exempt from *ad valorem* taxation by the Commonwealth of Kentucky and by all of the political subdivisions thereof.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been executed by the Paying Agent and Bond Registrar.

IN WITNESS WHEREOF, the City of Georgetown, Kentucky, acting by and through its Council as its duly authorized and lawful governing body, has caused this Bond to be executed with the manual or reproduced facsimile of the official signature of its Mayor, to be sealed by an impression or a reproduced facsimile of an impression of the official seal of the City and to be attested by the manual or reproduced facsimile signature of the City Clerk, in each case as a duly authorized officer of the City, all as of the date of this Bond, which is the bond date set out above.

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

Signature guaranteed:

(END OF FORM OF 2013A BOND)

Section 7. Mutilated, Lost, Stolen or Destroyed Series 2013A Bonds. In the event any Series 2013A Bond is mutilated, lost, stolen or destroyed, the City may execute and the Paying Agent and Bond Registrar may authenticate and deliver a new Series 2013A Bond of like series, date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Series 2013A Bond, such Series 2013A Bond shall first be surrendered to the Paying Agent and Bond Registrar, and in the case of any lost, stolen or destroyed Series 2013A Bond, there shall be first furnished to the City and the Paying Agent and Bond Registrar evidence of such loss, theft or destruction satisfactory to them and such indemnity as the City and the Paying Agent and Bond Registrar may require. In the event any such Series 2013A Bond shall have matured, in lieu of issuing a duplicate Series 2013A Bond, the City may pay the same without surrender thereof. The City and the Paying Agent and Bond Registrar may charge the holder or owner of such Series 2013A Bond their reasonable fees and expenses in this connection.

Section 8. Registration, Authentication, Transfer and Exchange of Series 2013A Bonds. So long as any Series 2013A Bonds remain outstanding, the Paying Agent and Bond Registrar shall keep and maintain at its principal corporate trust office in Louisville, Kentucky, complete registration books for the Series 2013A Bonds and shall provide for the registration and transfer of Series 2013A Bonds in accordance with the terms of this Ordinance. Each Series 2013A Bond shall be authenticated by the Paying Agent and Bond Registrar. Except as may be otherwise provided in Section 3(b) hereof for Series 2013A Bonds registered in Book-Entry Form in the name of the Securities Depository or the Securities Depository Nominee, each Series 2013A Bond shall be transferable only upon the presentation and surrender thereof at the principal office of the Paying Agent and Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Holder or his authorized representative. Upon receipt of any such Series 2013A Bond, duly endorsed for transfer or accompanied by any assignment for transfer, the Paying Agent and Bond Registrar shall transfer such Series 2013A Bond within a period of three (3) days by reissuing such Series 2013A Bond, duly executed by the City and authenticated by the Paying Agent and Bond Registrar, and delivering the same to the new Registered Holder thereof forthwith.

The Paying Agent and Bond Registrar shall not be required to transfer or exchange any Series 2013A Bond: (a) during any period beginning five (5) days before the selection by the Paying Agent and Bond Registrar of Series 2013A Bonds to be redeemed before maturity and ending on the date of mailing of notice of any such redemption; or (b) if such Bond has been selected or called for redemption in whole or in part.

Except as may be otherwise provided in Section 3(b) hereof for Series 2013A Bonds registered in Book-Entry Form in the name of the Securities Depository or the Securities Depository Nominee, each Series 2013A Bond shall be exchangeable upon the presentation and surrender thereof at the principal office of the Paying Agent and Bond Registrar for a Series 2013A Bond or Series 2013A Bonds of the same maturity, in the denomination of \$5,000 or an integral multiple thereof, in an aggregate principal amount or amounts equal to the unpaid principal amount of the Series 2013A Bond or Series 2013A Bonds presented for exchange. The Paying Agent and Bond Registrar shall and is hereby authorized to authenticate and deliver Series 2013A Bonds delivered in exchange in accordance herewith. Each Series 2013A Bond delivered in exchange for a surrendered Series 2013A Bond shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Series 2013A Bond or Series 2013A Bonds in lieu of which any Series 2013A Bond is delivered in exchange. Any Series 2013A Bonds surrendered for exchange shall be cancelled by the Paying Agent and Bond Registrar and the Paying Agent and Bond Registrar shall maintain a complete record of all exchanges, transfers and cancellations of Series 2013A Bonds and shall make a report thereof to the City on not less than an annual basis.

Except as may be otherwise provided in Section 3(b) hereof for Series 2013A Bonds registered in Book-Entry Form in the name of the Securities Depository or the Securities Depository Nominee, no service charge or other transfer fee shall be charged to any Bondholder in connection with any transfer or exchange of a Series 2013A Bond. However, the Registered Holder of any Series 2013A Bond may be required to pay an amount equal to any tax or other governmental charge, if any, that may be imposed in connection with the transfer or exchange of any Series 2013A Bond.

Section 9. Destruction of Series 2013A Bonds. Whenever any outstanding Series 2013A Bond shall be delivered to the Paying Agent and Bond Registrar for cancellation thereof pursuant to this Ordinance, upon payment of the principal amount or interest represented thereby or for replacement or exchange, such Series 2013A Bonds, following such replacement or exchange, shall be promptly cancelled and destroyed by the Paying Agent and Bond Registrar and counterparts of a certificate of destruction evidencing such destruction shall be furnished by the Paying Agent and Bond Registrar to the City.

All Series 2013A Bonds which have been redeemed shall not be reissued but shall be cancelled and destroyed by Paying Agent and Bond Registrar in accordance with this Section 9.

Section 10. Appointment and Duties of Paying Agent and Bond Registrar. The City hereby appoints The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, or its successor as Paying Agent and Bond Registrar in respect of the Series 2013A Bonds. The Paying Agent and Bond Registrar shall maintain a complete and current record of each Series 2013A Bond issued, the name and address of each owner (Registered Holder) of any Series 2013A Bonds and such additional information as may be required for compliance with applicable laws and regulations. The Paying Agent and Bond Registrar will also make all payments of interest on the Series 2013A Bonds and pay principal of the Series 2013A Bonds as herein provided.

The recitals of fact herein and in the Series 2013A Bonds contained shall be taken as the statements of the City and the Paying Agent and Bond Registrar assumes no responsibility for the correctness of the same. The Paying Agent and Bond Registrar makes no representations as to the validity or sufficiency of this Ordinance or of any Series 2013A Bonds issued thereunder or in respect of the security afforded by this Ordinance, and the Paying Agent and Bond Registrar shall not incur any responsibility in respect thereof. The City shall, however, be responsible for its representations contained in the Series 2013A Bonds. The Paying Agent and Bond Registrar shall not be under any responsibility or duty with respect to the issuance of the Series 2013A Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the City. The Paying Agent and Bond Registrar shall be under no obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. The Paying Agent and Bond Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. The Paying Agent and Bond Registrar may consult with counsel, who may or may not be of counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever the Paying Agent and Bond Registrar shall deem it necessary or desirable that a matter be proved or established before taking or suffering any action hereunder, including payment of moneys out of any fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an authorized officer of the City and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Ordinance upon the faith thereof, but in its discretion the Paying Agent and Bond Registrar may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidences as to it may seem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the City to the Paying Agent and Bond Registrar shall be sufficiently executed if executed in the name of the City by its Mayor, Finance Director or City Clerk. The Paying Agent and Bond Registrar may execute any of its trusts or powers and perform any of its duties under this Ordinance by or through attorneys, agents or employees. The Paying Agent and Bond Registrar shall not be liable for any action taken or omitted under this Ordinance so long as it shall have acted in good faith and without negligence.

The City shall pay to the Paying Agent and Bond Registrar from time to time reasonable compensation for all services rendered under this Ordinance, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Ordinance. The City further agrees to indemnify and hold the Paying Agent and Bond Registrar harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or willful misconduct. This indemnification shall survive the termination of this Ordinance.

The Paying Agent and Bond Registrar may become the owner of any Series 2013A Bonds, with the same rights it would have if it were not the Paying Agent and Bond Registrar. The Paying Agent and Bond Registrar and any other fiduciary may act as depository for, or

permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Series 2013A Bonds or this Ordinance, whether or not any such committee shall represent the holders of a majority in principal amount of the Series 2013A Bonds then outstanding.

The Paying Agent and Bond Registrar may resign following the giving of thirty (30) days prior written notice to the City. The Paying Agent and Bond Registrar shall then deliver the balance of the moneys or assets then in its possession to a successor Paying Agent and Bond Registrar as shall be appointed in writing by the City. If the City fails to appoint a successor before the expiration of thirty (30) days following receipt of the notice of resignation, the Paying Agent and Bond Registrar may petition any court of competent jurisdiction for the appointment of a successor Paying Agent and Bond Registrar.

Any entity into which the Paying Agent and Bond Registrar may be merged or converted or with which it may be consolidated or any entity resulting from any merger, conversion or consolidation to which it shall be a party or any entity to which the Paying Agent and Bond Registrar may sell or transfer all or substantially all of its corporate trust business, provided such entity shall be authorized by law to perform all the duties imposed upon it by this Ordinance, shall be the successor to the Paying Agent and Bond Registrar without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 11. Parity Declaration. It is hereby found and declared that all conditions requisite to the issuance of the Series 2013A Bonds so that they will rank on a parity as to security and source of payment with the outstanding Series 2003B Bonds, 2007 KRWFC Loan and Series 2013B Bonds do exist and have been complied with; and that after the Series 2013A Bonds have been sold at public sale as hereinafter provided and the interest rate or rates applicable thereto are established, and before the delivery of the Series 2013A Bonds to the purchaser or purchasers thereof, there will have been procured and filed with the City Clerk a statement by an independent public accountant not in the regular employ of the City reciting the opinion that based upon necessary investigation the net income and revenues of the System (as defined in the Series 2003B Ordinance and the 2007 KRWFC Assistance Agreement) for twelve (12) consecutive months out of the eighteen (18) months preceding the issuance of the Series 2013A Bonds, adjusted (if necessary) as provided in the Series 2003B Ordinance and the 2007 KRWFC Assistance Agreement, were equal to at least 1.30 times the maximum annual debt service in any calendar year on the Series 2003B Bonds, the 2007 KRWFC Loan, the Series 2013A Bonds and the Series 2013B Bonds; and accordingly it is hereby found and declared that the Series 2013A Bonds shall be equally and ratably payable from the income and revenues of the System on a parity with the outstanding Series 2003B Bonds, the 2007 KRWFC Loan and the Series 2013B Bonds.

Section 12. Application of Series 2013A Bond Proceeds. All sums received from the sale of the Series 2013A Bonds shall be applied, pursuant to the written instructions of the Mayor or the Finance Director of the City or the Chairman or the Treasurer of the Board, as follows:

(a) All expenses incident to the authorization, sale and delivery of the 2013A Bonds, including without limitation the contractual fee of the City's Financial Advisor, J.J.B. Hilliard, W.L. Lyons, LLC, fees and expenses of the counsel and accountants, fees of rating services, the Paying Agent and Bond Registrar, printing and publication costs and other similar expenses, shall be paid immediately from the proceeds of the 2013A Bonds or otherwise from amounts in the Construction Fund identified in (d) following.

(b) A portion of 2013A Bond proceeds equal to the outstanding principal amount of the 2009 Note (together with an amount of available City funds equal to the unpaid accrued interest on the 2009 Note) shall be paid to the holder of the 2009 Note, Kentucky Bank, Georgetown, Kentucky, in full payment of the 2009 Note, which shall be discharged.

(c) A portion of 2013A Bond proceeds equal to the amount, when added to the amount then on deposit in the Reserve Account in the Bond Fund, as identified in Section 13(a) hereof, will fund the Reserve Account to the Reserve Amount, as defined in Section 13(a) hereof, shall be deposited in the Reserve Account.

(d) The entire remaining balance of the proceeds of the 2013A Bonds shall be deposited in the City's 2013A Water and Sewer Construction Fund, hereby created (the "Construction Fund"), at a bank or banks designated by the Chairman or Treasurer of the Board (individually or jointly, as the case may be, referred to as the "Construction Fund Depository") and applied to the payment of the costs of acquiring, constructing and installing the Project, any unpaid costs of issuance of the 2013A Bonds and reimbursements to the City for Project costs previously paid from unborrowed funds of the City.

The amount deposited in the Construction Fund shall, to the extent that it may cause the aggregate deposits of the City in the Construction Fund Depository to be in excess of the amount insured by the Federal Deposit Insurance Corporation ("FDIC"), be collaterally secured by direct obligations of or obligations guaranteed by the United States of America having a market value equivalent to such deposit, or the City (with the assistance of the Construction Fund Depository) shall invest for the credit of the Construction Fund whatever portion of the Construction Fund is designated by the Chairman or Treasurer of the Board in Investment Obligations as hereinafter defined in Section 14, having maturity dates, or being subject to retirement at the option of the holder, corresponding to the need for cash to pay costs of the Project as they come due. All such investments, as well as all income therefrom, shall be carried to the credit of such Construction Fund.

Payments from the Construction Fund for costs of construction and installation of the Project shall be made only upon vouchers approved by the Engineers having charge of supervising such acquisition and construction and countersigned by the Chairman, Treasurer or General Manager of the Board, the 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 the City or the Board for work performed or materials furnished in connection with the Project, or represents a sum necessary to be expended for land or rights-of-way necessary to be acquired by the City in connection with the Project, provided all checks drawn against the Construction Fund shall be signed by the Chairman, Treasurer or General Manager of the Board. No expenditure shall be made from the Construction Fund except for proper and authorized expenses relating to

the acquisition, construction and installation of the Project in accordance with the plans and specifications prepared by the Engineers and approved by the City or the Board, for which contracts have been awarded or work has been authorized by the City or the Board, or to pay any unpaid costs of issuance of the 2013A Bonds. Pending disbursement for the authorized purposes, the Construction Fund shall be subject to a first and paramount lien and charge in favor of the holders of the 2013A Bonds.

After completion of the Project, as certified by the Chairman or General Manager of the Board, any balance then remaining on deposit in the Construction Fund shall, subject to any and all applicable legal requirements and compliance with applicable federal statutes and regulations necessary to assure the exclusion of interest on the 2013A Bonds from gross income for federal income tax purposes, upon order of the Chairman or General Manager of the Board be expended to pay costs of such System facilities as the Board may determine.

Section 13. Collection and Application of Revenues of System. All provisions set forth in Section 7 of the 1963 Ordinance with reference to the creation of the funds and accounts therein established and continued and the collection, segregation and distribution of revenues of the System are hereby ratified and confirmed in all respects, and it is further provided that said funds and accounts shall be continued for the benefit of the First Lien Parity Bonds. For purposes of clarity, those provisions are hereinafter set out in substance, with appropriate modifications recognizing the existence of the Series 2013A Bonds, ranking on a parity with the Series 2003B Bonds, the Series 2013B Bonds and the 2007 KRWFC Loan, and applicable federal tax rules. From and after the issuance and delivery of the Series 2013A Bonds, and so long as any thereof remain outstanding, the System shall continue to be operated as a revenue producing public project and the income and revenues of the System shall continue to be set aside into a separate and special fund designated the “Water and Sewer Revenue Fund” (the “Revenue Fund”) to be used and apportioned as follows:

(a) Bond Fund. There shall be set aside and deposited in the City’s “Water and Sewer Bond and Interest Redemption Account” (the “Bond Fund”), created by the 1963 Ordinance and hereby continued, amounts sufficient to pay when due the interest on and the principal of the First Lien Parity Bonds. Such deposits to the Bond Fund shall be made on or before the first day of each month in amounts sufficient to pay at least one-sixth (1/6) of the interest on the First Lien Parity Bonds coming due on the next semiannual interest payment date (May 1 or November 1 for the Series 2003B Bonds, the Series 2013A Bonds and the Series 2013B Bonds and January 1 and June 1 for the 2007 KRWFC Loan) and at least one twelfth (1/12) of the principal (if any) of the First Lien Parity Bonds coming due on the next principal payment date (May 1 for the Series 2003B Bonds, the Series 2013A Bonds and the Series 2013B Bonds and January 1 for the 2007 KRWFC Loan); provided that no later than the first day of the month before the first interest payment date following the issuance of the Series 2013A Bonds there should be paid into the Bond Fund the amount of any deficiency in the amount of interest to be due on such first interest payment date, if any.

Upon issuance of the Series 2013A Bonds, the reserve in the Bond Fund prescribed in the 1963 Ordinance shall be and constitute a separate and segregated subaccount within the Bond Fund identified as the “Reserve Account” and shall be funded in an amount sufficient to cause the balance in the Reserve Account to be equal to the Reserve Amount. The term “Reserve

Amount” as used in this Ordinance means the sum of the reserve permitted for each issue of First Parity Lien Bonds (excluding the 2007 KRWFC Loan), such reserve for each issue to be equal to the least of: (i) the maximum annual principal and interest requirements on the outstanding principal owed by the City pursuant for such issue (for annual periods ending May 1); (ii) an amount equal to 125% of the average annual principal and interest requirements for such issue (for annual periods ending May 1); and (iii) an amount equal to 10% of the proceeds, within the meaning of Section 148(d) of the United States Internal Revenue Code of 1986, as amended (the “Code”), for such issue, all as prescribed in Section 1.148-2(f) of the Income Tax Regulations, as amended, promulgated under the Code. Whenever the balance in the Reserve Account is less than the Reserve Amount, such deficiency shall be replenished to and maintained at the required Reserve Amount from the first available revenues of the System (and in any event at least 20% of the required monthly deposit to the Bond Fund), after providing for operation and maintenance costs. If additional parity bonds are issued as herein permitted, there shall be paid into the Reserve Account: (i) an amount of parity bond proceeds sufficient to fund the Reserve Account to the Reserve Amount; or (ii) from the Revenue Fund, in equal monthly installments in addition to any other sums required to be paid therein, sums that will result in the accumulation within five (5) years from the date of issuance of such additional parity bonds of an aggregate sum in the Reserve Account equal to the Reserve Amount.

If in any month the City shall for any reason fail to pay into the Bond Fund, including the Reserve Account, the full amounts above stipulated, then an amount equal to such deficiency shall be set apart and paid into the Bond Fund, or the Reserve Account therein as the case may be, from the first available revenues of the System in the following month or months, and such payments shall be in addition to the amounts above provided to be set apart and paid into the Bond Fund, including the Reserve Account, during such succeeding month. If for any reason the City shall fail to make a required payment into the Bond Fund during any month, moneys then held in the Reserve Account shall be used to pay any portion of interest on or principal of the First Lien Parity Bonds (excluding the 2007 KRWFC Loan) becoming due as to which there would otherwise be a default, but the Reserve Account shall be reimbursed from the first payments thereafter made into the Bond Fund in excess of the required payments.

When the first day of any month shall be a Sunday or a legal holiday, payments into the Bond Fund, including the Reserve Account, shall be made on the next succeeding business day.

No further payments need be made into the Bond Fund when the amount then held in the Bond Fund, including the Reserve Account, is at least equal to the entire amount required for retiring all outstanding bonds and notes payable therefrom and paying all interest that will accrue at the time of such retirement.

All moneys held in the Bond Fund, including the Reserve Account, shall be deposited at the Paying Agent and Bond Registrar, or such other bank or banks as the Board may designate (individually or jointly, as the case may be, referred to as the “Depository Bank”), and all such deposits which cause the aggregate deposits of the City in any one bank to be in excess of the amount insured by FDIC or one of its agencies shall be continuously secured by a valid pledge of direct obligations of the United States of America having an equivalent market value. All or any part of the Bond Fund may, except that the Reserve Account, shall, be invested in Investment Obligations, as defined in Section 14 hereof, maturing or being subject to retirement at the option

of the holder not more than five (5) years from the date of the investment or on such dates as the same may be needed for meeting interest or principal payments, and all such investments shall be carried to the credit of the Bond Fund or the Reserve Account therein, as the case may be, whichever supplied the funds for such investments; but the income from such investments shall be credited to the Bond Fund and not to the Reserve Account unless the balance in the Reserve Account is less than the Reserve Amount, in which event such interest income shall be credited to the Reserve Account. Any amount in the Reserve Account in excess of the Reserve Amount shall be transferred to the Bond Fund and applied as credit against payments into the Bond Fund from the Revenue Fund as described above in this subsection (a). Investment Obligations in the Reserve Account shall be valued at least annually and each such Investment Obligation shall be valued at the fair market value thereof or, for a plain par investment within the meaning of Treasury Regulations Section 1.148-5(d) or any successor provision, at the outstanding stated principal amount thereof plus any accrued unpaid interest.

The Bond Fund shall be used solely and is hereby pledged for the purpose of paying principal of and interest on the First Lien Parity Bonds that may be outstanding from time to time except that any and all funds held in the Reserve Account shall be used solely and is hereby pledged solely for the purpose of paying principal of and interest on the Series 2003A Bonds, the Series 2013B Bonds and the Series 2013A Bonds; and unless all bonds payable from the Bond Fund at the time outstanding are to be then retired, only such part of the Bond Fund shall be used to purchase or redeem bonds in advance of maturity as may be in excess of the Reserve Amount and the interest and principal becoming due within the succeeding twelve (12) months on all bonds which by their terms are payable from the Bond Fund.

(b) Operation and Maintenance Fund. There was created by the 1963 Ordinance a special fund known as the City's "Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), which shall continue to be maintained so long as any of the First Lien Parity Bonds remain outstanding, and from the balance of the income and revenues remaining in the Revenue Fund after the aforesaid payments into the Bond Fund there shall be set aside on the first day of each month into the Operation and Maintenance Fund such amount as may be determined to be necessary and sufficient to pay the reasonable and current expenses of operating and maintaining the System for the current month, and provided that no expenditures for capital improvements may be made therefrom and the amount to be retained and maintained in the Operation and Maintenance Fund shall at all times be equal to the estimated cost of operation and maintenance of the System for a period of three (3) months.

(c) Depreciation Fund. There was created by the 1963 Ordinance a special fund known as the City's "Water and Sewer Depreciation Fund" (the "Depreciation Fund"), which shall continue to be maintained so long as any bonds are outstanding pursuant hereto, and 40% of the balance of the income and revenues remaining in the Revenue Fund after the aforesaid payments into the Bond Fund and Operation and Maintenance Fund or the sum of \$5,000, whichever amount is the greater, shall be set aside on the first day of each month into the Depreciation Fund; provided, however, that such monthly payment into the Depreciation Fund shall be increased on recommendation of the consulting engineer referred to in Section 18 hereof, and provided further that the aforesaid prescribed payments shall continue to be made into the Depreciation Fund so long as any of the First Lien Parity Bonds remain outstanding without regard to any prescribed minimum level for said Fund. The Depreciation Fund shall be

used to set up reasonable reserves for renewals, replacements, new construction and contingencies in the operation of the System, and provided also that withdrawals and disbursements shall be made from the Depreciation Fund to meet the payment of interest on or principal of any revenue bonds to whatever extent and if for any reason funds in the applicable sinking funds should be insufficient for that purpose. Such part of the Depreciation Fund as may be in excess of \$300,000 may (on written recommendation of the consulting engineer referred to in Section 18 hereof) be used to purchase or redeem bonds in advance of maturity in accordance with subparagraph (a) of this Section 13. All funds in the Depreciation Fund shall be kept apart from all other municipal funds and shall be deposited and secured in the manner as herein provided for the deposit and security of the Bond Fund, or all or any part of the Depreciation Fund may be invested in Investment Obligations as described in Section 14 hereof having a maturity date or being subject to redemption at the option of the holder within not more than five (5) years after the date of investment therein, and all such investments as well as all income therefrom shall be carried to the credit of the Depreciation Fund.

(d) Excess Income and Revenues. Each month, after all the specified and required transfers and payments into the special funds hereinbefore provided have been made, if there is a balance of income and revenues remaining in the Revenue Fund in excess of the estimated amounts required to be so transferred and paid into said special funds during the succeeding two (2) months, all or any part of such excess may be paid into the Depreciation Fund or may be used for the payment of the interest on and principal of any other obligations of the City incurred in connection with the System, but shall not be available for any other purpose.

(e) Deposits In Excess of FDIC Limitation. All moneys held in each of the Operation and Maintenance Fund and the Depreciation Fund 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 in the Depository Bank to be in excess of the amount insured by FDIC or one of its agencies shall (unless invested in Investment Obligations as hereinafter defined in Section 14) be secured by a surety bond or bonds or by pledge of direct obligations or by guaranteed bonds or securities of the United States Government having a market value equivalent to such deposit.

Section 14. Investments. As used in this Ordinance, the term "Investment Obligations" shall mean any of the following, if and to the extent the following are legal investments for the moneys held in the funds and accounts established pursuant to this Ordinance: (a) direct general obligations of, or obligations the payment of the principal of and interest on which are unconditionally guaranteed by, the United States of America, and any certificate or other evidence of an ownership interest in any such securities or in specified portions thereof consisting of the principal thereof or the interest thereon or any combination thereof; (b) savings accounts, interest bearing time deposits or certificates of deposit in any bank or trust company authorized to engage in the banking business the deposits of which shall be insured by the FDIC and having a combined capital and surplus aggregating not less than Ten Million Dollars (\$10,000,000); provided, however, that each such deposit shall be continuously secured (to the extent not insured by FDIC) by lodging with a bank or trust company approved by the City, as custodian, collateral security in the form of obligations described in (a) above having a market value at all times (exclusive of accrued interest) not less than the amount of such deposit, which collateral security must be unencumbered and not otherwise pledged and shall be

subject to a perfected first lien for the benefit of the City; (c) repurchase agreements, with banks or trust companies as described in (b) above and whose outstanding debt obligations are rated "A" or better by Moody's Investors Service, Inc., continuously secured as provided in (b) above; and (d) money market funds composed of securities listed in (a) above and rated "Aaa" by Moody's Investors Service, Inc., or "AAA" by Standard & Poor's Ratings Services.

Section 15. Maintenance of Rates. While the Series 2013A Bonds authorized hereunder, or any of them, remain outstanding and unpaid the rates for all services rendered by the System to the City and to its citizens, corporations or other customers shall be reasonable and just, taking into account and consideration the cost and value of said properties and the cost of maintaining and operating the System, the proper and necessary allowances for depreciation thereof and the amounts necessary for the retirement of all bonds and the accruing interest on all such bonds as may be issued and outstanding and which by their terms are payable in any manner from the income and revenues of the System; provided, however, that no schedule of rates and charges for water and sewer services from time to time in effect shall be reduced unless or until all payments into the various special funds referred to in this Ordinance are current and there shall have been procured the written determination of a consulting engineer having the qualifications prescribed in Section 18 hereof approving such reduction and stating that such revised rates and charges will produce income and revenues sufficient to provide for all expenses of operation, repair and maintenance of the System and leave a balance each year equal to at least 1.30 times the maximum amount required in any succeeding calendar year to pay when due all bonds and interest thereon for the payment of which such income and revenues have or shall have been pledged, charged or otherwise encumbered. There shall be charged against all users of the services and facilities of the System, including the City, such rates and amounts as shall be adequate to meet the requirements of this and the preceding sections hereof. Compensation for services rendered to the City shall be charged against the City and payment for same from the corporate funds shall be apportioned as other income and revenues.

Section 16. Certain Covenants. The City hereby covenants and agrees with the holder or holders of any and all of the Series 2013A Bonds that so long as the same or any part thereof remain outstanding and unpaid it will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the Commonwealth of Kentucky, including the making and collecting of reasonable and sufficient rates for services rendered thereby, and will segregate the income and revenues and make application thereof into the respective funds, as provided in this Ordinance; and the City hereby irrevocably covenants, binds and obligates itself not to sell, lease, mortgage or in any manner dispose of said properties, including any and all extensions thereto (unless they are no longer necessary or useful in the operation of the System), until all of the Series 2013A Bonds herein authorized and parity bonds shall have been paid in full, as to both principal and interest; and the City further covenants and agrees with the holders of the Series 2013A Bonds, so long as any of the Series 2013A Bonds are outstanding and unpaid, to maintain in good condition and continuously operate the System as a combined and consolidated municipal public project, and that such rates and charges for services rendered thereby will be imposed and collected so that the gross revenue will be sufficient at all times to make the prescribed payments into the several special funds as hereinbefore provided, as well as pay the costs of operation, repair or maintenance of the System.

Section 17. Enforcement and Remedies. Any holder of the Series 2013A Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by the City and its officers and agents of all duties and obligations imposed or required by law or this Ordinance in connection with the operation of the System, including the making and collecting of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Series 2013A 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 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 the System, and for the payment of the operating expenses, and to apply the income and revenues in conformity with this Ordinance, the Series 2013B Ordinance, the Series 2003B Ordinance, the 2007 KRWFC Assistance Agreement and the provisions of KRS Chapter 58.

Section 18. Parity Bonds Permitted; Terms. The Series 2013A Bonds herein authorized to be issued and the bonds ranking on a parity therewith from time to time outstanding shall not be entitled to priority one over the other in the application of the revenues of the System, regardless of the time or times of their issuance, it being the intention of the Council that there shall be no priority among the Series 2013A Bonds and parity bonds authorized or permitted to be issued under the provisions of the Series 2003B Ordinance, the Series 2013B Ordinance, the 2007 KRWFC Assistance Agreement and this Ordinance, regardless of the fact that they may be actually issued and delivered at different times. The City hereby continues to reserve the right and privilege of issuing additional bonds from time to time, payable from income and revenues of the System ranking on a parity with the Series 2003B Bonds, the Series 2013A Bonds, the Series 2013B Bonds and the 2007 KRWFC Loan (the "Existing First Lien Parity Bonds") in order to pay the cost of further extensions, betterments and improvements to the System; provided, that before any such additional bonds ranking on a parity may be so issued there has been procured and filed with the City Clerk a statement by an independent certified public accountant not in the regular employ of the City reciting the opinion, based upon necessary investigation, that the net income and revenues of the System for twelve (12) consecutive months out of the eighteen (18) months preceding the issuance of said additional parity bonds (with adjustments as hereinafter provided) were equal to at least 1.30 times the maximum amount that will become due in any calendar year for both principal and interest on the bonds then outstanding and the bonds then proposed to be issued. "Net income and revenues" as herein used are defined as gross income and revenues less operating expenses which shall include salaries, wages, cost of maintenance and operation, materials and supplies, pumping costs and insurance, as well as all other items that are normally and regularly so included under recognized accounting practices (and including debt service on subordinate obligations), exclusive of allowance for depreciation. The "net income and revenues" may be adjusted for the purpose of the foregoing computations to reflect any revision in the schedule of rates or charges being imposed at the time of the issuance of any such additional parity bonds, and also to reflect any increase in such income and revenues by reason of the extensions and improvements to the System, the cost of which is to be paid through the issuance of such additional parity bonds, but such latter adjustment shall only be made if contracts for the immediate construction or acquisition of such extensions and improvements have been or will be

entered into before the issuance of such additional parity bonds. All such adjustments shall be based upon written certification by an independent consulting engineer or firm of consulting engineers of national reputation in the field of waterworks and sanitary engineering and licensed in Kentucky and not in the regular employ of the City.

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

The additional parity bonds (sometimes herein referred to as "permitted" to be issued), the issuance of which is restricted and conditioned by this Section 18, shall be understood to mean bonds payable from the revenues of the System on a parity with the Existing First Lien Parity Bonds and shall not be deemed to include nor prohibit the issuance of other obligations the security and source of payment of which are subordinate and subject to the priority of the payments into the Bond Fund for account of the First Lien Parity Bonds. Provided, however, that nothing in this Section 18 is intended to restrict or shall be construed as a restriction upon the ordinary refunding of the Series 2013A Bonds herein authorized, and/or any bonds which may have been issued and are outstanding under any of the provisions of the Series 2003B Ordinance, the Series 2013B Ordinance, the 2007 KRWFC Assistance Agreement or this Ordinance, if such refunding does not operate to increase, in any year until the final maturity of the refunding bonds, the aggregate of the principal and interest requirements of the bonds to remain outstanding and the bonds proposed to be refunded.

Section 19. Insurance. It is hereby covenanted and agreed that so long as any of the First Lien Parity Bonds are outstanding the City will carry for the benefit of the holders of the First Lien Parity Bonds adequate fire and windstorm insurance on all buildings and structures of the System which are subject to loss through fire or windstorm and will carry adequate public liability insurance, and will carry for the benefit of the holders of said bonds insurance of the kinds and in the amounts normally carried in the operation of similar properties in Kentucky. All moneys received for losses under any of such insurance policies, except public liability, shall be paid into the Depreciation Fund and such payments shall not reduce the amounts otherwise required to be paid into said Fund. Disbursement of such proceeds shall be made in the same manner and for the same purposes as are other disbursements made from the Depreciation Fund.

Section 20. Accounting. The City hereby covenants and agrees it will cause proper books and accounts adapted to the System to be kept and will cause the books and accounts to be audited annually by a recognized independent certified public accountant or firm of certified public accountants and will make generally available to the holders of any of the Series 2013A Bonds the balance sheet and the profit and loss statement of the System as certified by such accountants. The holders of any of the Series 2013A Bonds shall have at all reasonable times the right to inspect the System and the records, accountants and data of the City relating thereto.

Section 21. City Officials to Be Bonded. The City will cause each municipal official or other person having custody of any moneys administered under the provisions of this Ordinance to be bonded at all times in an amount equal to the maximum amount of such moneys in his or her custody at any time. The City will segregate and earmark such funds, consistent with this Ordinance, in such manner as to enable the City to obtain the benefit of the lowest

possible surety premium rates on such surety bond or bonds. Each such bond shall have a surety given by a surety corporation qualified or authorized to do business in Kentucky, and approved by the City Council or the Board, and the premium of such surety bond shall constitute a proper expense of operating and maintaining the System, and may be paid from the moneys available in the Operation and Maintenance Fund.

Section 22. Covenant to Require Use of Sewer System. The City agrees that during the time that any of the First Lien Parity Bonds are outstanding, it will take all such steps as may be necessary to cause the owners of all properties abutting upon any sewer lines of the City to connect thereto and to keep connected thereto all sanitary sewage drain pipes on such properties, and will maintain in effect an ordinance imposing such requirements. The foregoing covenant shall be in favor of and enforceable by the holders of the First Lien Parity Bonds in accordance with the provisions herein contained. If the City fails to take such steps it may be required to do so by such bondholders.

Section 23. Management of System. It is hereby represented and declared that pursuant to Ordinance No. 550 adopted September 7, 1945, as amended or supplemented by Ordinances Nos. 602, 831, 874, 76-004, 86-002 and 89-017 adopted November 3, 1950, December 17, 1959, January 18, 1962, June 3, 1976, March 6, 1986, and August 17, 1989, respectively, the management, control and operation of the System have been vested in the Board and it is hereby covenanted and agreed that so long as any of the First Lien Parity Bonds remain outstanding the management, control and operation of the System will continue to be vested in and carried out by the Board created, appointed and functioning as provided in the respective Ordinances aforesaid.

Section 24. Tax Covenants and Representations. The City certifies, covenants and agrees that so long as any of the Series 2013A Bonds remain outstanding, moneys on deposit in any fund or account in connection with the Series 2013A Bonds, whether or not such moneys were derived from the proceeds of the sale of the Series 2013A Bonds or from any other sources, will not be invested or used in a manner which will cause the Series 2013A Bonds to be "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the United States Internal Revenue Code of 1986, as amended (the "Code"), and any lawful regulations promulgated or proposed thereunder, as the same presently exist or may from time to time hereafter be amended, supplemented or revised. The Mayor, City Clerk and Finance Director, as the officers of the City charged with the responsibility for issuing the Series 2013A Bonds, are authorized and directed, for and on behalf of the City, to execute all papers, documents, certificates and other instruments that may be required for evidencing compliance with federal tax rules, and any representations and certifications contained in such papers, documents, certificates and other instruments so executed shall be deemed to constitute representations and certifications of the City.

The City further represents, warrants, agrees, covenants and certifies as follows:

(a) Private use Limitations. Within the meaning of Code Section 141, and the Income Tax Regulations issued thereunder, over the term of the Series 2013A Bonds: (i) less than 10% of the proceeds of the Series 2013A Bonds, if any, will be applied for any private business use, and the payment of the principal of or interest on less than 10% of the amount of

the Series 2013A Bonds, if any, will be secured directly or indirectly by any interest in property used for a private business use, or payments in respect of such property, or will be derived directly or indirectly from payment (whether or not to the City) in respect of such property; (ii) at least 90% of the proceeds of the Series 2013A Bonds will be applied for a governmental use of the City; (iii) any private business use of the facilities refinanced by the Series 2013A Bonds will be related to such governmental use of the City and will not be unrelated or disproportionate; and (iv) none of the proceeds of the Series 2013A Bonds will be used, directly or indirectly, to make or finance loans to private persons. It is reasonably expected that over the term of the Series 2013A Bonds: (1) the facilities refinanced by the Series 2013A Bonds will be available for general public use, in that it will be reasonably available for use by natural persons not engaged in a trade or business on the same basis as any other person or entity; (2) no nongovernmental person will have any special legal entitlement to use the facilities refinanced by the Series 2013A Bonds; and (3) there will be no direct or indirect payment made with respect to the facilities refinanced by the Series 2013A Bonds or the security of the Series 2013A Bonds by any persons or entities other than payment by the general public as described in clause (1) above.

(b) Expenditure of Proceeds. All of the proceeds (including investment proceeds) of the Series 2013A Bonds will be expended on or before September 30, 2016. The City will take all action necessary to comply with the applicable arbitrage rebate requirements of Code Section 148(f) in respect of the Series 2013A Bonds.

(c) No Federal Guarantee. The Series 2013A Bonds are not federally guaranteed within the meaning of Code Section 149(b).

(d) Reporting Requirements. The City will comply with the information reporting requirements of Code Section 149(e).

(e) Expectations Regarding Facilities Financed. It is reasonably expected that, during the term of the Series 2013A Bonds, the facilities financed by the Series 2013A Bonds will not be disposed of; provided, however, should there be any disposition of any personal property constituting a part of the facilities financed by the Series 2013A Bonds because it is no longer suitable for its governmental purpose, it is reasonably expected that the fair market value of such personal property will not exceed 25% of its costs.

(f) Maintenance of Tax Exemption. The City will not use or permit the use of any of the funds provided by the Series 2013A Bonds in such a manner as to, or take or omit to take any action which would, impair the exclusion from gross income for federal income tax purposes of interest on the Series 2013A Bonds. The City shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the City on the Series 2013A Bonds shall, for the purposes of federal income taxation, be excludable from gross income.

(g) Bank Qualified Status. Within the meaning of Section 265(b) of the Code, the 2013A Bonds are “qualified tax-exempt obligations” and are hereby so designated by the City for purposes of Section 265(b)(3) of the Code, and in this connection the City states that the reasonably anticipated amount of qualified tax-exempt obligations (other than private activity

bonds and current refunding bonds not exceeding the amount of the refunded obligations) which will be issued by the City during calendar year 2013 does not exceed \$10,000,000.

Section 25. Defeasance. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the holders of all Series 2013A Bonds the total principal and interest due or to become due thereon at the times and in the manner stipulated therein and in this Ordinance, then the pledge of this Ordinance, and all covenants, agreements and other obligations of the City to the Bondholders, shall thereon cease, terminate and become void and be discharged and satisfied.

Whenever there shall be held irrevocably in the Bond Fund or an escrow fund established for such purpose either: (a) moneys in an amount which shall be sufficient; or (b) direct obligations of or obligations fully guaranteed by the United States of America, including such obligations issued or held in book-entry form, the principal of and interest on which when due (without consideration of reinvestment income) will provide moneys which, together with other moneys, if any, then on deposit in the Bond Fund or such escrow fund, shall be sufficient to pay when due the principal of and interest on the Series 2013A Bonds or any part thereof to and including the date on which the Series 2013A Bonds or any of them will be redeemed in accordance with this Ordinance, or the maturity date or dates thereof, as the case may be, then and in any of said events all such Series 2013A Bonds shall be deemed to have been paid within the meaning and with the effect expressed above in this Section 25, and the Paying Agent and Bond Registrar shall and is hereby instructed to mail, via first class mail, irrevocable notice thereof to the holders of such Series 2013A Bonds, such notice to contain a statement that the cash and obligations as provided above are held in the Bond Fund or such escrow fund, that such Series 2013A Bonds are deemed to have been paid in accordance with this Section 25, and a statement of the maturities or redemption date or dates on which the moneys are or will become available for the payment of the amounts due. Thereafter the holders of such Series 2013A Bonds shall be entitled only to payment out of the cash and obligations deposited as aforesaid.

The provisions of the immediately foregoing paragraph are subject to the limitation that no discharge and release of the pledge of this Ordinance shall be accomplished through the use of any funds or investments which, in the opinion of the City's Bond Counsel, would adversely affect the exclusion of interest on any such Series 2013A Bonds from gross income for federal income tax purposes.

Section 26. Rebate Fund. The following terms when used hereinafter shall have the indicated meanings:

“Computation Period” means, with respect to the Series 2013A Bonds, the period of time over which Excess Earnings are required to be computed under Code Section 148(f), and applicable regulations thereunder.

“Cumulative Excess Earnings” means the amount of all Excess Earnings earned from the date of original delivery of the Series 2013A Bonds through the end of the relevant computation date, less the amount of any Excess Earnings paid to the United States pursuant to this Section 26.

“Excess Earnings” means an amount equal to the sum of (i) plus (ii) where:

- (i) is the excess of:
 - (1) the aggregate amount earned on all nonpurpose investments in which gross proceeds of the Series 2013A Bonds are invested (other than investments attributable to an excess described in this clause (i)), over
 - (2) the amount which would have been earned if such nonpurpose investments (other than amounts attributable to an excess described in this clause (i)) were invested at a rate equal to the yield on the Series 2013A Bonds; and
- (ii) is any income attributable to the excess described in clause (i).

The sum of (i) plus (ii) shall be determined in accordance with Code Section 148(f). As used herein, the terms “gross proceeds,” “nonpurpose investments” and “yield” have the meanings assigned to them for purposes of Code Section 148(f).

The City of Georgetown, Kentucky, Water and Sewer Revenue Bonds, Series 2013A Rebate Fund (the “Rebate Fund”), is hereby created. Amounts from time to time held in the Rebate Fund, if any, shall be invested in Investment Obligations (to the extent practicable), shall not be subject to the pledge of this Ordinance, shall not constitute a part of the funds held for the benefit of the holders of the Series 2013A Bonds and shall be dedicated to the United States of America to the extent of any obligation on the part of the City to rebate to the United States Cumulative Excess Earnings.

Within ten (10) days after the end of each Computation Period and within ten (10) days after the payment in full of all outstanding Series 2013A Bonds, the City shall calculate the amount of Cumulative Excess Earnings as of the end of that Computation Period or the date of such payment, and shall also determine the amount then on deposit in the Rebate Fund. If the amount then on deposit in the Rebate Fund is in excess of the Cumulative Excess Earnings, the City shall forthwith deposit that excess amount in the Bond Fund. If the amount then on deposit in the Rebate Fund is less than the Cumulative Excess Earnings, the City shall within ten (10) days deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Cumulative Excess Earnings. Within thirty (30) days after the end of the fifth anniversary date of the issuance of the Series 2013A Bonds and every such fifth anniversary date thereafter, the City shall pay to the United States in accordance with Code Section 148(f) from the moneys then on deposit in the Rebate Fund an amount equal to 90% (or such greater percentage not in excess of 100% as the City may direct) of the Cumulative Excess Earnings as of the end of such fifth anniversary date. Within sixty (60) days after the payment in full of all outstanding Series 2013A Bonds, the City shall pay to the United States in accordance with Code Section 148(f) from the moneys then on deposit in the Rebate Fund an amount equal to 100% of the Cumulative Excess Earnings as of the date of such payment and any moneys remaining in the Rebate Fund following such payment shall be paid to the Bond Fund.

Section 27. Sale of Series 2013A Bonds. It is hereby ordered that a Notice of Bond Sale be published in the newspapers required by law soliciting sealed, competitive bids for the

purchase of the Series 2013A Bonds, the same to be received by the Finance Director of the City at her office in Georgetown, Kentucky, until a specified hour and day, as determined by the Mayor, the City Clerk or the Finance Director of the City (which time for receipt of bids may be rescheduled by the Mayor, the City Clerk or the Finance Director of the City, upon the advice of the Financial Advisor, J.J.B. Hilliard, W.L. Lyons, LLC (the "Financial Advisor"), to any date before or on June 30, 2014). The bids theretofore received shall be publicly opened and then considered by the Financial Advisor on behalf of the City, and the best bid or bids, as the case may be, shall be determined by the Financial Advisor, with the approval of the Mayor, the City Clerk or the Finance Director of the City. The City reserves the right to increase or to decrease by an amount not exceeding \$475,000 (in \$5,000 denominations) the total amount of Series 2013A Bonds sold to the best bidder by increasing or decreasing any of the stipulated principal maturities, and the right to adjust principal maturities without changing the total amount of Series 2013A Bonds sold. In the event of any such adjustment, no rebidding or recalculating of the bids submitted will be required or permitted. The price at which such adjusted amount of Series 2013A Bonds will be sold will be at the same price per \$1,000 of Series 2013A Bonds as the price bid per \$1,000 for the aggregate principal amount of Series 2013A Bonds stipulated in the successful bid.

Bidders shall have the option of specifying that all of the principal amount of Series 2013A Bonds maturing on any two or more consecutive dates set out in the schedule in Section 3(a) hereof may, in lieu of maturing on each of such dates, be combined to comprise one maturity of 2013A Bonds ("Term Bonds") scheduled to mature on the latest of such dates and be subject to mandatory sinking fund redemption at par in the manner described in Section 4(a) hereof on each of the dates and in the principal amounts as set out in said schedule (subject to adjustment as herein provided), except for the principal amount of Series 2013A Bonds scheduled to mature on the date of maturity of the Term Bonds, which shall mature on such date. Bidders may specify one or more of such Term Bonds.

The Notice of Bond Sale shall be published as required by law, not less than seven (7) days and not more than twenty-one (21) days in advance of the date stated therein for the opening and consideration of purchase bids, making reference to the Notice and Official Terms and Conditions of Bond Sale and the Preliminary Official Statement hereinafter described. In the Notice and Official Terms and Conditions of Bond Sale hereinafter described, bidders shall be instructed, among other things, to offer a specified price in dollars and cents for the Series 2013A Bonds, to specify one or more interest rates of their own choosing in multiples of 1/8 or 1/20 of 1.0% and not more than one rate to be stipulated for a single maturity, to offer a price in dollars and cents for the entire issue of Series 2013A Bonds and not to offer less than 98.0% of par value.

The Financial Advisor, which will not submit a bid or bids for the Series 2013A Bonds at the public sale thereof, is acting as financial advisor to the City in connection with the issuance of the Series 2013A Bonds and will receive a fee, payable from Series 2013A Bond proceeds, for its services as Financial Advisor.

Upon the occasion of the receipt of bids, and after examination and analysis by the Financial Advisor and approval of the Mayor, the City Clerk or the Finance Director of the City, or upon approval of the City Council by resolution or municipal order, the Mayor, the City Clerk

and the Finance Director of the City, or each of them, are hereby authorized to and shall establish the rates of interest on and the total amount and principal maturities and mandatory sinking fund installments, if any, of the Series 2013A Bonds by completion and execution of the acceptance on the Official Bid Form or Official Bid Forms, as the case may be, of the successful bidder or bidders, a copy of which document or documents shall be filed in the official records of the City, provided that the net average interest rate on the Series 2013A Bonds shall not exceed 8.0% per annum.

A Notice of Bond Sale having been prepared in advance by Stoll Keenon Ogden PLLC, Bond Counsel, and having been examined and found to conform to the statutory requirements, said document is hereby approved and shall be signed by the Mayor, the City Clerk or the Finance Director of the City and its use in advertising the Series 2013A Bond sale is approved and authorized.

A Notice and Official Terms and Conditions of Bond Sale having also been prepared in advance, in order to give a more complete description of the Series 2013A Bonds and specific instructions (including conditions not recited herein) calculated to bring about uniformity in the bidding, and containing the Official Bid Forms, and the document having been examined by the City Council, is hereby approved and authorized, subject to such modifications in accordance with the provisions and intent of this Ordinance as may be determined by the Financial Advisor and approved by the representative of the City executing the document, and shall be executed by the Mayor, the City Clerk or the Finance Director of the City and furnished to interested bidders who may request it.

In addition to the foregoing, on the recommendation of the Financial Advisor, bids may be taken or submitted electronically (provided all electronic proposals shall be deemed to incorporate in substance the provisions of the Official Bid Form). Any bid transmitted electronically shall be submitted through BIDCOMP/PARITY® and no other provider of electronic bidding services will be accepted. Bidders submitting an electronic proposal must fulfill any requirements of the bidding service provider over and above the requirements of the City set forth in the Notice and Official Terms and Conditions of Bond Sale. Electronic bidding for the Bonds shall be made available to bidders solely as a courtesy by the City. The City shall assume no responsibility or liability for bids submitted through the electronic bidding service provider. Without limiting the generality of the foregoing disclaimers, the City does not assume responsibility for any communications or negotiations between bidders and the electronic bidding service provider, or for any failure of the provider to accurately or timely submit any electronic proposal. Any electronic proposal shall be deemed to incorporate all of the provisions of the applicable Official Bid Form and the Notice and Official Terms and Conditions of Bond Sale. Each bidder shall be solely responsible for making necessary arrangements to access the electronic bidding service provider for purposes of submitting such bidder's bid in a timely manner and in compliance with the requirements of the City. The City shall have no duty or obligation to provide or assure such access to any bidder. The City shall not be responsible for proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, the provider's service. The City shall use the provider's service solely as a communication mechanism, and not as the City's agent, to conduct the electronic bidding for the Bonds. If any provision in the Notice and Official Terms and Conditions of Bond Sale (herein

approved) conflicts with information provided by the electronic bidding service provider, the Notice and Official Terms and Conditions of Bond Sale shall control.

In addition, in connection with the Series 2013A Bond sale, the City has caused to be prepared a Preliminary Official Statement (the "Preliminary Official Statement") setting forth relevant information concerning the issuance of the Series 2013A Bonds, including, *inter alia*, financial data relating to the City. The Preliminary Official Statement and the use thereof by the City in offering and selling the Series 2013A Bonds, with such modifications in accordance with the provisions and intent of this Ordinance as may be recommended by the Financial Advisor and approved by the Mayor, the City Clerk or the Finance Director of the City, is hereby expressly approved, the City, through certain of its officials and employees, having reviewed the Preliminary Official Statement and having found the factual statements and the data therein to be accurate. The Preliminary Official Statement shall be supplemented following sale of the Bonds, and the Mayor is authorized to approve and sign such supplemented or final Official Statement on behalf of the City, which is authorized for distribution in connection with the sale of the Series 2013A Bonds. The Preliminary Official Statement is in a form "deemed final" by the City for purposes of SEC Rule 15c2-12(b)(1) but, as aforesaid, is subject to supplementation and completion following sale of the Series 2013A Bonds. The Mayor, the City Clerk and the Finance Director of the City, and each of them, are also hereby authorized and directed, on the recommendation of the Financial Advisor, to cause the Notice and Official Terms and Conditions of Bond Sale (including the Official Bid Form) and the Preliminary Official Statement and/or the final Official Statement to be posted on the Internet and through one or more nationally recognized municipal market information service providers. The electronic or physical distribution of the Notice and Official Terms and Conditions of Bond Sale (including the Official Bid Form) and the Preliminary Official Statement as herein provided is hereby ratified, authorized and approved. If any provision in the Notice and Official Terms and Conditions of Bond Sale, herein approved, conflicts with information provided by an electronic information service provider, the Notice and Official Terms and Conditions of Bond Sale as herein approved shall control.

The Mayor, the City Clerk and the Finance Director of the City, and each of them, together with the Financial Advisor, are further authorized to make such modifications to documents, including without limitation the provisions of this Ordinance that are not in conflict with other provisions hereof and are necessary or desirable in connection with any rescheduling of the date of sale of the Series 2013A Bonds as provided in the first paragraph of this Section 27, and to enter into and to execute on behalf of the City any and all certificates, opinions, instruments and documents as may be necessary or desirable to effectuate the sale and issuance of the Series 2013A Bonds.

Section 28. Continuing Disclosure. Before the issuance of the Series 2013A Bonds, the City shall execute a Continuing Disclosure Certificate dated the date of issuance and delivery of the Series 2013A Bonds, which document, as originally executed and as it may be amended from time to time in accordance with the terms thereof, is hereinafter referred to as the "Continuing Disclosure Certificate." The City hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Ordinance, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an event of default under this

Ordinance; however, any holder of a Series 2013A Bond may take such action as may be necessary to obtain specific performance by court order to cause the City to comply with its obligations under this Section 28.

Section 29. Ordinance as Contract. The provisions of this Ordinance shall constitute a contract between the City and the holders of the Series 2013A Bonds and any additional parity bonds, and after the issuance of any of said bonds no material change of any kind in the provisions of this Ordinance shall be made in any manner except as herein provided, until such time as all of said bonds issued hereunder and interest thereon have been paid or provided for in full by defeasance as provided in Section 25 hereof or as otherwise provided herein.

The City may specifically make any amendment or change herein: (a) to evidence the succession of an institution as Paying Agent and Bond Registrar; (b) to cure any ambiguity or to cure, correct or supplement any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto; (c) to grant to or confer on the Paying Agent and Bond Registrar for the benefit of the holders of the Series 2013A Bonds any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with this Ordinance as theretofore in effect; (d) to permit the Paying Agent and Bond Registrar to comply with any obligations imposed on it by law; (e) to achieve compliance of this Ordinance with any federal tax law, regulation or ruling; (f) to maintain or improve any rating on the Series 2013A Bonds; or (g) for any other purpose not inconsistent with the terms of this Ordinance which shall not impair the security of the Bondholders or otherwise materially adversely affect the rights of the Bondholders.

Section 30. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held to be invalid or ineffective for any reason, the remainder of this Ordinance shall remain in full force and effect, it being expressly hereby found and declared that the remainder of this Ordinance would have been adopted despite the invalidity of such section, paragraph, clause or provision.

Section 31. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Ordinance, is not a business day for the Paying Agent and Bond Registrar, such payment may be made or act performed or right exercised on the next succeeding business day with the same force and effect as if done on the date stipulated in this Ordinance and no interest shall accrue for the period after such stipulated date.

Section 32. Miscellaneous Provisions.

(a) Repeal of Inconsistent Legislation. All ordinances, resolutions and municipal orders or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

(b) Effective Date. This Ordinance shall take effect immediately upon its adoption as provided by law.

(c) Summary of Ordinance. The summary of this Ordinance read at the meetings of the City Council described below is approved.

(d) Captions; Headings. The captions or headings in this Ordinance, and in the Table of Contents preceding this Ordinance, are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Ordinance.

[Continued on the following page]

INTRODUCED, SECONDED AND GIVEN FIRST READING at a duly convened meeting of the City Council of the City of Georgetown, Kentucky, held on the 26th day of August, 2013.

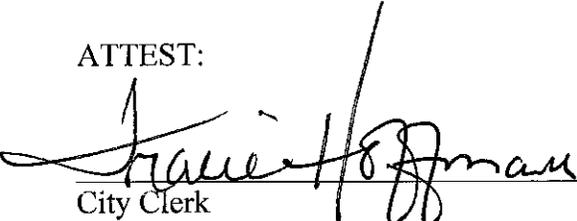
GIVEN SECOND READING AND ADOPTED at a duly convened meeting of the City Council of the City of Georgetown, Kentucky, held on the 9th day of September, 2013, signed by the Mayor, attested by the City Clerk, ordered published in summary form, duly enrolled and declared to be in full force and effect.

APPROVED:



Mayor

ATTEST:

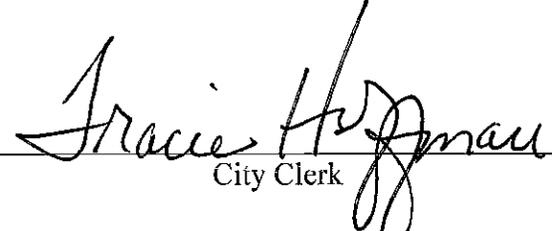


City Clerk

CERTIFICATION

I, the undersigned, do hereby certify that I am the duly qualified and acting City Clerk of the City of Georgetown, Kentucky, and as such Clerk I further certify that the foregoing is a true, correct and complete copy of an Ordinance duly adopted by the Council of the City upon second reading at a duly convened meeting held on September 9, 2013, signed by the Mayor, published in summary form and now in full force and effect, all as appears from the official records of said City in my possession and under my control.

IN WITNESS WHEREOF, I have hereunto set my hand this ___th day of September, 2013.



City Clerk