

**ORDINANCE NO. 109 -2013**

**ORDINANCE OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2013E, IN ONE OR MORE SUBSERIES, IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$35,000,000, DATED THE DATE OF DELIVERY, FOR THE PURPOSE OF REFUNDING ALL OR A PORTION OF THE OUTSTANDING PRINCIPAL AMOUNT OF ITS TAXABLE SEWER SYSTEM REVENUE BONDS, SERIES 2009 (BUILD AMERICA BONDS - DIRECT PAY); SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH SAID SERIES 2013E BONDS ARE TO BE ISSUED AND OUTSTANDING; APPROVING A FORM OF BOND; AUTHORIZING DESIGNATED OFFICERS TO EXECUTE AND DELIVER THE SERIES 2013E BONDS; CREATING AN ESCROW FUND; AUTHORIZING A CERTIFICATE OF AWARD FOR THE ACCEPTANCE OF THE BID OF THE PURCHASER FOR THE PURCHASE OF THE SERIES 2013E BONDS; AUTHORIZING AN ESCROW TRUST AGREEMENT; AND TAKING OTHER RELATED ACTIONS.**

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**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
SEWER SYSTEM REFUNDING REVENUE BONDS, SERIES 2013E**

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**WHEREAS**, the existing sewer system of the Lexington-Fayette Urban County Government (the "Issuer") is a revenue-producing public project (the "System"), and

**WHEREAS**, under the provisions of the Act (as defined herein), the Issuer is authorized to issue sewer system revenue bonds to provide necessary funding for the public and governmental purposes described therein, including issuing new bonds to provide funds for the payment of outstanding bonds; and

**WHEREAS**, the Issuer has heretofore issued and there are currently outstanding and payable from the revenues of the System a certain issue of Lexington-Fayette Urban County Government Taxable Sewer System Revenue Bonds, Series 2009 (Build America Bonds - Direct Pay), dated October 22, 2009, originally issued in the principal amount of \$35,960,000 (the "Series 2009 Bonds"), authorized by the Prior Bond Ordinance (being the Bond Ordinance relating to the currently outstanding Prior Bonds (as defined herein) and the 2009 Bond Ordinance (as defined herein), for the purpose of financing certain improvements to the System and paying costs of issuance with respect to such Series 2009 Bonds; and

**WHEREAS**, the Issuer has determined that the present conditions of the municipal market are much more favorable than at the time the Series 2009 Bonds were issued and that it is therefore advantageous and in the best interests of the Issuer to proceed with the refunding of all or a portion of the outstanding principal amount of the Series 2009 Bonds (the "Refunded Series 2009 Bonds"), through the issuance of its Sewer System Refunding Revenue Bonds in a principal amount not to exceed \$35,000,000 (the "Series 2013E Bonds"), provided that (i) the final maturity of such Series 2013E Bonds shall be not later than July 1, 2030, and (ii) the refunding of all or a portion of the outstanding Series 2013E Bonds shall result in debt service savings for the Issuer, as determined by the Commissioner of Finance and the financial advisor

to the Issuer, in accordance with the debt service savings requirements set forth in Prior Bond Ordinance; and

**WHEREAS**, the Issuer desires to sell and award such Series 2013E Bonds to the successful bidder (the "Purchaser") at a public, competitive sale in accordance with the provisions of Chapter 424 of the Kentucky Revised Statutes; and

**WHEREAS**, the Series 2013E Bonds shall rank, when issued, on a basis of parity and equality with the outstanding Bonds issued pursuant to the Prior Bond Ordinance; and

**WHEREAS**, under the provisions of the Act and the Prior Bond Ordinance, the Issuer is authorized to issue the Series 2013E Bonds to provide such funds for the purposes aforesaid, and

**NOW, THEREFORE, BE IT ORDAINED BY THE URBAN COUNTY COUNCIL OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT, AS FOLLOWS:**

**SECTION 1. Definitions.**

As used in this 2013 Bond Ordinance, unless the context requires otherwise:

“ACT” refers to Sections 82.082, 67A.060, and 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes.

“ASSESSMENT FACILITIES” refers to sewer system collection facilities of the Issuer, constructed through the application of the proceeds of Sewer Assessment Bonds of the Issuer, and which respective issues of Sewer Assessment Bonds are being amortized and shall be amortized through the application of annual assessments against the respective properties benefitted by such Assessment Facilities.

“BAB INTEREST SUBSIDY PAYMENTS” refer to a credit from the U.S. Treasury equal to or greater than thirty-five percent (35%) of the interest payable on Build America Bonds (such as the Series 2009 Bonds) issued pursuant to Sections 54AA and 6431 of the Code (see Section 2 hereof).

“BENEFICIAL OWNER” of the Series 2013E Bonds includes any Owner of Series 2013E Bonds and any other Person who, directly or indirectly, has the investment power with respect to any such Series 2013E Bond.

“BONDOWNER” or “OWNER” when used with respect to the Series 2013E Bonds means the Person in whose name such Series 2013E Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to this 2013 Bond Ordinance, and the Owner of the Series 2013E Bonds is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Series 2013E Bond.

“BOND COUNSEL” refers to the firm of Peck, Shaffer & Williams LLP, Covington, Kentucky, which firm has acted as Bond Counsel with respect to the issuance of the Series 2013E Bonds and to any other firm of nationally recognized bond counsel acceptable to the Issuer.

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

“BOND REGISTRAR,” “TRANSFER AGENT” and “PAYEE BANK” refers to the bank which shall constitute the Bond Registrar, Transfer Agent and Payee Bank, with respect to the Series 2013E Bonds, which bank shall have the duties and responsibilities of (a) issuing semiannual interest payments as to the Series 2013E Bonds by electronic transfer or check or draft mailed to the Bondowners, (b) paying the principal of the Series 2013E Bonds at maturity or applicable redemption prior to maturity upon surrender of the Series 2013E Bonds, (c) authenticating, issuing and delivering the Series 2013E Bonds to the Purchaser of same in accordance with the sale of the Series 2013E Bonds, at the direction of the Issuer, (d) maintaining the Bond Register and (e) handling exchanges, cancellations, reissuance, redemption and all appurtenant duties of a Bond Registrar, Payee Bank and Transfer Agent with respect to the Series 2013E Bonds, as hereinafter set out, provided that in the carrying out of any of the foregoing functions and duties, such Bond Registrar, Payee Bank and Transfer Agent shall have no obligation to pay out any moneys not received by it. The duties of such Bond Registrar, Payee Bank and Transfer Agent in such capacities shall be in addition to, but not affected by, any other capacities in which such Bond Registrar, Payee Bank and Transfer Agent may be designated. The initial Bond Registrar, Transfer Agent and Payee Bank shall be designated in the Certificate of Award.

“BONDS” refers to the Series 2013E Bonds, the Prior Bonds and any Parity Bonds hereinafter issued.

“CAPITAL PROJECTS FUND” refers to the Lexington-Fayette Urban County Government Sewer System Capital Projects Fund created in Section 14 of the 1985 Bond Ordinance, which was adopted by the Urban County Council on July 26, 1985 and reaffirmed and readopted by the component ordinances comprising the Prior Bond Ordinance.

“CEDE & CO.” shall mean CEDE & Co., as nominee of DTC, and any successor nominee of DTC substituted in accordance with Section 9 hereof.

“CERTIFICATE OF AWARD” refers to the Certificate of Award to be executed by the Mayor of the Issuer awarding the Series 2013E Bonds to the Purchaser, setting forth the final terms of the Series 2013E Bonds and the final determination as to the Series 2009 Bonds to be refunded.

“CERTIFIED PUBLIC ACCOUNTANT” refers to an independent Certified Public Accountant or firm of Certified Public Accountants, duly licensed in Kentucky, and may include Certified Public Accountants regularly employed to audit the financial affairs of the System and/or of other financial matters of the Issuer. Initially, and until otherwise designated by the Issuer, such term shall be deemed to refer to the firm of Dean Dorton Allan Ford, Certified Public Accountants, Lexington, Kentucky.

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

“COMMISSIONER OF FINANCE” refers to the Commissioner of Finance of the Issuer.

“COMPUTATION PERIOD” shall mean, with respect to the Series 2013E Bonds, the period of time over which Excess Earnings with respect to Series 2013E Bonds are required to be computed under Section 148(f) of the Code.

“CONTINUING DISCLOSURE AGREEMENT” means and refers to the Continuing Disclosure Agreement, dated as of the date of delivery of the Series 2013E Bonds, substantially in the form attached as *Exhibit D* hereto.

“COSTS OF ISSUANCE” means all costs of issuing the Series 2013E Bonds, including all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving financial ratings on the Series 2013E Bonds, and any premiums or expenses incurred in obtaining any credit enhancement.

“CUMULATIVE EXCESS EARNINGS” means the amount of all Excess Earnings (if any) earned from the date of original delivery of the Series 2013E Bonds through the end of the relevant computation date, less the amount of any Excess Earnings paid to the United States.

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

“DEBT SERVICE RESERVE FUND” refers to the Lexington-Fayette Urban County Government Sewer System Debt Service Reserve Fund created by the 1985 Bond Ordinance, as confirmed and readopted by the Prior Bond Ordinance and by this 2013 Bond Ordinance.

“DEPOSITORY BANK” refers to The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, which Bank shall have the duties of acting as the depository of the existing Revenue and Operations Account, the Sinking Fund, the Debt Service Reserve Fund and the Capital Projects Fund, created by the 1985 Bond Ordinance; provided, however, it is understood that the Issuer reserves the right at any time, by 15 days prior notice in writing from the Commissioner of Finance of the Issuer to designate a different instrumentality, which is a member of the Federal Deposit Insurance Corporation, to perform any and all of the functions of the Depository Bank as set out herein.

“DEPRECIATION FUND” refers to the Lexington-Fayette Urban County Government Sewer System Depreciation Fund created by the 1985 Bond Ordinance, as confirmed and readopted by the Prior Bond Ordinance and by this 2013 Bond Ordinance.

“DESIGNATED OFFICERS” refers to Mayor and the Clerk of the Governing Body.

“DTC” shall mean The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns (in each case, which shall be a qualified and registered “clearing agency” under Section 17A of the Securities Exchange Act of 1934, as amended).

“ELIGIBLE 10% OF OUTSTANDING BONDS” refers to an amount equal to 10% of the lesser of (a) the face amounts (par) of the original authorized issues or (b) the net proceeds thereof if originally sold at less than 98% of par, of whatever Outstanding Bonds are outstanding against and payable from the revenues of the System, but only to the extent that such percentage of such bonds is, in the opinion of Bond Counsel or special tax counsel, exempt from restriction as to investment yield under Section 103 of the Code and the appropriate arbitrage regulations thereunder as constituting a reasonable required reserve or replacement fund.

"ESCROW AGREEMENT" refers to the Escrow Trust Agreement between the Issuer and the Escrow Bank, authorized pursuant to Section 19 herein, providing for the deposit of sufficient funds in the Escrow Fund created therein for the purpose of providing for the payment of principal of and interest on the Refunded Series 2009 Bonds, as the same mature and as same may be called for redemption prior to maturity.

"ESCROW BANK" refers to U.S. Bank National Association, Louisville, Kentucky.

"ESCROW FUND" refers to the Lexington-Fayette Urban County Government Sewer System Refunding Revenue Bonds Series 2013 Escrow Fund, created by the Escrow Agreement and Section 19 of this 2013 Bond Ordinance.

“EXCESS EARNINGS” shall mean with respect to the Series 2013E Bonds an amount equal to the sum of (i) plus (ii) where:

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

The sum of (i) plus (ii) shall be determined in accordance with Sections 148(f)(2) and 148(f)(4) of the Code and in accordance with the provision of applicable Treasury regulations, including Sections 1.148-0 through 1.148-11 (and/or any additional or successor provisions thereof). As used herein, the terms “gross proceeds,” “nonpurpose investment” and “yield” have the meanings assigned to them for purposes of Section 148(f)(6) of the Code and applicable Treasury regulations.

“FDIC” refers to the Federal Deposit Insurance Corporation.

“FINANCIAL ADVISOR” refers to Raymond James & Associates, Inc., Lexington, Kentucky.



“FISCAL YEAR” or “SINKING FUND YEAR” refers to July 1 of each year through June 30 of the ensuing year.

“FUNDS” refers to the Revenue and Operations Account, the Sinking Fund, the Depreciation Fund, the Debt Service Reserve Fund, the Capital Projects Fund and the Construction Fund, together with all accounts and subaccounts therein, if any.

“GOVERNING BODY” refers to the Lexington-Fayette Urban County Council, or such other governmental body as shall be the governing body of the Issuer under the laws of Kentucky at any given time.

“GROSS INCOME AND REVENUES” refers to the gross income and revenues of the System and includes investment income, connection fees, disconnections fees, sewer use charges and fees, BAB Interest Subsidy Payments and all other items of income which have been established as reasonably anticipated annual income of the System, based upon a certification of Independent Consulting Engineers and/or Certified Public Accountants.

“INDEPENDENT CONSULTING ENGINEERS” or “ENGINEERS” refers to an Engineer or firm of Engineers of excellent national reputation or of recognized excellent reputation in Kentucky in the fields of waterworks system and sewer system engineering, as such firms of Engineers may be designated or deleted from time to time by the Issuer, such action to be taken in writing by the Commissioner of Finance of the Issuer.

“INTEREST PAYMENT DATE” shall mean January 1 and July 1 of each year, commencing January 1, 2014 or as otherwise provided in the Certificate of Award. In the event any Interest Payment Date falls upon a day on which banks are permitted or required by law to remain closed, interest shall be paid on the next succeeding secular day.

“INVESTMENTS” or “PERMITTED INVESTMENTS” refers to investment of funds in one or more of the following, as permitted by Section 66.480 of Kentucky Revised Statutes, as amended:

(a) obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian and may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in Kentucky;

(b) obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency, including but not limited to:

- (i) United States Treasury;
- (ii) Export-Import Bank of the United States;
- (iii) Farmers Home Administration

- (iv) Government National Mortgage Corporation; and
- (v) Merchant Marine bonds

(c) obligations of any corporation of the United States government, including but not limited to:

- (i) Federal Home Loan Mortgage Corporation;
- (ii) Federal Farm Credit Banks;
- (iii) Bank for Cooperatives;
- (iv) Federal Intermediate Credit Banks;
- (v) Federal Land Banks;
- (vi) Federal Home Loan Banks;
- (vii) Federal National Mortgage Association; and
- (viii) Tennessee Valley Authority;

(d) certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation or similar entity or which are collateralized, to the extent uninsured, by any obligations, including surety bonds, permitted by Section 41.240 of the Kentucky Revised Statutes, as follows:

(i) bonds, notes, letters of credit, or other obligations of or issued or guaranteed by the United States, or those for which the credit of the United States is pledged for the payment of the principal and interest thereof, and any bonds, notes, debentures, letters of credit, or any other obligations issued or guaranteed by any federal governmental agency or instrumentality, presently or in the future established by an Act of Congress, as amended or supplemented from time to time, including, without limitation, the United States government corporations listed in Section 66.480(1)(c) of the Kentucky Revised Statutes;

(ii) obligations of the Commonwealth of Kentucky including revenue bonds issued by its statutory authorities, commissions or agencies;

(iii) revenue bonds issued by educational institutions of the Commonwealth of Kentucky as authorized by Sections 162.340 to 162.380 of the Kentucky Revised Statutes;

(iv) obligations of any County of the first, second, and third classes of the Commonwealth of Kentucky, or any county for the payment of principal and interest on which the full faith and credit of the issuing body is pledged;

(v) school improvement bonds issued in accordance with the authority granted under Sections 162.080 to 162.100 of the Kentucky Revised Statutes;

(vi) school building revenue bonds issued in accordance with the authority granted under Sections 162.120 to 162.300 of the Kentucky Revised Statutes, provided that the issuance of such bonds is approved by the Kentucky Board of Education; and

(vii) surety bonds issued by sureties rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.

(e) Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(f) Bankers' acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency;

(g) Commercial paper rated in the highest category by a nationally recognized rating agency;

(h) Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities;

(i) Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency; and

(j) Shares of mutual funds, each of which shall have the following characteristics:

(i) the mutual fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended;

(ii) the management company of the investment company shall have been in operation for at least five (5) years; and

(iii) all of the securities in the mutual fund shall be eligible investments pursuant to Section 66.480 of the Kentucky Revised Statutes.

“ISSUER” or “URBAN COUNTY” refers to the Lexington-Fayette Urban County Government, an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes.

“ISSUER CLERK” or “CLERK” refers to the Clerk of the Urban County Council of the Issuer.

“LETTER OF REPRESENTATIONS” shall mean, with respect to the Series 2013E Bonds issued under the Book-Entry System, the letter or document dated the date of delivery of such Series 2013E Bonds, from the Paying Agent and Bond Registrar and the Issuer to DTC, substantially in the form as attached hereto as *Exhibit A*, including any amendments thereto as shall be agreed upon from time to time by the Paying Agent and Bond Registrar and the Issuer.

“MAXIMUM ANNUAL DEBT SERVICE” refers to the maximum amount falling due in any Sinking Fund Year for payment of interest on and principal of the Bonds and any other obligations payable from the revenues of the System, including both principal falling due and principal due by reason of call for mandatory redemption.

“MAYOR” refers to the Mayor of the Issuer.

“1985 BOND ORDINANCE” refers to an Ordinance of the Urban County Government adopted on July 26, 1985, incident to an issue of the Issuer’s Sewer System Revenue Bonds, Series of 1985, dated August 1, 1985, which have been paid and discharged in full, certain provisions of which Ordinance have been expressly reaffirmed, readopted, and continued (as set forth in *Exhibit B* hereto) by the component ordinances comprising the Prior Bond Ordinance and the 2013 Bond Ordinance.

“NET REVENUES” or “NET INCOME AND REVENUES” consist of Gross Income and Revenues of the System less operating expenses of the System, which expenses shall include salaries, wages, cost of maintenance and operation, materials and supplies, pumping costs, insurance and all other items that normally and regularly so included under recognized accounting practices, exclusive of debt service requirements and allowances for depreciation.

“OPERATING EXPENSES” or “OPERATION EXPENSES” refers to Current Expenses of the System, but excluding (a) debt service requirements of any of the Prior Bonds, the Series 2013E Bonds, or any Parity Bonds and (b) allowances for depreciation.

“OUTSTANDING BONDS” refers to the outstanding Prior Bonds, the Series 2013E Bonds, and any future Parity Bonds.

“PARITY BONDS” means bonds issued in the future, which bonds issued in the future will, pursuant to the provision of the Prior Bond Ordinance and this 2013 Bond Ordinance, rank on a basis of parity with the Prior Bonds and the Series 2013E Bonds, and shall not be deemed to include, nor to prohibit the issuance of, bonds ranking inferior in security to the Series 2013E Bonds.

“PERSON” means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof or other public body.

“PRIOR BOND ORDINANCE” refers collectively to (i) the 2001 Bond Ordinance; (ii) Ordinance No. 221-2009, enacted by the Governing Body on October 15, 2009, authorizing the Series 2009 Bonds; and (iii) Ordinance No. 061-2010 enacted by the Governing Body on April 22, 2010, authorizing the Series 2010A Bonds.

“PRIOR BONDS” refers to the currently outstanding Series 2009 Bonds and Series 2010 Bonds.

“PURCHASER” refers to the original purchasers of the Series 2013E Bonds at the public sale thereof, including all members of their purchasing syndicate or group.

“REFUNDED SERIES 2009 BONDS” refers to the portion of the Series 2009 Bonds to be refunded by a portion of the proceeds of the Series 2013E Bonds, as set forth in the Certificate of Award.

“REGULAR RECORD DATE” shall mean with respect to any Interest Payment Date as to the Series 2013E Bonds, the close of business on June 15 or December 15, as the case may be, next preceding such Interest Payment Date, whether or not such June 15 or December 15 is a business day.

“REQUIRED DEBT SERVICE RESERVE” shall be the amount required to be maintained, accumulated, reaccumulated and/or restored, into the Debt Service Reserve Fund, which amount is an amount equal to the Maximum Annual Debt Service falling due in any Sinking Fund Year for payment of interest on and principal of the sum of the Prior Bonds, the Series 2013E Bonds and any future Parity Bonds.

“REQUIRED DEPRECIATION RESERVE” shall be an amount required to be maintained, accumulated, reaccumulated and/or restored into the Series 2013 Depreciation Fund, which is an amount equal to 5% of the face amount of all Outstanding Bonds against the System, subject to possible revision based on recommendations of the Independent Consulting Engineers, as provided in the Prior Bond Ordinance and this 2013 Bond Ordinance.

“REVENUE AND OPERATION ACCOUNT” refers to the Lexington-Fayette Urban County Government Sewer System Revenue and Operations Account created by the 1985 Bond Ordinance and which Revenue and Operations Account has been continued and will continue to be maintained for the benefit of all of the Prior Bonds, the Series 2013E Bonds, and any Parity Bonds.

“SEC RULE” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time.

“SERIES 2009 BONDS” refers to the Lexington-Fayette Urban County Government Taxable Sewer Revenue Bonds, Series 2009 (Build America Bonds - Direct Pay), dated October 22, 2009, issued in the original principal amount of \$35,960,000 (all or a portion of the outstanding principal amount of such Series 2009 Bonds will be refunded by a portion of the proceeds of the Series 2013E Bonds).

“SERIES 2010 BONDS” refers to the Lexington-Fayette Urban County Government Sewer System Revenue Refunding Bonds, Series 2010A, dated May 13, 2010, issued in the original principal amount of \$13,860,000.

“SERIES 2013E BONDS” refers to the Lexington-Fayette Urban County Government Sewer System Revenue Refunding Bonds, Series 2013E, dated their date of delivery, issued in a principal amount not to exceed \$35,000,000, authorized pursuant to this 2013 Bond Ordinance.

“SINKING FUND” refers to the Lexington-Fayette Urban County Government Sewer Revenue Bonds Sinking Fund heretofore created by the 1985 Bond Ordinance, authorizing the issuance of the Issuer’s Sewer System Revenue Bonds, Series of 1985, dated August 1, 1985, which have been paid and discharged in full, certain provisions of which 1985 Bond Ordinance have been expressly readopted and continued, and are set forth in *Exhibit B* hereto, and which Sinking Fund will continue to be maintained for the benefit of all of the Prior Bonds, the Series 2013E Bonds and any future Parity Bonds.

“SINKING FUND YEAR” or “FISCAL YEAR” refers to July 1 of each year through June 30 of the ensuing year.

“SYSTEM” refers to the sewer system of the Issuer.

“2001 BOND ORDINANCE” refers to Ordinance No. 96-2001, enacted by the Governing Body on May 3, 2001, authorizing the issuance of the Lexington-Fayette Urban County Government Sewer System Revenue Bonds, Series A of 2001 and Lexington-Fayette Urban County Government Sewer System Refunding Revenue Bonds, Series B of 2001, each dated May 1, 2001 (which have been paid and discharged in full), which expressly reaffirmed, readopted, and continued certain provisions of the 1985 Bond Ordinance.

“2009 BOND ORDINANCE” refers to Ordinance No. 221-2009, enacted by the Urban County Council on October 15, 2009, authorizing the issuance of the Series 2009 Bonds.

“2013 BOND ORDINANCE” refers to this Ordinance, adopted on second reading by the Governing Body on September \_\_, 2013, authorizing the Series 2013E Bonds.

“TAX CERTIFICATE” means together the (i) Certificate regarding Issuance, Use of Proceeds, and Arbitrage Compliance dated the date of delivery of the Series 2013E Bonds, executed by the Issuer and (ii) the Certificate under Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended, dated the date of delivery of the Series 2013E Bonds, executed by the Issuer, as the same may be amended or supplemented in accordance with the provisions thereof.

“U.S. OBLIGATIONS” refers to bonds, notes or Treasury Bills which are direct obligations of the United States of America, or obligations fully guaranteed by the United States of America, including book-entry obligations of the United States Treasury-State and Local Government Series and Trust Receipts representing an ownership interest in direct obligations of the United States of America.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa, and all words and terms used in this 2013 Bond Ordinance and not defined herein shall, if defined in the Prior Bond Ordinance, have the meaning set forth therein. Unless otherwise indicated, references to Sections refer to those in this 2013 Bond Ordinance.

## **SECTION 2. Legislative Findings.**

As provided in the 2009 Bond Ordinance and the Official Statement with respect to the Series 2009 Bonds, in the event that the United States Treasury or any agency of the United States of America should at any time cease to remit to the Issuer all or any part of the BAB Interest Subsidy Payments payable with respect to the Series 2009 Bonds, then the Issuer has the right to redeem and retire all or any part of the principal amount of Series 2009 Bonds then outstanding, in any order of maturities (less than all of a single maturity to be selected by lot), on any date upon 30 days' written notice by regular United States Mail to the Bondowners upon terms of the principal amount so redeemed plus accrued interest to the redemption date but without premium.

This Governing Body hereby finds and determines that (a) the federal government announced its intention to pay the BAB Interest Subsidy Payment due on July 1, 2013 in an amount less than 35% of the corresponding interest payable on the Series 2009 Bonds; (b) the Issuer has, in fact, received such reduced BAB Interest Subsidy Payment in connection with the interest due and payable on the Series 2009 Bonds on July 1, 2013. Therefore, this Governing Body hereby determines to exercise its right to redeem all or a portion of the Series 2009 Bonds, provided the status resulting in a reduced BAB Interest Subsidy Payment for interest due on such Series 2009 Bonds is not cured or announced to be cured by the date of delivery of the Series 2013E Bonds.

## **SECTION 3. Necessity, Authorization, and Purpose.**

The Issuer hereby declares that it is necessary to issue and authorizes the issuance of its Sewer System Revenue Refunding Bonds, Series 2013E, in one or more subseries, dated their date of delivery, in a principal amount not to exceed \$35,000,000, for the purpose of (i) refunding all or a portion of the Series 2009 Bonds and (ii) paying the costs of issuance of the Series 2013E Bonds.

The Series 2013E Bonds shall be offered for sale in accordance with the provisions hereof, and the determination of the best bids for the Series 2013E Bonds shall be made on the basis of all bids submitted for a principal amount not to exceed \$35,000,000 of Series 2013E Bonds. The exact principal amount of Series 2013E Bonds to be issued and the determinations as to which Series 2009 Bonds shall be refunded shall be established in the Certificate of Award.

## **SECTION 4. Series 2013E Bonds to be Issued as Fully Registered Bonds; Registered Owners.**

The Series 2013E Bonds shall be issued only in fully registered form, without coupons, designated "Sewer System Refunding Revenue Bonds, Series 2013E," in the denomination of \$5,000 or any integral multiple thereof within a single maturity, and numbered consecutively from R-1 upward, as set forth in the Certificate of Award. Each initially issued Series 2013E Bond and each Series 2013E Bond issued prior to the first Interest Payment Date on the Series 2013E Bonds, January 1, 2014 or as otherwise provided in the Certificate of Award, shall be dated as of and shall bear interest from their date of delivery, all as set forth in the Certificate of Award. Each Series 2013E Bond issued (as a result of exchange or transfer) after such first

Interest Payment Date on the Series 2013E Bonds shall be dated as of and shall bear interest from the Interest Payment Date next preceding the date on which such Series 2013E Bond is issued, unless such Series 2013E Bond is issued on an Interest Payment Date, in which case it shall be dated as of and shall bear interest from such date of issue; provided, however, that if at the time of issuance of any Series 2013E Bond the interest thereon is in default, such Series 2013E Bond shall be dated as of the date to which interest has been paid in full.

The person in whose name any Series 2013E Bond is registered on the Bond Register maintained by the Bond Registrar, on the Regular Record Date with respect to an Interest Payment Date, shall be entitled to receive the interest payable on such Interest Payment Date (unless such Series 2013E Bond shall have been called for redemption on a redemption date which is prior to such Interest Payment Date) notwithstanding the cancellation of such Series 2013E Bond upon any registration of transfer or exchange thereof subsequent to such Regular Record Date and prior to such Interest Payment Date, except in the event of default.

#### **SECTION 5. Place of Payment and Manner of Execution.**

The principal of and interest on the Series 2013E Bonds shall be payable in lawful money of the United States of America as same respectively become due, whether at maturity or by prior redemption. Principal of each Series 2013E Bonds is payable upon surrender of same at the main office of the Payee Bank. Interest on the Series 2013E Bonds shall be paid by electronic transfer or check or draft mailed by the Payee Bank to the persons entitled thereto as of the end of business on the Regular Record Date preceding each applicable Interest Payment Date, at the respective addresses appearing on the Bond Register.

So long as any Series 2013E Bonds remain outstanding, the Registrar shall keep at its principal office a Bond Register showing and recording a register of the owners of the Series 2013E Bonds and shall provide for the registration and transfer of Series 2013E Bonds in accordance with the terms of this 2013 Bond Ordinance, subject to such reasonable regulations as the Bond Registrar may prescribe.

Subject to the provisions of Section 9 hereof, with respect to the Book-entry System in which the Series 2013E Bonds shall be issued and immobilized, the Series 2013E Bonds shall be executed on behalf of the Issuer with the duly authorized reproduced facsimile or manual signature of the Mayor, and the seal shall be impressed or a reproduced facsimile of the Issuer's corporate seal shall be imprinted thereon and attested by the reproduced facsimile or manual signature of the Clerk of the Governing Body; and said officials, by the execution of appropriate certifications, shall adopt as and for their own proper signatures, their respective facsimile signatures on said Series 2013E Bonds; provided the Authentication Certificate of the Registrar must be executed by the manual signature of the Bond Registrar on each Bond before such Bond shall be valid, as set out in Section 9 below.

All Series 2013E Bonds shall be exchangeable and transferable upon the presentation and surrender thereof at the main office of the Bond Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his authorized representative, for a Series 2013E Bond or Series 2013E Bonds of the same maturity and interest rate in the denomination of \$5,000 and/or a multiple thereof within a single maturity, in an



aggregate principal amount or amounts equal to the unpaid principal amount of the Series 2013E Bond or Series 2013E Bonds presented for exchange. The Bond Registrar shall be and is hereby authorized to authenticate and deliver exchange Series 2013E Bonds in accordance with the provisions of this Section 5. Each exchanged Series 2013E Bond delivered in accordance with this Section 5 shall constitute an original contractual obligation of the Issuer and shall be entitled to the benefits and security of this 2013 Bond Ordinance to the same extent as the Series 2013E Bond or Series 2013E Bonds in lieu of which such exchanged Series 2013E Bonds are delivered. The Bond Registrar shall not transfer or exchange any Series 2013E Bond (a) during any period beginning five days prior to the selection by the Paying Agent and Bond Registrar of Series 2013E Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of such redemption or (b) if such Series 2013E Bond has been selected or called for redemption in whole or in part.

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

#### **SECTION 6. Reaffirmation of Declaration of System to Constitute Revenue-Producing Public Project.**

The previous action of the Issuer (in the Prior Bond Ordinance) in declaring the System of the Issuer to constitute a revenue-producing public project within the meaning of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, is hereby authorized, approved, ratified and confirmed; and so long as any of the Prior Bonds, the Series 2013E Bonds, or any additional Parity Bonds, shall remain outstanding, said System shall be owned, controlled, operated and maintained as a revenue-producing public project, for the security and source of payment of the Prior Bonds, the Series 2013E Bonds, and any additional Parity Bonds, under the authority hereinbefore stated.

#### **SECTION 7. Sale of Series 2013E Bonds.**

The Designated Officers and the Commissioner of Finance are hereby directed to sell the Series 2013E Bonds to the Purchaser at an advertised competitive sale. The Series 2013E Bonds shall be offered publicly for sale upon the basis of competitive electronic bids at 11:00 a.m., E.D.T. on September 26, 2013 or at such other time as the Commissioner of Finance shall designate. Proposed suggested forms of "Notice of Bond Sale," and "Notice and Official Terms and Conditions of Sale of Bonds," attached hereto collectively as *Exhibit C*, having been prepared in advance, and the same having been found to be in satisfactory form, the same are hereby approved, substantially in such form, and a copy of each is hereby ordered to be filed in the records of the Clerk of the Governing Body with the Minutes of the Meeting at which this

2013 Bond Ordinance is enacted. The Notice of Bond Sale shall be used for the purpose of publishing notice of the sale of the Series 2013E Bonds. Copies of said documents shall be furnished to a list of known interested bidders and to any interested parties who may request same.

The Mayor is hereby authorized to execute the appropriate certification evidencing the approval of the Preliminary Official Statement and a Final Official Statement at the time of and/or after the acceptance of the successful bid for the purchase of the Series 2013E Bonds.

#### **SECTION 8. Award; Certificate of Award.**

The Series 2013E Bonds shall be serial or term bonds maturing, on July 1 of the years and in the principal amounts and bearing interest at the rates to be established in the Certificate of Award, in accordance with the requirements of Sections 2 and 3 hereof. Such competitive sale of the Series 2013E Bonds shall be based on the interest rates bid in the successful bid (the "Bid") and the provisions of this Section 8, provided that (i) the final maturity date of the Series 2013E Bonds shall be as set forth in the Certificate of Award but shall be no later than July 1, 2030 and (ii) the refunding of all or a portion of the outstanding Series 2013E Bonds shall result in debt service savings for the Issuer, as determined by the Commissioner of Finance and the financial advisor to the Issuer, in accordance with the debt service savings requirements set forth in the Prior Bond Ordinance. The interest rate or rates on the Series 2013E Bonds shall be determined in the Certificate of Award based on the Bid; provided that the aggregate true interest cost of the Series 2013E Bonds shall not exceed six percent (6.0%).

The Mayor is hereby authorized to execute the Certificate of Award without further action of the Urban County Council, setting forth the terms of the Series 2013E Bonds and any other provisions required by and not inconsistent with this 2013 Bond Ordinance.

#### **SECTION 9. Book-Entry System; Termination of System; Registration, Authentication, Transfer and Exchange of Series 2013E Bonds.**

The Series 2013E Bonds shall be issued in the "Book-Entry System." So long as the Series 2013E Bonds are held in the Book-Entry System, the Registered Owner of all Series 2013E Bonds shall be DTC, and such Series 2013E Bonds shall be registered in the name of CEDE & Co., as nominee for DTC. The provisions of the Letter of Representations attached hereto as *Exhibit A* shall be and are hereby incorporated herein by reference and, in the event that there shall be any inconsistency between the Letter of Representations and this 2013 Bond Ordinance, so long as such Series 2013E Bonds are held in the Book-Entry System, the relevant Letter of Representations shall govern.

The Series 2013E Bonds of each issue shall be initially issued as a single fully registered certificate for each maturity in accordance with the Letter of Representations. Upon initial issuance, the ownership of such Series 2013E Bonds shall be registered in the registry books of the Issuer maintained by the Payee Bank and Bond Registrar (for purposes of this Section, the "Paying Agent and Bond Registrar") in the name of CEDE & Co., as nominee for DTC. So long as such Series 2013E Bonds are held in the Book-Entry System, the Paying Agent and Bond Registrar and the Issuer may treat DTC (or its nominee) as the sole and exclusive Registered

Owner of such Series 2013E Bonds registered in its name for the purposes of payment of principal or redemption price of or interest on such Series 2013E Bonds, selecting such Series 2013E Bonds or portions thereof to be redeemed, giving any notice permitted for required to be given to bondholders under this 2013 Bond Ordinance, registering the transfer of such Series 2013E Bonds, and obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever; and the Paying Agent and Bond Registrar and the Issuer shall not be affected by any notice to the contrary. The Paying Agent and Bond Registrar and the Issuer shall have no liability, responsibility or obligation to any DTC Participant, any Beneficial Owner or any person claiming to be a Beneficial Owner, or any other person which is not shown on the registration books of the Bond Registrar as being a Registered Owner with respect to: the accuracy of or any other aspect relating to any records maintained by DTC or any DTC Participant of any amount with respect to the principal of or interest on any such Series 2013E Bonds; any notice which is permitted or required to be given to Bondholders under this 2013 Bond Ordinance once such notice is given to DTC, as Bondholder, in accordance with this 2013 Bond Ordinance; the selection by DTC or any DTC Participant of any person to receive payment in the event of an partial redemption of any such Series 2013E Bonds; or any consent given or other action taken by DTC as Bondholder.

So long as the Series 2013E Bonds are held in the Book-Entry System, the Paying Agent and Bond Registrar and the Issuer shall pay from moneys available hereunder all principal of and interest on such Series 2013E Bonds only to or “upon the order of” DTC (as that term is used in the Uniform Commercial Code as adopted in the Commonwealth of Kentucky), and all such payments shall be valid and effective to fully satisfy and discharge the Issuers obligation with such payments shall be valid and effective to fully satisfy and discharge the Issuer’s obligation with respect to the principal of and interest on such Series 2013E Bonds to the extent of the sum or sums so paid. Transfer or crediting of the applicable principal or interest payments made by the Paying Agent and Bond Registrar to DTC by DTC to DTC participants shall be the sole responsibility of DTC, and transfer of same to Beneficial Owners or their nominees shall be the sole responsibility of DTC and the DTC participants. So long as such Series 2013E Bonds are held in the Book-Entry System, no person other than DTC shall receive an authenticated Bond certificate.

Upon delivery by DTC to the Paying Agent and Bond Registrar of DTC’s written notice to the effect that DTC has determined to substitute a new nominee in place of CEDE & Co., and subject to the provisions of this 2013 Bond Ordinance with respect to transfer of the Series 2013E Bonds, the term “CEDE & Co.” in this 2013 Bond Ordinance shall refer to such new nominee of DTC.

At any time, the Issuer may terminate the Book-Entry System with respect to the Series 2013E Bonds, in which event (i) the Issuer shall notify DTC and the Paying Agent and Bond Registrar and shall instruct DTC to notify the DTC participants, of the availability through DTC of Series 2013E Bond certificates and (ii) the Paying Agent and Bond Registrar shall issue, transfer and exchange, at the Issuer’s expense, Series 2013E Bond certificates as requested in writing by DTC in appropriate amounts.

At any time, DTC may determine to discontinue providing its services with respect to the Series 2013E Bonds by giving written notice to the Issuer and the Paying Agent and Bond

Registrar in accordance with the Letter or Representations and discharging its responsibilities under applicable law with respect to such Series 2013E Bonds. Under such circumstances (unless a successor to DTC which is reasonably acceptable to the Paying Agent and Bond Registrar has been appointed to act as securities depository hereunder), the Paying Agent and Bond Registrar shall be obligated to deliver Series 2013E Bond certificates as described in this 2013 Bond Ordinance.

So long as any Series 2013E Bonds remain outstanding, the Paying Agent and Bond Registrar shall keep and maintain at its designated corporate trust office complete registration books for the Series 2013E Bonds and shall provide for the registration and transfer of Series 2013E Bonds in accordance with the terms of this 2013 Bond Ordinance. Each Series 2013E Bond shall be authenticated by the Paying Agent and Bond Registrar and shall be transferable only upon the presentation and surrender thereof 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. Upon receipt of any such Series 2013E Bond, duly endorsed for transfer or accompanied by an assignment for transfer, the Paying Agent and Bond Registrar shall transfer such Series 2013E Bond within a period of three business days by reissuing such Series 2013E Bond, duly executed by the Issuer and authenticated by the Paying Agent and Bond Registrar, and delivering the same to the new Registered Holder thereof forthwith.

#### **SECTION 10. Redemption of Series 2013E Bonds.**

The Series 2013E Bonds shall be subject to optional and/or mandatory redemption as provided in the Certificate of Award.

In the event that a Series 2013E Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2013E Bond may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof, if the Series 2013E Bond is one of the maturities or amounts or part of the maturities or amounts called for redemption. Upon surrender of any Series 2013E Bond for redemption in part, the Bond Registrar shall authenticate and deliver an exchange Series 2013E Bond or Series 2013E Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 2013E Bonds so surrendered.

The Bond Registrar shall give notice of any redemption by sending such notice by first class mail not less than 30 and not more than 60 days prior to the date fixed for redemption to the registered owner of each Series 2013E Bond to be redeemed in whole or in part at the address shown on the Bond Registrar as of the date of mailing of such notice. The Bond Registrar may furnish one other form of such notice more than 60 days prior to the date fixed for redemption, provided at least one such notice shall be sent not less than 30 nor more than 60 days prior to such date. Such notice shall state the redemption date, the redemption price, the amount (or number of months) of accrued interest payable on the redemption date, the place at which the Series 2013E Bonds are to be surrendered for payment, and, if less than all of the Series 2013E Bonds outstanding are to be redeemed, an identification of the Series 2013E Bonds or portions thereof to be redeemed. Any notice mailed as provided in the 2013 Bond Ordinance shall be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Prior to or on each redemption date, the Bond Registrar shall make provision, to the

extent funds are then available therefor, for the payment of the redemption price of the Series 2013E Bonds to be redeemed on such date by setting aside and holding in trust an amount sufficient to pay such redemption price. Upon presentation and surrender of any such Series 2013E Bond at the main corporate trust office of the Bond Registrar on or after the date fixed for redemption, the Bond Registrar shall pay the redemption price of such Series 2013E Bond (including accrued interest) from the funds set aside for such purpose.

All of said Series 2013E Bonds as to which the Issuer reserves and exercises the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date. The required notice shall be deemed to have been given upon the Issuer furnishing Notice of Redemption to the Bond Registrar and upon the Bond Registrar acknowledging that it has instructions to send such notice and that it will do so at the proper time, even if the time for furnishing such notice has not yet arrived.

#### **SECTION 11. Authentication of Bonds.**

The Series 2013E Bonds shall be delivered to the Bond Registrar. No Series 2013E Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit of this 2013 Bond Ordinance unless and until such Series 2013E Bond has been duly authenticated by the Bond Registrar by the execution of the Authentication Certificate of Bond Registrar appearing on such Series 2013E Bond. Such Authentication Certificate appearing on any Series 2013E Bonds shall be deemed to have been duly executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar. It shall not be required that the same officer of the Bond Registrar sign such Authentication Certificate on all of the Series 2013E Bonds.

#### **SECTION 12. Mutilated, Lost, Stolen or Destroyed Bonds.**

If any Series 2013E Bond shall be mutilated, lost, stolen or destroyed, the Issuer may execute, authenticate and deliver a new Series 2013E Bond of like maturity and tenor in lieu of and in substitution for the Series 2013E Bond mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Series 2013E Bond, such mutilated Series 2013E Bond shall first be surrendered to the Issuer, and in the case of any lost, stolen or destroyed Series 2013E Bond, there shall be first furnished to the Issuer satisfactory evidence of the ownership of such Series 2013E Bond and of such loss, theft or destruction, together with indemnity satisfactory to the Bond Registrar. If any such Series 2013E Bond shall have matured, the Issuer (through the Bond Registrar) may pay the same instead of issuing a new Series 2013E Bond. The Issuer and/or the Bond Registrar may charge the owner of such Series 2013E Bond its (their) reasonable fees and expenses incurred in connection therewith.

#### **SECTION 13. Series 2013E Bonds Secured by and Payable From First Lien on Revenues of System.**

All of the Series 2013E Bonds, with interest thereon, and any additional Parity Bonds that may be issued and outstanding under the conditions and restrictions of this 2013 Bond Ordinance, are to be issued in anticipation of the revenues to be derived from the operation of the System, all as hereinafter more specifically provided, shall be payable on a first lien basis out of

the Sinking Fund, heretofore created by the 1985 Bond Ordinance and readopted and confirmed by the Prior Bond Ordinance, on a parity basis with the Prior Bonds and shall be a valid first lien of the Owners thereof against said Sinking Fund and against the Gross Income and Revenues of the System pledged to said Sinking Fund.

**SECTION 14. Bond Form of Series 2013E Bonds.**

The Series 2013E Bonds shall be issued in substantially the following form (subject to variations to conform to the several governmental purposes, terms and provisions of the Series 2013E Bonds as enacted by this 2013 Bond Ordinance).

[Remainder of page intentionally left blank]

UNLESS THIS SERIES 2013E BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION (“DTC”), TO THE ISSUER OR THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY SERIES 2013E BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

**UNITED STATES OF AMERICA  
COMMONWEALTH OF KENTUCKY**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
SEWER SYSTEM REFUNDING REVENUE BOND, SERIES 2013**

R-\_\_\_

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Dated Date</u>	<u>CUSIP Number</u>
July 1, _____	_____ %	_____, 2013	528902

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$ \_\_\_\_\_  
\_\_\_\_\_ AND 00/100 DOLLARS

**KNOW ALL MEN BY THESE PRESENTS:** That the Lexington-Fayette Urban County Government (the “Issuer”), an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes, for value received, hereby promises to pay, but solely from the special fund hereinafter identified, to the Registered Owner, above identified, or his or its registered assigns, upon presentation and surrender of this Series 2013E Bond, the principal sum set forth above, on the Maturity Date specified above, and to pay interest on said sum at the per annum Interest Rate specified above, semiannually from the date of original issue or from the most recent Interest Payment Date preceding the date of or on which this Series 2013E Bond was authenticated, unless this Series 2013E Bond is authenticated on an Interest Payment Date to which interest has been paid, in which event it shall bear interest from that date, on **[January 1, and July 1]** of each year (the “Interest Payment Dates”). The principal of on this Series 2013E Bond is payable upon surrender of this Series 2013E Bond, at maturity or at earlier redemption prior to maturity, in lawful money of the United State of America, at the principal office of \_\_\_\_\_, \_\_\_\_\_, Kentucky (the “Payee Bank” and the “Bond Registrar”). Interest due on this Series 2013E Bond shall be paid by electronic transfer or check or draft mailed by first class mail postmarked no later than the due date thereof, by the Payee Bank to the Registered Owner hereof at the address shown as of the 15th day of the month preceding each Interest Payment Date on the bond register maintained by the Payee Bank. *Any capitalized terms which are not otherwise defined in this Series 2013E Bond shall have the meaning set forth in Ordinance No. \_\_\_-2013, adopted by the Lexington-Fayette Urban County Council (the “Governing Body”) on September \_\_, 2013, authorizing the Series 2013E Bonds.*

The Issuer has established a book-entry system of registration for the Series 2013E Bonds (the "Book-Entry System"). Except as specifically provided otherwise in the 2013 Bond Ordinance, DTC (or its nominee) will be the Registered Owner of this Series 2013E Bond. By acceptance of a confirmation of purchase, delivery or transfer, the Beneficial Owner of this Series 2013E Bond, shall be deemed to have agreed to this arrangement. DTC (or its nominee), as Registered Owner of this Series 2013E Bond, shall be treated as the owner thereof for all purposes.

This Series 2013E Bond is part of a duly authorized issue of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) principal amount of Lexington-Fayette Urban County Government Sewer System Refunding Revenue Bonds, Series 2013E (the "Series 2013E Bonds") issued by the Issuer pursuant to Ordinance No. \_\_\_\_-2013 of the Issuer, duly enacted on September \_\_, 2013 (the "2013 Bond Ordinance") under and in full compliance with the Constitution and Statues of the Commonwealth of Kentucky, including Sections 67A.060, 82.082 and 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, for the purpose of (i) refunding all or a portion of the Series 2009 Bonds and (ii) paying the costs of issuance of the Series 2013E Bonds.

Through the Escrow Trust Agreement, dated the date of delivery of the Series 2013E Bonds, by and between the Issuer and \_\_\_\_\_, as escrow bank (the "Escrow Bank"), the Issuer has deposited into the Escrow Fund created pursuant to the 2013 Bond Ordinance, sufficient proceeds of the Series 2013E Bonds, together with other necessary and available funds, if necessary, which together with the contractual income therefrom, shall be sufficient in an amount to redeem and discharge the Refunded Series 2009 Bonds, thereby defeasing and terminating the pledges of the income and revenues of the System securing said Refunded Series 2009 Bonds.

The Series 2013E Bonds mature on the 1st day of July of the following years, in the respective principal amounts and bear interest at the following rates of interest:

<b>Maturity Date (July 1)</b>	<b>Amount</b>	<b>Interest Rate Per Annum</b>

The Series 2013E Bonds shall rank on a parity as to security and source of payment with (i) the remaining outstanding principal amount, if any, of the Lexington-Fayette Urban County Government Taxable Sewer Revenue Bonds, Series 2009 (Build America Bonds - Direct Pay),



dated October 22, 2009, following the issuance of the Series 2013E Bonds and (ii) the outstanding principal amount of the Lexington-Fayette Urban County Government Sewer System Revenue Refunding Bonds, Series 2010A, dated May 13, 2010, issued in the original principal amount of \$13,860,000 (together, the "Prior Bonds"). The Prior Bond Ordinance and the 2013 Bond Ordinance provide, that so long as any of the Prior Bonds, the Series 2013E Bonds and/or any additional bond ranking on a parity therewith (the "Parity Bonds"), are outstanding, said System shall be owned and operated as a revenue-producing public project within the meaning of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, for the security and source of payment of any and all such outstanding Prior Bonds, the Series 2013E Bonds and Parity Bonds (collectively, the "Outstanding Bonds").

It is provided in the Prior Bond Ordinance and the 2013 Bond Ordinance that Parity Bonds may be issued and outstanding upon the conditions and restrictions prescribed in the Prior Bond Ordinance and the 2013 Bond Ordinance, and the Series 2013E Bonds, together with such Parity Bonds are and will continue to be payable from and secured by a first pledge of the gross revenues to be derived from the operation of the System, which gross revenues shall be sufficient to pay the principal of an interest on all said outstanding Prior Bonds, the Series 2013E Bonds and Parity Bonds, as and when the same become due and payable, and that a sufficient portion of such revenues shall be set aside for that purpose into a special fund heretofore created and identified as the "Lexington-Fayette Urban County Government Sewer System Revenue Bonds Sinking Fund" (the "Sinking Fund").

The Issuer covenants that so long as any of the Prior Bonds, the Series 2013E Bonds and/or any Parity Bonds are outstanding, the System will be continuously owned and operated as a combined and consolidated revenue-producing undertaking, and that the Issuer will fix, charge and adjust from time to time as needed, such rates for the services and facilities of the System so that the income and revenues therefrom will be sufficient to pay all of the Prior Bonds, the Series 2013E Bonds and any Parity Bonds, plus the interest thereon, as the same become due, to provide for the depreciation thereof, and to pay the cost of operation and maintenance of the System.

THE SERIES 2013E BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISIONS OR LIMITATIONS, BUT ARE SECURED BY A FIRST PLEDGE OF, AND ARE PAYABLE AS TO BOTH PRINCIPAL AND INTEREST SOLELY OUT OF, THE GROSS REVENUES OF THE SYSTEM, A SUFFICIENT PORTION OF WHICH GROSS REVENUES, TO PAY THE PRINCIPAL OF AND INTEREST ON ALL OF SUCH SERIES 2013E BOND, AS AND WHEN THE SAME BECOME DUE AND PAYABLE, SHALL BE SET ASIDE AND DEPOSITED INTO THE SINKING FUND.

### **REDEMPTION PROVISIONS**

***Optional Redemption.*** The Series 2013E Bonds maturing on and after July 1, \_\_\_\_ shall be subject to redemption by the Issuer prior to maturity, in whole or in part, in any order of maturity (less than all of a single maturity to be selected by the Bond Registrar by lot in such manner as may be determined by the Bond Registrar), on any date on or after July 1, \_\_\_\_, upon

payment of face amount plus all accrued interest maturing on and prior to the redemption date, but without premium.

**Mandatory Redemption.** The Series 2013E Bonds shall be subject to mandatory sinking fund redemption as follows:

(a) The Series 2013E Bonds maturing on July 1, \_\_\_\_ are subject to mandatory redemption prior to maturity from funds in the Sinking Fund (as defined herein) by lot by the Payee Bank without action by the Issuer at par plus accrued interest to the date of redemption in the following principal amounts and in each of the following years:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
†Maturity	

(b) The Series 2013E Bonds maturing on July 1, \_\_\_\_ are subject to mandatory redemption prior to maturity from funds in the Sinking Fund by lot by the Payee Bank without action by the Issuer at par plus accrued interest to the date of redemption in the following principal amounts and in each of the following years:

<u>Year</u>	<u>Principal Amount to be Redeemed</u>
†Maturity	

**Redemption Procedures.** In the event that a Series 2013E Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Series 2013E Bond may be redeemed, but only in a principal amount equal to \$5,000 or any integral multiple thereof, if the Series 2013E Bond is one of the maturities or amounts or part of the maturities or amounts called for redemption. Upon surrender of any Series 2013E Bond or redemption in part, the Bond Registrar shall authenticate and deliver an exchange Series 2013E Bond or Series 2013E Bonds in an aggregate principal amount equal to the unredeemed portion of the Series 2013E Bonds so surrendered.

The Bond Registrar shall give notice of any redemption by sending such notice by first class mail not less than 30 and not more than 60 days prior to the date fixed for redemption to the registered owner of each Series 2013E Bond to be redeemed in whole or in part at the address shown on the Bond Register as of the date of mailing of such notice. The Bond Registrar may furnish one other form of such notice more than 60 days prior to the date fixed for redemption, provided at least one such notice shall be sent not less than 30 nor more than 60 days prior to such date. Such notice shall state the redemption date, the redemption price, the amount (or

number of months) of accrued interest payable on the redemption date, the place at which the Series 2013E Bonds are to be surrendered for payment, and, if less than all of the Series 2013E Bonds are outstanding are to be redeemed, an identification of the Series 2013E Bonds or portions thereof to be redeemed. Any notice mailed as provided in the 2013 Bond Ordinance shall be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Prior to or on each redemption date, the Bond Registrar shall make provision, to the extent funds are then available therefor, for the payment of the redemption price of the Series 2013E Bonds to be redeemed on such date by setting aside and holding in trust an amount sufficient to pay such redemption price. Upon presentation and surrender of any such Series 2013E Bond at the main corporate trust office of the Bond Registrar on or after the date fixed for redemption, the Bond Registrar shall pay the redemption price of such Series 2013E Bond (including accrued interest) from the funds set aside for such purpose.

All of said Series 2013E Bonds as to which the Issuer reserves and exercised the right of redemption and as to which notice as aforesaid shall have been given, and for the retirement of which, upon the terms aforesaid, funds are duly provided, will cease to bear interest on the redemption date. The required notice shall be deemed to have been given upon the Issuer furnishing a Notice of Redemption to the Bond Registrar and upon the Bond Registrar acknowledging that it has instructions to send such notice and that it will do so at the proper time even if the time for furnishing such notice has not yet arrived.

So long as DTC or its nominee is the sole registered owner of the Series 2013E Bonds under the Book-Entry System, any failure on the part of DTC or a DTC Participant to notify the Beneficial Owner so affected shall not affect the validity of any redemption of Series 2013E Bonds.

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The Series 2013E Bonds are issuable as fully registered bonds in the denomination of \$5,000 and any authorized multiple thereof within a single maturity. This Series 2013E Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing, at the main office of the Bond Registrar, but only in the manner and subject to the limitations provided in the 2013 Bond Ordinance, and upon surrender and cancellation of this Series 2013E Bond, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owners or his authorized representative. Upon such transfer being made, a new fully registered Series 2013E Bond or Series 2013E Bonds of the same series and the same maturity, of authorized denomination, for the same aggregate principal amount, will be issued to the transferee in exchange for this Series 2013E Bond. Except as otherwise specifically provided herein and in the 2013 Bond Ordinance, with respect to rights of DTC Participants and Beneficial Owners when a Book-Entry System is in effect, the Registered Owner of this Series 2013E Bond shall be treated as the owner of it for all purposes.

The Issuer and the Bond Registrar may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of principal hereof and interest due hereon, and for all other purposes, and neither the Issuer nor the Bond Registrar shall be affected by any notice to the contrary.

It is hereby certified, recited and declared that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of the Series 2013E Bonds, including this Series 2013E Bond, have existed, have happened and have been performed in due time, form and manner as required by law, that the amount of this Series 2013E Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution of Statutes of the Commonwealth of Kentucky, and that a sufficient portion of the gross revenues of the System has been pledged and will be set aside into the Sinking Fund by the Issuer for the prompt payment of the principal of and interest on this Series 2013E Bond, all of the Prior Bonds, hereinafter defined, and all Parity Bonds, including those white may be issued hereafter.

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**IN WITNESS WHEREOF**, the Lexington-Fayette Urban County Government has caused this Series 2013E Bond to be signed either manually or by facsimile in its name by its Mayor and duly attested either manually or by facsimile by its Urban County Council Clerk and an impression or facsimile of the Lexington-Fayette Urban County Government's seal to be imprinted hereon, as of the date set forth above; provided, however, that this Series 2013E Bond shall not be valid or become obligatory for any purpose, or be entitled to any security or benefit under the 2013 Bond Ordinance pursuant to which it was authorized until the Authentication Certificate of Registrar printed hereon shall have been executed by the manual signature of a duly authorized representative of the Bond Registrar.

**LEXINGTON-FAYETTE URBAN COUNTY  
GOVERNMENT**

---

Jim Gray  
Mayor

(SEAL)

Attest:

---

Meredith Nelson  
Urban County Council Clerk

**AUTHENTICATION CERTIFICATE OF REGISTRAR**

This is to certify that this Series 2013E Bond is one of the Series 2013E Bonds referred to in the within Series 2013E Bond and in the 2013 Bond Ordinance authorizing the same

\_\_\_\_\_, Louisville,  
Kentucky

By: \_\_\_\_\_  
Authorized Officer

**(FORM OF ASSIGNMENT)**

**ASSIGNMENT**

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

---

(please print or typewrite social security number or other identifying number and name and address of transferee)

the within Series 2013E Bond and does hereby irrevocably constitute and appoint the \_\_\_\_\_ or its successor as Paying Agent and Registrar to transfer the said Series 2013E Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_

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Signature Guaranteed

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Signature

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

[END OF BOND FORM]

[ORDINANCE CONTINUED]

**SECTION 15. Compliance with Parity Requirements of Prior Bond Ordinance.**

It is hereby certified and declared that prior to the issuance of the Series 2013E Bonds, there will have been procured and filed with the Commissioner of Finance of the Issuer a statement by a Certified Public Accountant, as defined herein, stating the opinion based upon necessary investigation that after the issuance of the Series 2013E Bonds, the annual net revenues of the existing System for the fiscal year preceding the date of delivery of the Series 2013E Bonds, after taking into account the revised debt service requirements resulting from the issuance of the Series 2013E Bonds and the related elimination of the Refunded Series 2009 Bonds, are equal to not less than 125% of the Maximum Annual Debt Service then scheduled to fall due in any fiscal year thereafter for principal of and interest on all of the then Outstanding Bonds and other obligations payable from the revenues of the System, calculated in the manner specified in the Prior Bond Ordinance.

Accordingly, based upon the foregoing compliance with the requirements of the Prior Bond Ordinance, it is hereby found and declared that the Series 2013E Bonds shall rank and be payable on a parity with the outstanding Prior Bonds from the gross income and revenues of the System.

**SECTION 16. Provisions of Prior Bond Ordinance Incorporated Herein; Adjustments in Required Deposits.**

All proceedings preliminary to and in connection with the issuance of the Prior Bonds, whereby provision was made for the receipt, custody and application of the proceeds of the Prior Bonds; for the operation of the System on a revenue-producing basis; for the segregation, allocation and custody of the revenues derived from the operation of the System; for the enforcement and payment of the Prior Bonds; and all other covenants for the benefit of the Bondowners set out in the Prior Bond Ordinance, are hereby ratified, confirmed and readopted and shall continue in force and inure to the security and benefit of the Series 2013E Bonds, as well as of the Prior Bonds, the same as if such provisions and proceedings were set out herein in full; provided that the amount of income and revenues of the System to be transferred from the Revenue and Operations Account and paid into the Sinking Fund during each of the respective Sinking Fund Years, so long as any of the Prior Bonds and/or Series 2013E Bonds are outstanding, shall be sufficient to pay when due, the interest upon and principal of all of the Prior Bonds and all of the Series 2013E Bonds, to provide for the operation, maintenance and depreciation of the System, and to fund and maintain the reserves of certain funds, as hereinafter specified.

**SECTION 17. Continuing Disclosure.**

The Issuer hereby covenants with the Purchaser and the Beneficial Owners to provide and disseminate such information as is required by the SEC Rule and as further set forth in a Continuing Disclosure Agreement to be entered into by the Issuer and which will be substantially

in the form attached hereto as *Exhibit D*. Such covenant shall be for the benefit of and enforceable by the Purchaser and the Beneficial Owners.

**SECTION 18. Reaffirmation of Flow of Funds Set out in Prior Bond Ordinance, with Adjustments.**

In accordance with the requirements of the Prior Bond Ordinance, it is hereby recognized that the Issuer is obligated, upon the issuance of the Series 2013E Bonds, ranking on a parity with Prior Bonds, to provide for additional payments into certain of the funds created, readopted and continued by the Prior Bond Ordinance and reaffirmed and readopted in this 2013 Bond Ordinance and to continue making the prescribed payments otherwise specified in the Prior Bond Ordinance and in this 2013 Bond Ordinance. Accordingly, the Issuer covenants that all provisions as to flow of funds specified in the Prior Bond Ordinance are readopted and reaffirmed, as follows:

(a) *Revenue and Operations Account (“Revenue and Operations”)*. The Gross Income and Revenues of the System, including monthly sewer user charges, government subsidies, BAB Interest Subsidy Payments, funds appropriated from other sources, if any, plus if and when said Funds have been fully funded, interest earned upon the investment of money in the respective Funds shall be deposited monthly in the Revenue and Operations Account and shall then be expended, used, and apportioned in the following order, as set out in the Prior Bond Ordinance.

(i) *Sinking Fund*. The provisions of the Prior Bond Ordinance as to the creation and maintenance of the Sinking Fund, consisting of a Principal and Interest Account for the payment of the principal and interest on all Outstanding Bonds against the System as same fall due, are hereby readopted, ratified and confirmed, and there shall be deposited into such Sinking Fund (1) an amount equal to 1/6th (or such larger amount as is necessary) of the next six-months’ interest installment to become due on the then Outstanding Bonds, plus (2) an amount equal to 1/12th (or such larger amount as is necessary) of the principal of any Outstanding Bonds maturing and/or being mandatorily called for redemption on the next succeeding July 1, it being recognized that the term “Outstanding Bonds” includes the Series 2013E Bonds authorized by this 2013 Bond Ordinance, as well as any future Parity Bonds.

If for any reason the Issuer shall fail to pay into the Sinking Fund the amount required to be paid into such Sinking Fund in any month (whether from the Debt Service Reserve Fund or any other source), then an amount equal to such deficiency shall be set apart from the gross revenues of the System and paid into the Sinking Fund from the first available income and revenues in the Revenue and Operations Account.

All amounts on deposit in the Sinking Fund constitute a trust fund, and have been, shall be and are earmarked and pledged for the security and source of payment of the Prior Bonds, the Series 2013E Bonds and any Parity Bonds.



On or before the 27th day of December and June in each year, the Commissioner of Finance shall withdraw from the Sinking Fund (and from the Reserve Fund, if necessary) on deposit at the Depository Bank, a sum equal to the interest or a sum equal to the principal and interest, as the case may be, becoming due on the Prior Bonds, the Series 2013E Bonds and any future Parity Bonds on the next following respective January 1 and July 1, and transfer same to an account entitled "Lexington-Fayette Urban County Government Sewer System Revenue Bond and Interest Payment Account," to be held on deposit with the Payee Bank as a trust fund to be drawn upon by the Payee Bank to pay maturing interest installments, and/or principal and interest installments, as the case may be, in accordance with the terms of such respective Bonds. The Commissioner of Finance and the Payee Bank shall keep appropriate records as to payment of principal and interest installments on the Prior Bonds, the Series 2013E Bonds and any future Parity Bonds.

(ii) *Debt Service Reserve Fund.* Consistent with the provisions of the Prior Bond Ordinance, the Debt Service Reserve Fund is required to be funded and held for the benefit of the holders of the Prior Bonds, the Series 2013E Bonds and any additional Parity Bonds, and shall be used solely for the purpose of paying principal of and/or interest on such Outstanding Bonds as to which there would otherwise be a default.

The Issuer covenants that at the time of the issuance and delivery of the Series 2013E Bonds or any future Parity Bonds, the Issuer will, as required, from the proceeds of the Series 2013E Bonds or any future Parity Bonds, increase the amount of such Debt Service Reserve Fund to an amount equal to the increased Required Debt Service Reserve, if any, which required increase results from the issuance of the Series 2013E Bonds or any future Parity Bonds. However, such amount shall not exceed 10% of the proceeds of the Series 2013E Bonds or any future Parity Bonds.

Amounts on deposit in the Debt Service Reserve Fund may be withdrawn and used by the Issuer, when necessary, and shall be so withdrawn and used if and to the extent necessary to prevent the occurrence of an Event of Default, for the purpose of making payments of principal and interest (including both principal maturities and any mandatory redemption payments) on any of the Outstanding Bonds if the amount on deposit in the Sinking Fund is not sufficient to make such payments; provided, however, that in the event of any such withdrawal, thus causing the amount on deposit in the Debt Service Reserve Fund to be reduced to less than the Required Debt Service Reserve, the Issuer shall, unless such deficiency is otherwise provided for, restore such deficiency through the deposit into such Fund as the next monthly transfer from the Revenue and Operations Account, following the transfers set out above, and in each month thereafter, of an amount equal to the greater of (1) the sum of \$2,000 or (2) 1/24th of the Required Debt Service Reserve until the total Required Debt Service shall have been restored.

Provided, however, that no further payments need be made into the Sinking Fund after and so long as such amount of the Outstanding Bonds shall have been retired that the amount then held in the Sinking Fund, including the Debt Service Reserve Fund, shall be equal to the entire amount required to retire and/or redeem all of the then Outstanding Bonds, including the payment of all interest that will accrue to or at the time of such retirement and/or redemption.

As and when additional Parity Bonds are issued, provision shall be made similarly for increasing the Debt Service Reserve, if necessary and to the extent not fully funded concurrently with the issuance of such Parity Bonds, to not less than the Maximum Annual Debt Service applicable to all Bonds then scheduled to be Outstanding (including the Prior Bonds, the Series 2013E Bonds and such additional Parity Bonds) falling due in any twelve-month period thereafter, by deposit of monthly amounts equal to the greater of (a) the sum of \$2,000, or (b) 1/24th of the amount necessary to accumulate such increased Debt Service Reserve, within a period of two years, and provision shall further be made for correspondingly increasing the respective amounts referred to in all related covenants.

As provided in the Prior Bond Ordinance, income from any investment of funds on deposit in the Debt Service Reserve Fund, including income from the proceeds of any Parity Bonds deposited in the Debt Service Reserve Fund, will be credited to the Revenue and Operations Account.

No deposits shall be made in the Debt Service Reserve Fund which would cause the total amount deposited therein to exceed the Eligible 10% of Outstanding Bonds, unless, in the opinion of recognized Bond Counsel, such deposit may be made without causing any of the Outstanding Bonds to become "arbitrage bonds" and any available revenues in excess of the amount which would cause the total amount deposited in such Reserve Fund to equal such 10% amount, shall be immediately transferred to the Depreciation Fund.

(iii) *Operations and Maintenance Expenses To Continue To Be Paid Out Of Revenue And Operations Account.* Subject to the prior requirements for payment in the subsections set out above, there shall be paid out of the Revenue and Operations Account, from month to month, or as needed, such amounts as are required to pay, as they accrue, the proper and necessary costs of operating, maintaining and insuring the System, as set out in the Current Expenses contained in the annual budget, and to accumulate and maintain in the Revenue and Operations Account an amount sufficient to pay all costs of operating, maintaining and insuring the System for three full months.

(iv) *Depreciation Fund.* The Issuer covenants that prior to the issuance and delivery of the Series 2013E Bonds and any future Parity Bonds, the Issuer will, through the transfer of funds on deposit in the Capital Projects Fund and/or other sources, increase the Required Depreciation Reserve, which required increase results from the issuance of the Series 2013E Bonds.

As provided in the Prior Bond Ordinance, amounts in the Depreciation Fund may be withdrawn and used on approval by the Governing Body of a budget amendment or appropriation, for the purpose of paying the cost of making unusual or extraordinary maintenance, repairs, renewals and/or replacements to the System not included in the annual budget of Current Expenses, which would be necessary to keep the System in good operating condition, or for the purpose of paying the cost of constructing extensions, additions and/or improvements to the System, which will either enhance the revenue-producing capacity of the System for provide a higher degree of service; provided, however, that if the combined and available balances in the Sinking Fund and Debt Service Reserve Fund on June 20 or December 20 shall be insufficient to pay the next maturing installment of interest and /or principal of the Outstanding Bonds, the Issuer shall withdraw and transfer from the Depreciation Fund to the Sinking Fund whatever amount may be required to eliminate the deficiency in the Sinking Fund and to avoid a default.

Provided further that any withdrawals from the Depreciation Fund shall be promptly restored to the Depreciation Fund through the transfer from the Revenue and Operations Account into the Depreciation Fund, as the next monthly transfer from such Account, unless such deficiency is otherwise provided for, following the transfer from such Account, unless such deficiency is otherwise provided for, following the transfer set out in the foregoing Subsections of this Section 18, in each month thereafter of an amount equal to the greater of (i) \$2,000 or (ii) and amount equal to 1/24th of the amount required to be accumulated and maintained in such fund, to the extent necessary, until the total Required Depreciation Reserve has been restored and is being maintained.

However, it is not reasonably anticipated that any amounts in the Depreciation Fund will be used to pay debt service on any Outstanding Bonds.

As provided in the Prior Bond Ordinance, as and when additional Parity Bonds are issued, the Issuer shall determine at the time of issuance thereof, with the advice of the Independent Consulting Engineers then employed by the Issuer, (a) whether additional amounts shall be accumulated in the Depreciation Fund, (b) the exact revision, if any, in the required deposits in such Depreciation Fund and (c) the revised total amount (increased "Required Depreciation Reserve") if any, necessary to be accumulated in such Depreciation Fund; whereupon covenants to that effect shall be incorporated in the proceedings authorizing the issuance of such Parity Bonds. As set out above in this Subsection, prior to the issuance of the Series 2013E Bonds, an additional deposit will be made into the Depreciation Fund, if required, to assure the deposit therein on or prior to the issuance of the Series 2013E Bonds of the increased Required Depreciation Reserve, if any, based on the formula and covenants contained in the Prior Bond Ordinance, and accordingly, no other adjustment in the required accumulation in the Depreciation Fund will be required.

As previously required, income from any investment of sums on deposit in the Depreciation Fund, regardless of the source, shall be credited to the Revenue and Operations Account.

(v) *Capital Projects Fund.* The Issuer reaffirms the covenant contained in the Prior Bond Ordinance to the effect that following the transfers required to be made in each month by the foregoing Subsections of this Section 18, after (1) there is on deposit in the Revenue and Operations Account an amount sufficient to pay all costs of operating, maintaining, and insuring the System for three full months, and (2) the minimum amounts required to be maintained in the Debt Service Reserve Fund and the Depreciation Fund, respectively, have been fully funded and/or restored and are being maintained, any surplus then remaining in the Revenue and Operations Account shall be transferred to the Capital Projects Fund. Such Capital Projects Fund is required to be maintained and applied, to the extent necessary (a) to fund interim financing of grant projects for the System, (b) to finance capital improvements to the System, (c) to fund any deficiency in the Debt Service Reserve Fund and/or the Depreciation Fund, (d) to provide other financing requirements of the System and/or (e) to purchase or redeem Outstanding Bonds of the System. Income from the investment of funds on deposit in the Capital Projects Fund, regardless of the source, shall be credited to the Revenue and Operations Account.

(b) *Requirements as to Investments of Funds of Prior Bond Ordinance Reaffirmed.* All provisions of the Prior Bond Ordinance as to investment of funds, permissible adjustment in transfers, deposits and investments consistent with Federal arbitrage regulations, are hereby readopted and reaffirmed.

**SECTION 19. Disposition of Proceeds of Series 2013E Bonds; Escrow Agreement Investment Provisions.**

Upon the sale and delivery of the Series 2013E Bonds and upon receipt by the Issuer of the purchase price thereof, it is hereby acknowledged and ordered that:

(a) *Disposition of Proceeds: Series 2013E Bonds.*

(i) *Payment of Fees and Expenses.* There shall first be paid therefrom the fee of the Financial Advisor, the fee of the Bond Registrar, to the extent not otherwise provided for, the fee and expenses of Bond Counsel, any applicable rating agency fee, and any other pertinent expenses of the issuance of the Series 2013E Bonds, as approved by the Commissioner of Finance of the Issuer.

(ii) *Deposit to Debt Service Reserve Fund.* An amount equal to the Maximum Annual Debt Service on the Series 2013E Bonds or such amount as is necessary to accrue the Required Debt Service Reserve (but not in excess of 10% of the proceeds of the Series 2013E Bonds) shall be deposited into the Debt Service Reserve Fund and thereafter held in a separate account therein.

(iii) *Balance to Escrow Fund.* The remainder of the proceeds received from the sale of the Series 2013E Bonds shall be transferred to and deposited in the Escrow Fund hereby created pursuant to the Escrow Agreement, hereby approved and adopted, designated as the "Lexington-Fayette Urban County Government Sewer System Refunding Revenue Bonds Series 2013 Escrow Fund," for the prior redemption and payment of the Refunded Series 2009 Bonds as provided in the Certificate of Award. The Escrow Fund shall be held by the Escrow Bank and shall be subject to a trust solely and only for the benefit of the holders of the Refunded Series 2009 Bonds. The Escrow Bank shall administer the Escrow Fund in accordance with the Escrow Agreement. At the time of issuance of the Series 2013E Bonds, it shall be a condition precedent to such issuance that the Escrow Bank execute and deliver a certificate to the effect that the Refunded Series 2009 Bonds have been paid, defeased and discharged and are no longer entitled to the benefits of or secured by the Prior Bond Ordinance.

**SECTION 20. Investments; Limitation on Investment of Funds.**

The Issuer certifies, on the basis of known facts and circumstances in existence on the date of adoption of the 2013 Bond Ordinance, that it is not expected that the proceeds of the Series 2013E Bonds or the revenues of the System will be used in a manner which would cause such Series 2013E Bonds to be arbitrage bonds. The Issuer covenants to the Owners of the Series 2013E Bonds (1) that the Issuer will make no use of the proceeds of said Series 2013E Bonds, which, if such use had been reasonably expected on the date of issue of such Series 2013E Bonds, would have caused such Series 2013E Bonds to be arbitrage bonds and (2) that the Issuer will comply with (i) all of the requirements of Section 148 of the Code and (ii) all of the requirements of applicable Treasury Regulations.

Prior to or at the time of issuance and delivery of the Series 2013E Bonds, the Designated Officers and the Commissioner of Finance, who are jointly and severally charged with the responsibility for the issuance of the Series 2013E Bonds, are jointly and severally authorized to execute the Tax Certificate, setting out all known and contemplated facts (apart from legal conclusions) concerning the issuance, use of proceeds, and investments relating to the Series 2013E Bonds, in order to assure that such Series 2013E Bonds will not be deemed to be arbitrage bonds.

These Series 2013E Bonds are not designated "qualified tax-exempt obligations" for the purposes set forth Section 265(b)(3) of the Code.

**SECTION 21. Rebate Fund.**

The Lexington-Fayette Urban County Government Sewer System Refunding Revenue Bonds, Series 2013E Rebate Fund (the "Rebate Fund"), is hereby created. Amounts from time to time held in the Rebate Fund, if any, shall be invested in Permitted Investments (to extent practicable), shall not be subject to the pledge of the Prior Bond Ordinance or this 2013 Bond Ordinance, shall not constitute a part of the funds held for the benefit of the holders of the Series 2013E Bonds and shall be dedicated to the United States of America to the extent of any

obligation on the part of the Issuer to rebate Cumulative Excess Earnings to the United States of America.

To the extent rebate is applicable to the proceeds of the Series 2013E Bonds, in whole or in part, within five days after the end of each Computation Period and within five days after the payment in full of all outstanding Series 2013E Bonds, the Issuer 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 Issuer shall forthwith deposit that excess amount in the Sinking Fund.

If the amount then on deposit in the Rebate Fund is less than the Cumulative Excess Earnings, the Issuer shall within five 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 30 days after the end of the fifth anniversary date of the issuance of the Series 2013E Bonds and every such fifth anniversary date thereafter, the Issuer shall pay to the United States in accordance with Section 148(f) of the Code 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 Issuer may direct) of the Cumulative Excess Earnings as of the end of such fifth anniversary date. Within 60 days after the payment in full of all outstanding Series 2013E Bonds, the Issuer shall pay to the United States in accordance with Section 148(f) of the Code and regulations thereunder 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 Sinking Fund.

## **SECTION 22. Defeasance of Prior Bonds and Series 2013E Bonds.**

The Issuer reserves the right, at any time, to cause the pledge of the revenues securing the Prior Bonds, the Series 2013E Bonds and any additional Parity Bonds and/or any one or more of such issue (the "Defeasement Bonds") to be defeased and released by paying an amount into an irrevocable escrow account, sufficient, when invested (or sufficient without such investment, as the case may be) in cash and/or U.S. Obligations (the "Future Escrow"), to assure the availability in such Future Escrow of an adequate amount (a) to call for redemption and to redeem and retire such Defeasement Bonds, both as to principal and as to interest, on a legally proper optional redemption date, including all costs and expenses in connection therewith, and to pay all principal and interest falling due on such Defeasement Bonds to and on said date of (b) to pay all principal and interest requirements on such Defeasement Bonds as same mature, without redemption in advance of maturity (other than by scheduled mandatory redemption), the determination of whether to defease under (a) or (b) both to be made by the Governing Body of the Issuer. Such Future Escrow shall have such maturities as to assure that there will be sufficient funds for such purpose. If such defeasance is to be accomplished pursuant to (a), the Issuer shall take all steps necessary to send and/or publish appropriate notice of the redemption of such Defeasement Bonds on whatever redemption date is determined. Upon the proper amount of such investments being placed in escrow and so secured, such revenue pledge shall be automatically fully defeased and released without any further action being necessary. Provided (1) no such defeasement shall be accomplished if such defeasement would, in the opinion of nationally recognized Bond Counsel, adversely affect the exclusion of interest on any of the

Defeasement Bonds from gross income for Federal income tax purposes and (2) no such defeasement shall require that any Bonds be redeemed in advance of maturity if a right to defease the Bonds without redemption in advance of maturity shall have become vested.

**SECTION 23. Inferior Lien Bonds; Parity Bonds; and Surplus Facilities.**

(a) ***Inferior Lien Bonds.*** Except as provided below in this Section, the Issuer shall not, so long as any of the Series 2013E Bonds and any Parity Bonds are outstanding, issue any additional bonds payable from the revenues of the System or any part thereof unless the lien or pledge of the revenues to secure such additional bonds is made inferior and subordinate in all respects to the security for the Prior Bonds, the Series 2013E Bonds and any Parity Bonds.

Provided, the Issuer has expressly reserved the right in the Prior Bond Ordinance and does hereby reserve the right, at any time or times, to issue its bonds or other obligations payable from the revenues of the System and not ranking on a basis of equality and parity with the Series 2013E Bonds, without any proof of previous earnings or net revenues, but only if such bonds or other obligations are issued to provide for extensions, additions, improvements and/or other benefits to the System, provided such inferior bonds whenever issued may only be issued with express recognition of the priorities, liens and rights created and existing for the security, source of payment, and protection of the Prior Bonds, the Series 2013E Bonds and any Parity Bonds; provided, however, that nothing in this Section is intended to restrict, or shall be construed as a restriction upon, the ordinary refunding of the Series 2013E Bonds and of such Parity Bonds.

(b) ***Parity Bonds to Finance Future Extensions, Additions and/or Improvements; Conditions or Showings Required.*** The Issuer has in the Prior Bond Ordinance, reserved the right and privilege, and does hereby reserve the right and privilege, of issuing additional Bonds from time to time payable from the income and revenues of the System ranking on parity with the Prior Bonds and with the Series 2013E Bonds, but only under the conditions specified in the Prior Bond Ordinance, which conditions are hereinafter repeated, taking into account the previous issuance of the Prior Bonds and the current issuance of the Series 2013E Bonds.

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

(i) The facility or facilities to be acquired or constructed from the proceeds of the additional Parity Bonds issued for that purpose is or are made a part of the System and its or their revenues are pledged as additional security for such additional Parity Bonds, the outstanding Prior Bonds and Series 2013E Bonds.

(ii) There shall have been procured and filed with the Commissioner of Finance of the Issuer a statement by a Certified Public Accountant, reciting the opinion that the "Net Revenues" (as defined below) of the System for 12 consecutive months of the 18 months preceding this issuance of said additional Parity Bonds (with adjustments as hereinafter provided) were equal to a least one hundred and twenty-five percent (125%) of the Maximum Annual Debt Service requirements for all then Outstanding Bonds plus the Parity Bonds then proposed to be issued. (The calculation of Maximum Annual Debt Service requirements of the additional Parity Bonds then proposed to be issued shall be determined on the basis of the principal of, and interest on, such Parity Bonds being payable in approximately equal annual installments, with the amounts of the respective mandatory redemption installments of any outstanding term Parity Bonds and any then proposed term Parity Bonds which are to be part of such additional Parity Bonds, being treated as principal maturities of such Parity Bonds for the purpose of calculation Maximum Annual Debt Service Requirements)

(iii) Such "Net Revenues" may be adjusted for the purpose of the foregoing computations to reflect (A) any revisions in the schedule of rates and charges being imposed for the services of the System at the time of issuance of an such additional Parity Bonds, (B) any BAB Interest Subsidy Payments (or similar form of federal subsidized bond designation) projected to be received with respect to such proposed Parity Bonds, and (C) any increase in such net revenues projected to be produced after the issuance of such proposed Parity Bonds by reason of the revenues anticipated to be derived from the extensions, additions, facilities and/or improvements to the System being financed (in whole or in part) by such additional Parity Bonds, provided (1) no projection for such later adjustment shall be made as to any customers other than structures, dwellings, businesses and/or manufacturing establishments in existence at the time of issuance of such Parity Bonds, located on or which will abut on extensions, additions and/or improvements to the System in existence at the time of the issuance of such Parity Bonds and/or being financed (in whole or in part) by such additional Parity Bonds and (2) such latter adjustment shall be made only if contracts for the immediate acquisition and/or construction of such extensions, additions and/or improvements have been or will have been entered into (with any construction contract being secured by 100% performance bond) prior to the issuance of such additional Parity Bonds. All adjustments provided for in this paragraph shall be based upon the written certification of an Independent Consulting Engineer.

(iv) The terms "Net Revenues," "Gross Income and Revenues," and "Operating Expenses," as used in this Section, shall be those terms as defined in the definitions contained in Section 1 of this 2013 Bond Ordinance.

(v) The payments required to be made into the various Funds created under the Prior Bond Ordinance and 2013 Bond Ordinance must be certified as current by the Commissioner of Finance.



(c) ***Parity Refunding Bonds; Conditions or Showings Required.*** The Issuer further reserves the right to issue one or more additional series of Bonds to be secured by a parity lien on and ratably payable from the revenues of the System for the purpose of refunding or refinancing the outstanding Prior Bonds, the Series 2013E Bonds, or any portion thereof, and/or any then previously issued Parity Bonds, provided that prior to the issuance of such additional Parity Bonds for that purpose, there shall have been procured and filed with the Commissioner of Finance a statement by a Certified Public Accountant as defined herein, reciting the opinion based upon necessary investigation that:

(i) after the issuance of such Parity Bonds, the annual net revenues, as adjusted and defined above, of the then existing System for the Fiscal Year preceding the date of delivery of such Parity Bonds, after taking into account the revised debt service requirements resulting from the issuance of such Parity Bonds and from the elimination of the bonds being refunded or refinanced thereby, are equal to no less than 125% of the Maximum Annual Debt Service then scheduled to fall due in any Fiscal Year thereafter for principal of the interest on all of then Outstanding Bonds and other obligations payable from the revenues of the System, calculated in the manner specified above; or

(ii) in the alternative, that the debt service requirements for the Prior Bonds, the Series 2013E Bonds, any then previously issued Parity Bonds, and the proposed refunding Parity Bonds, in each year of maturity thereof after redemption and/or defeasement of whatever Bonds are scheduled to be refunded through the issuance of such proposed refunding Parity Bonds, and other obligations payable from the revenues of the System, shall not exceed the debt service requirements applicable to the then outstanding Prior Bonds, the Series 2013E Bonds, any then previously issued Parity Bonds and other obligations payable from the revenues of the System, for such year prior to the issuance of such proposed Parity Bonds and the redemption, retirement, or defeasement of the Bonds to be refunded, and without extending the maturities of such parity refunding bonds beyond the maturities of the Bonds being refunded.

(d) ***No Prohibition on Issuance of Subordinate Bonds.*** The additional Parity Bonds, the issuance of which is restricted and conditioned by this 2013 Bond Ordinance, shall be understood to mean bonds payable from the income and revenues of the System on a parity with the Prior Bonds, the Series 2013E Bonds and any Parity Bonds and shall not be deemed to include nor to prohibit the issuance of any other obligations, the security and source of payment of which is subordinate and subject to the priority of the required payments into the Sinking Fund.

(e) ***Principal and Interest Payment Dates on Parity Bonds.*** Interest payments for all such additional Parity Bonds shall be semiannually on January 1 and July 1 of each year, and the principal maturities thereof shall be on July 1 of the year in which any such principal is scheduled to become due.

**SECTION 24. Specific Reoption, Reapproval, and Incorporation by Reference in this 2013 Bond Ordinance of Certain Designated Sections and Provisions of the 1985 Bond Ordinance.**

The Issuer, having previously readopted and incorporated by reference into the 2001 Bond Ordinance certain specific sections of the 1985 Bond Ordinance, the Issuer hereby specifically reaffirms, readopts and incorporates by reference, the same as if copied in full herein, the following specific sections and provisions of the 1985 Bond Ordinance:

SECTION 23. ISSUER OFFICIALS TO BE BONDED.

SECTION 24. ADOPTION OF BUDGET OF CURRENT EXPENSES.

SECTION 25. RATES AND CHARGES FOR SERVICES OF THE SYSTEM.

SECTION 27. GENERAL COVENANTS OF THE ISSUER WITH REGARD TO THE OPERATION OF THE SYSTEM.

SECTION 28. INSURANCE.

SECTION 29. ADDITIONAL COVENANTS RESPECTING THE SYSTEM.

Such provisions of the 1985 Bond Ordinance and attached hereto as *Exhibit B*, for convenience of reference and are incorporated herein.

**SECTION 25. Signatures of Officers.**

If any of the officers whose signatures or facsimile signatures appear on the Series 2013E Bonds cease to be such officers before delivery of the Series 2013E Bonds, such signatures shall nevertheless be valid for all purposes the same as if said officers had remained in office until delivery, as provided in Sections 58.040 and 61.390 of the Kentucky Revised Statutes.

**SECTION 26. Appointment and Duties of Bond Registrar, Transfer Agent and Payee Bank.**

The Bond Registrar, Transfer Agent and Payee Bank with respect to the Series 2013E Bonds shall be designated in the Certificate of Award.

(a) *Duties as Bond Registrar and Transfer Agent.* The duties of the Bond Registrar and Transfer Agent shall be as follows:

- (i) To authenticate the Series 2013E Bonds authorized herein;
- (ii) To register all of the Series 2013E Bonds in the names of the respective owners thereof in accordance with the Code;
- (iii) Upon being supplied with a properly authenticated assignment satisfactory to the Bond Registrar (in the sole discretion of such Bond Registrar), to transfer the Ownership of Series 2013E Bonds from one registered Bondowner to another within three (3) business days of the receipt of such proper assignment by the Bond Registrar;

(iv) To cancel and destroy (or remit to the Issuer for destruction, if so requested by the Issuer) all exchanged, matured, retired, and redeemed Series 2013E Bonds, and to maintain adequate records relevant thereto.

(b) ***Duties as Payee Bank.*** Its duties as Payee Bank shall be as follows:

(i) To make payment of principal of and interest on the Series 2013E Bonds from funds provided to the Payee Bank in accordance with the provisions of Section 4 and Section 16 hereof;

(ii) To remit, but only to the extent that all required funds are made available to the Payee Bank by the Issuer, semiannual interest payments directly to the registered owner of each Bond by regular United States mail. Said interest payments shall be deposited in the United State mail no later than each interest due date. Matured or redeemed Bonds shall be payable upon presentation to the Payee Bank. For interest payment purposes, the Payee Bank shall be entitled to rely on its records as Bond Registrar as to the ownership of each Bond as of the 15th day of the month preceding an interest due date, and the Payee Bank's electronic transfer shall be prepared or check or draft shall be drawn and mailed accordingly;

(iii) To send appropriate written notice to the owner of each Bond to be redeemed and to redeem Bonds prior to their stated maturity upon their presentation in accordance with the provisions of Section 5 of this 2013 Bond Ordinance upon received sufficient funds; and

(iv) To supply the Issuer with a written accounting evidencing the payment of interest on and principal of the Bonds within 30 days following each respective due date.

(c) ***General Provisions as to Registrar, Transfer Agent and Payee Bank.*** The Registrar, Transfer Agent and Payee Bank (collectively the "Bank") shall each be entitled to the advice of Counsel and shall be protected for any acts taken by the Bank in good faith and believed by it to be within its discretion or the power conferred upon it by this 2013 Bond Ordinance or the responsibility for the consequences of an oversight or error in judgment.

Any Bank may at any time resign from its capacity and duties set forth in this 2013 Bond Ordinance as to the foregoing by filing its resignation with the Commissioner of Finance and notifying the Purchaser or Purchasers of the Series 2013E Bonds. Thereupon, the Issuer shall designate a successor Bank as to such capacities and duties, which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of such resignation provision shall be made for the orderly transition of the books, records, and accounts relating to the Series 2013E Bonds as to such resigned capacity or capacities to the successor Bank in order that there will be no delinquencies in the payment of interest or principal due on the Series 2013E Bonds.

Each respective Bank shall indicate its acceptance of its respective duties by signing its acceptance at the conclusion of this 2013 Bond Ordinance.

(d) ***Replacement by Issuer of Registrar, Transfer Agent and Payee Bank.*** The Issuer shall have the right at any time to replace the Registrar, Transfer Agent and Payee Bank by observing the following procedure:

(i) It must first enact an Ordinance to that effect.

(ii) It must provide 90 days' notice to such party in that capacity by certified or registered mail.

(iii) It must designate a replacement institution, which must be an institution insured by the Federal Deposit Insurance Association having assets of not less than \$1,000,000.

(iv) It must obtain a written acceptance from such successor, to assume the applicable duties, at least 60 days in advance of the date of such assumption.

(v) It must notify Bondowners by sending written notice by regular U.S. mail of the intended change at least 60 days in advance of the date of such assumption.

(vi) All of the foregoing must occur more than 60 days prior to an Interest Payment Date.

(vii) It must arrange with the existing institution to transfer all funds, investments, records, and/or other necessary documents over to the successor, not less than 30 days prior to the succession date.

## **SECTION 27. Appointment and Duties of Depository Bank.**

The Bank of New York Mellon Trust Company, N.A., Louisville, Kentucky, is currently acting as the Depository Bank and shall continue to serve in such capacity with respect to the issuance of the Series 2013E Bonds, pursuant to the terms set forth herein.

(a) ***Duties of Depository Bank.*** The duties of the Depository Bank shall be to serve as the depository bank of the Revenue and Operations Account and the various Funds created in the Prior Bond Ordinance.

(b) ***General Provisions as to Depository Bank.*** The Depository Bank (the "Bank") shall each be entitled to the advice of counsel and shall be protected for any acts taken by the Bank in good faith and believed by it to be within its discretion or the power conferred upon it by this 2013 Bond Ordinance or the responsibility for the consequences of an oversight or error in judgment.

Any Bank may at any time resign from its capacity and duties set forth in this 2013 Bond Ordinance as to the foregoing by filing its resignation with the Commissioner

of Finance and notifying the Original Purchaser or Purchasers of the Series 2013E Bonds. Thereupon, the Issuer shall designate a successor Bank as to such capacities and duties, which shall be an incorporated bank or trust company authorized to transact business in the United States of America. Notwithstanding the foregoing, in the event of such resignation provision shall be made for the orderly transition of the books, records and accounts relating to the Series 2013E Bonds as to such resigned capacity or capacities to the successor Bank in order that there will be no delinquencies in the payment of interest or principal due on the Series 2013E Bonds.

Each respective Bank shall indicate its acceptance of its respective duties by signing its acceptance at the conclusion of this 2013 Bond Ordinance.

(c) *Replacement by Issuer of Depository Bank.* The replacement of the Depository Bank shall be carried out pursuant to the procedures set forth in the definition of "Depository Bank" herein.

**SECTION 28. Supplemental Ordinances Not Requiring Consent of Bondowners.**

The Issuer may, without the consent of, or notice to, any of the owners of the Prior Bonds, the Series 2013E Bonds or any Parity Bonds, enact one or more supplemental ordinances as shall not be inconsistent with the terms and provisions hereof for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in this 2013 Bond Ordinance;
- (b) To grant to or confer upon the Bond Registrar for the benefit of the Bondowners any additional rights, remedies, powers, or authorities that should lawfully be granted to or conferred upon the Bondowners or the Bond Registrar or either of them;
- (c) To subject to the lien and pledge of this 2013 Bond Ordinance additional revenues, properties, or collateral which may legally be subjected;
- (d) To add to the conditions, limitations, and restrictions on the issuance of the Series 2013E Bonds or any Parity Bonds, other conditions, limitations and restrictions thereafter to be observed;
- (e) To add to the covenants and agreements of the Issuer in this 2013 Bond Ordinance, other covenants and agreements thereafter to be incurred by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer;
- (f) To conform this 2013 Bond Ordinance to the Code or future applicable federal law concerning tax-exempt obligations and Build America Bonds, or in connection with any other change therein which is not materially adverse to the interest of the Owners; and

(g) To effect the issuance of additional Parity Bonds pursuant to the Prior Bond Ordinance and Section 23 of this 2013 Bond Ordinance.

**SECTION 29. Provisions in Conflict Repealed.**

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

**SECTION 30. Covenant of Issuer to Take All Action Necessary to Assure Compliance with the Code.**

In order to assure Purchasers of the Series 2013E Bonds that such Series 2013E Bonds will continue to be legal, the Issuer covenants to and with the owners of such Series 2013E Bonds that:

(a) The Issuer will take all actions necessary to comply with the provisions of the Code,

(b) The Issuer reserves the right to amend this 2013 Bond Ordinance without obtaining the consent of the owners of the Series 2013E Bonds to whatever extent shall be permissible to eliminate any restrictions concerning the System or the investment of the proceeds of the Series 2013E Bonds, or the application of such proceeds, as to restrictions incorporated in this 2013 Bond Ordinance, and

(c) The Purchasers of the Series 2013E Bonds are deemed to have relied fully upon these covenants and undertakings on the part of the Issuer as part of the consideration for the purchase of such Series 2013E Bonds.

**SECTION 31. Appointment and Engagement of Bond Counsel.**

Peck, Shaffer & Williams LLP, Covington, Kentucky ("Bond Counsel") is hereby appointed as bond counsel for the Series 2013E Bonds. Bond Counsel shall be paid a fee equal to \$0.80 per \$1,000 of bonds issued for bond counsel services. The Mayor of the Issuer is hereby authorized and directed to execute an engagement letter with Bond Counsel, the execution of such engagement letter by the Mayor to constitute conclusive evidence of approval of such engagement letter.

**SECTION 32. Financial Advisor.**

Raymond James & Associates, Inc. (the "Financial Advisor") is appointed Financial Advisor to the Issuer in connection with the issuance, sale and delivery of the Series 2013E Bonds. The Financial Advisor shall be paid a fee for financial advisory services, as provided on the attached *Exhibit E*.

**SECTION 33. Execution of Supplementary Documents.**

The execution, delivery, acceptance and/or due performance of the Series 2013E Bonds, the Continuing Disclosure Agreement, and the Tax Certificate are hereby in all respects approved, authorized, ratified and confirmed, and it is hereby ordered that the Designated Officers, the Commissioner of Finance and other officers and employees of the Issuer execute and deliver such other documents, certificates, agreements and instruments and take such other action as may be required or desirable to carry out the purposes of this 2013 Bond Ordinance, the Series 2013E Bonds and the aforesaid documents, agreements, instruments and certificates.

**SECTION 34. Filing.**

The Designated Officers and/or the Commissioner of Finance are hereby authorized to undertake and cause all filings of notices or information which may be required by law to be filed by the Issuer, including, but not limited to, the filing with the State Local Debt Officer required by law.

**SECTION 35. Severability.**

If any one or more of the provisions of this 2013 Bond Ordinance should be determined by a court of competent jurisdiction to be contrary to law, then such provisions shall be deemed to be severable from all remaining provisions and shall not affect the validity of such other provisions.

**SECTION 36. Open Meetings Compliance.**

This Governing Body hereby finds and determines that all formal actions relative to the adoption of this 2013 Bond Ordinance were taken in an open meeting of this Governing Body, and that all deliberations of this Governing Body and of its committees, if any, which resulted in formal action, were in meetings open to the public, in full compliance with applicable legal requirements.

**SECTION 37. Effective Date of Ordinance.**

This 2013 Bond Ordinance shall become effective immediately upon the date of its passage.

**INTRODUCED AND GIVEN FIRST READING** at a duly convened meeting of the Urban County Council of the Lexington-Fayette Urban County Government on the 29 day of August, 2013.

**GIVEN SECOND READING, ENACTED AND ADOPTED** at a duly convened meeting of the Urban County Council of the Lexington-Fayette Urban County Government on the 12 day of September, 2013.

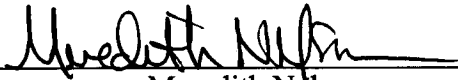
**LEXINGTON-FAYETTE COUNTY  
GOVERNMENT**

Approved: \_\_\_\_\_



Jim Gray  
Mayor

Attest:



Meredith Nelson  
Urban County Council Clerk

PUBLISHED: September 19, 2013-1t



**CERTIFICATION**

I, the undersigned, do hereby certify that I am the duly qualified and acting Urban County Council Clerk of the Lexington-Fayette Urban County Government, and as such Urban County Council Clerk, I further certify that the foregoing is a true, correct and complete copy of an Ordinance duly enacted by the Urban County Council of the Lexington-Fayette Urban County Government at a duly convened meeting held on the 12<sup>th</sup> day of September, 2013, on the same occasion signed by the Mayor is evidence of her approval, and now in full force and effect, all as appears from the official records of the Lexington-Fayette Urban County Government in my possession and under my control.

Witness my hand and the seal of said County as of the 16<sup>th</sup> day of September, 2013.

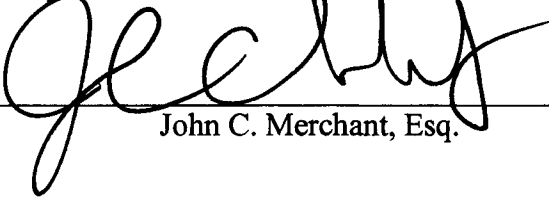
  
\_\_\_\_\_  
Meredith Nelson  
Urban County Council Clerk

[SEAL]

**CERTIFICATE**

Pursuant to Section 67A.070 of the Kentucky Revised Statues, the undersigned, a duly licensed attorney at law, hereby certifies that the title to this enactment contains an accurate synopsis of the contents thereof and may be used to satisfy the reading and publication requirements of law.

**PECK, SHAFFER & WILLIAMS LLP**

  
\_\_\_\_\_  
John C. Merchant, Esq.

**ACCEPTANCE BY \_\_\_\_\_, KENTUCKY, N.A.  
AS BOND REGISTRAR, TRANSFER AGENT AND PAYEE BANK**

The undersigned hereby agrees to the provisions of the foregoing Ordinance to the extent there are contained therein provisions as to the rights and duties of the undersigned as Bond Registrar, Transfer Agent and Payee Bank.

\_\_\_\_\_  
Louisville, Kentucky

By: \_\_\_\_\_

Name:

Title:

Dated: \_\_\_\_\_, 2013

**ACCEPTANCE BY THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,  
AS DEPOSITORY BANK**

The undersigned hereby agrees to the provisions of the foregoing Ordinance to the extent there are contained therein provisions as to the rights and duties of the undersigned as Depository Bank.

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., Louisville, Kentucky**

By: \_\_\_\_\_

Name:

Title:

Dated: \_\_\_\_\_, 2013

**EXHIBIT A**

**DTC LETTER OF REPRESENTATIONS**

**EXHIBIT B**

**EXCERPTS FROM THE 1985 BOND ORDINANCE**

**EXHIBIT C**  
**FORM OF SALE DOCUMENTS**

**EXHIBIT D**

**FORM OF CONTINUING DISCLOSURE AGREEMENT**

**EXHIBIT E**

**FEE SCHEDULE OF THE FINANCIAL ADVISOR**

[SEE ATTACHED]