

Sponsors:

Commissioner Mason Barnes

Commissioner Larry Dixon

Date Second Reading June 21, 2012

Date Published June 28, 2012

ORDINANCE NO. 130.51-06-2012

AN ORDINANCE OF THE CITY OF FRANKLIN, KENTUCKY, AUTHORIZING THE ISSUANCE OF APPROXIMATELY \$3,990,000 (WHICH AMOUNT MAY BE INCREASED OR DECREASED BY UP TO \$400,000) OF THE CITY'S WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2012, TO PROVIDE FUNDS, TOGETHER WITH OTHER AVAILABLE FUNDS, TO CURRENTLY REFUND THE OUTSTANDING CITY OF FRANKLIN, KENTUCKY WATER AND SEWER REVENUE BONDS, SERIES 2004; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH SAID PLAN OF FINANCING AND THE ISSUANCE OF SAID BONDS.

TABLE OF CONTENTS

PREAMBLE	1
SECTION 1. Definitions.....	2
SECTION 2. Ratification of Consolidation of Water and Sewer System as Single Public Project	8
SECTION 3. Maintenance of System; Declaration of Period of Usefulness of System	8
SECTION 4. Authorization of Series 2012 Bonds; Permitted Adjustment.....	8
SECTION 5. Provisions for Payment of Principal and Interest	10
SECTION 6. Provisions for Prior Redemption	10
SECTION 7. Appointment and Duties of Paying Agent and Registrar.....	10
SECTION 8. Form of Fully Registered Bonds; Execution Authorized; Registration and Authentication; Transfer and Exchange of Series 2012 Bonds	12
SECTION 9. Series 2012 Bonds Payable from System Revenues; Parity with Prior Obligations	13
SECTION 10. Delivery of the Series 2012 Bonds; Disbursement of Series 2012 Bond Proceeds and Transfers of Balances in Funds and Accounts	14
SECTION 11. Disposition of System Revenues; Funds and Accounts.....	14
SECTION 12. Additional Parity Debt; Subordinated Debt, Notes and Other Obligations	21
SECTION 13. General Covenants of the City	24
SECTION 14. Events of Default; Registered Owners' Rights to Enforce Covenants.....	28
SECTION 15. No Priority Among Series 2012 Bonds	28
SECTION 16. Insurance	29
SECTION 17. Preliminary Official Statement and Official Statement Authorized and Approved	29
SECTION 18. Continuing Disclosure	30
SECTION 19. Contractual Nature of Series 2012 Bond Ordinance.....	30
SECTION 20. Designation of the Series 2012 Bonds	30
SECTION 21. Expectation Regarding the Series 2012 Bonds	30
SECTION 22. Sale of Series 2012 Bonds	30
SECTION 23. Defeasance	33
SECTION 24. Tax Covenants	35
SECTION 25. Severability Clause	35
SECTION 26. Effective Date of Ordinance	35
Exhibit A Form of Fully Registered Bond.....	A-1
Exhibit B Notice of Bond Sale.....	B-1
Exhibit C Official Terms and Conditions of Bond Sale	C-1
Exhibit D Official Bid Form.....	D-1

ORDINANCE NO. 130.51-06-2012

AN ORDINANCE OF THE CITY OF FRANKLIN, KENTUCKY, AUTHORIZING THE ISSUANCE OF APPROXIMATELY \$3,990,000 (WHICH AMOUNT MAY BE INCREASED OR DECREASED BY UP TO \$400,000) OF THE CITY'S WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2012, TO PROVIDE FUNDS, TOGETHER WITH OTHER AVAILABLE FUNDS, TO CURRENTLY REFUND THE OUTSTANDING CITY OF FRANKLIN, KENTUCKY WATER AND SEWER REVENUE BONDS, SERIES 2004; PROVIDING FOR THE TERMS AND CONDITIONS UPON WHICH SAID BONDS ARE TO BE ISSUED; SETTING FORTH THE TERMS AND CONDITIONS UPON WHICH THE CITY'S WATER AND SEWER SYSTEM SHALL BE OPERATED; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION WITH SAID PLAN OF FINANCING AND THE ISSUANCE OF SAID BONDS.

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

WHEREAS, on January 21, 1993, the City adopted a bond ordinance, as amended on February 8, 1993 (the "Series 1993 Ordinance"), authorizing the issuance of \$4,990,000 principal amount of its Water and Sewer Revenue Refunding Bonds, Series of 1993 (the "Series 1993 Bonds") in order to refund an earlier series of bonds, the proceeds of which in turn financed improvements to the System; and

WHEREAS, the City subsequently adopted an ordinance on April 26, 1999, as amended on May 13, 1999 (the "Series 1999 Ordinance"), authorizing the execution and delivery of a Lease/Purchase Agreement with the Kentucky Municipal Finance Corporation dated as of May 1, 1999 in the aggregate principal amount of \$1,360,000 (the "Series 1999 Lease"), including the corresponding Certificates of Participation (City of Franklin, Kentucky Water and Sewer Revenue Refunding Project) (the "Series 1999 Certificates"), on a parity with the Series 1993 Bonds, to refund earlier issues of bonds that in turn financed improvements to the System; and

WHEREAS, the City further adopted an ordinance on September 25, 2000 (the "Series 2000 Ordinance"), authorizing the execution and delivery of a Fixed Rate Lease/Purchase Agreement with the Kentucky Municipal Finance Corporation dated as of October 10, 2000 in the aggregate principal amount of \$1,570,000 (the "Series 2000 Lease"), including the corresponding City of Danville, Kentucky Multi-City Lease Revenue Bonds (City of Franklin, Kentucky Water and Sewer Revenue Project) Fixed Rate Series 2000-A (the "Series 2000 Danville Bonds"), on a parity with the Series 1993 Bonds and the Series 1999 Lease, to finance improvements to the System; and

WHEREAS, the City further adopted an ordinance on September 9, 2002 (the "Series 2002 Ordinance") authorizing the issuance of \$4,885,000 principal amount of its Water and Sewer Revenue Refunding Bonds, Series 2002 (the "Series 2002 Bonds"), on a parity with the Series 1993 Bonds, Series 1999 Lease and Series 2000 Lease, to finance improvements to the System in order to currently refund the Series 1993 Bonds; and

WHEREAS, the City further adopted an ordinance on May 24, 2004 (the "Series 2004 Ordinance") authorizing the issuance of \$4,495,000 principal amount of its Water and Sewer Revenue Bonds, Series 2004 (the "Series 2004 Bonds"), on a parity with the Series 1999 Lease, Series 2000 Lease and Series 2002 Bonds, in order to finance additional improvements to the System; and

WHEREAS, the City further entered into a Variable Rate Lease/Purchase Agreement dated October 10, 1989 with the Kentucky Municipal Finance Corporation (the "Series 1989 Lease") in order to finance improvements to the System, which Series 1989 Lease was made expressly subordinate to obligations of the City secured by a first lien of the revenues of the System; and

WHEREAS, the City further adopted an ordinance on September 14, 2009 (the "Series 2009 Ordinance") authorizing the issuance of \$1,545,000 Water and Sewer Revenue Refunding and Improvement Bonds, Series 2009 (the "Series 2009 Bonds"), on a parity with the Series 2000 Lease, Series 2002 Bonds and Series 2004 Bonds, in order to (i) currently refund the Series 1989 Lease and Series 1999 Lease and (ii) finance additional improvements to the System; and

WHEREAS, the Series 1989 Lease, Series 1993 Bonds, Series 1999 Lease, Series 2000 Lease and Series 2002 Bonds are no longer outstanding; and

WHEREAS, as a result of the foregoing and pursuant to the Series 2004 Ordinance and Series 2009 Ordinance, the Series 2004 Bonds and the Series 2009 Bonds have a first lien on the gross revenues of the System; and

WHEREAS, the City has now determined it is necessary and desirable that the City proceed at this time with the current refunding of the Series 2004 Bonds through the issuance of approximately \$3,990,000 (which amount may be increased or decreased by up to \$400,000) of its Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), the proceeds of which shall be used to pay the costs of refunding the Series 2004 Bonds, pay the costs of issuing the Series 2012 Bonds and funding a debt service reserve, if necessary; and

WHEREAS, upon their issuance the Series 2012 Bonds are to rank on a parity with the Series 2009 Bonds (the "Prior Obligations") in accordance with the provisions of the Series 2009 Ordinance.

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

SECTION 1. Definitions. As used in this Series 2012 Bond Ordinance, unless the context requires otherwise:

"Annual Debt Service Requirement" means, at any given time of determination, the maximum amount of Principal Installments and interest coming due on all System Bonds outstanding in any year; provided, however, if the terms of any System Bonds are such that interest thereon for any future period of time is to be calculated at a variable rate, then interest on such System Bonds for such period shall be computed by assuming that the rate of interest applicable to such period is equal to the rate of interest (calculated in the manner in which the rate of interest for such period is to be calculated) which would have been in effect for the 12

months immediately preceding the date of calculation; provided further that if more than 25% of the Principal Installments of any series of System Bonds come due in any year, the Annual Debt Service Requirement for such System Bonds will be calculated as if such System Bonds were amortized on the basis of approximate level debt service over the term of such System Bonds.

"Authorized Officer" means the Mayor of the City, or any other person authorized by law to act on behalf of the City under or with respect to the Series 2009 Bonds and the Series 2012 Bonds, as evidenced by a certificate conferring such authority executed by the Mayor and given to the Paying Agent and Registrar.

"Bond Fund" means the fund so designated which was originally established by the Series 1993 Ordinance and which is continued pursuant to Sections 9 and 11 of this Series 2012 Bond Ordinance.

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

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

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

"City" means the City of Franklin, Simpson County, Kentucky.

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

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

"Date of Closing" means the date upon which the Series 2012 Bonds are delivered to the successful purchaser.

"Debt Service Reserve" means the reserve for payment of principal of, interest on, and redemption requirements in respect of System Bonds, which was originally established by the Series 1993 Ordinance and which is continued pursuant to Section 11 of this Series 2012 Bond Ordinance.

"Debt Service Reserve Requirement" means an amount equal to the maximum Annual Debt Service Requirement.

"Depreciation Fund" means the fund so designated which was originally established by the Series 1993 Ordinance and which is continued pursuant to Section 11 of this Series 2012 Bond Ordinance.

"Depreciation Reserve Requirement" means the reserve to be maintained in the Depreciation Fund in an amount equal to the greater of (i) \$100,000, (ii) 4% of the total amount

of all System Bonds then outstanding or (iii) the amount deemed necessary by the Engineers pursuant to a certificate delivered to the City in connection with the issuance of Parity Debt.

"Defeasance Obligations" means:

(a) direct obligations of (including obligations issued or held in book entry form) the United States of America; and

(b) pre-funded municipal obligations defined as follows:

Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (1) which are rated, based on the escrow, in the highest rating category of Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., or any successors thereto; or (2) which are fully secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or obligations described in paragraph (a) above, which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations described in this paragraph on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to above, as appropriate.

"Engineer" or "Engineers" means any firm or firms of consulting engineers who have been or who will be in the future retained by the City for the purpose of preparing plans and specifications for present or future portions of the System.

"FDIC" means the Federal Deposit Insurance Corporation.

"Fully Registered Bond" shall refer to a single bond or a series of negotiable bonds (subject to the transfer provisions) payable only to the Registered Owner or Owners in substantially the same form set forth as Exhibit A to this Series 2012 Bond Ordinance; fully registered as to both principal and interest.

"Government Obligations" means a direct obligation of, or obligations the payment of principal and interest on which is unconditionally guaranteed, by the United States of America.

"Gross Income and Revenues" shall include investment income, connection fees, disconnection fees, 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 Counsel" means an attorney duly admitted to the practice of law before the highest court of the State who is not a full-time employee of the City.

"Investment Obligations" means:

(a) obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, if delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized

custodian. These investments may be accomplished through repurchase agreements reached with sources including, but not limited to, national or state banks chartered in the Commonwealth of 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 KRS 41.240(4);

(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 the Commonwealth of Kentucky and of its agencies and instrumentalities;

(i) securities issued by a state or local government, or any instrumentality or 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 investments described in (a) - (i) above.

"KRS" means the Kentucky Revised Statutes.

"Net Annual Income and Revenues" means Revenues less Operation and Maintenance Costs for the same period, but shall exclude depreciation and interest and Principal Installments payable with respect to any System Bonds or any Subordinated Debt.

"Net Revenues" as herein used are defined as Gross Income and Revenues of the System less Operating Expenses, which shall include salaries, wages, cost of maintenance and operation, cost of water purchased, if any, materials and supplies, pumping costs, insurance, and all other items that are normally and regularly so included under recognized accounting practices, exclusive of allowances for depreciation.

"Notes" means notes issued under the provisions of Section 12 of this Series 2012 Bond Ordinance.

"Opinion of Bond Counsel" means a written opinion of an attorney or firm of attorneys acceptable to the City, with nationally recognized expertise in municipal tax-exempt finance.

"Operating Expenses" shall include only those items of costs of maintenance and operation which are "reasonably anticipated annual operation and maintenance expenses of the System", and shall exclude any unusual items of operation and maintenance expense which are of a generally non-recurring nature, according to the certification of Independent Consulting Engineers and/or of certified public accountants. Depreciation, amortization, interest on bonded indebtedness and any non-cash charges shall be excluded.

"Operation and Maintenance Costs" means, as of any particular date, the operating and maintenance expenses of the System and all other expenses of carrying out and administering the System, and in that regard operating and maintaining the System, and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, upkeep, furnishings, equipment, repair of facilities, insurance premiums, legal, accounting, management, consulting and banking services and expenses.

"Operation and Maintenance Fund" means the fund so designated which was originally established by the Series 1993 Ordinance and which is continued pursuant to Section 11 of this Series 2012 Bond Ordinance.

"Original Purchaser" means the agency, person, firm or firms to which or to whom the Series 2012 Bonds herein authorized are awarded at the public sale of said Series 2012 Bonds, or their successors.

"Parity Debt" means, collectively, the Series 2009 Bonds and the Series 2012 Bonds and any additional Parity Debt issued under the provisions of Section 12 of this Series 2012 Bond Ordinance.

"Paying Agent and Registrar" means The Huntington National Bank, Cincinnati, Ohio, its successors and assigns.

"Principal Installment" means, as of any date of calculation and with respect to any System Bonds, so long as any System Bonds are outstanding, System Bonds maturing and System Bonds subject to mandatory redemption in such period.

"Prior Obligations" means the Series 2009 Bonds.

"Prior Ordinance" means the Series 2009 Ordinance.

"Redemption Price" means, with respect to any System Bonds, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof.

"Registered Owner" means the person in whose name a Series 2012 Bond is registered on the books maintained for the City by the Paying Agent and Registrar.

"Revenue Fund" means the Revenue Fund which was originally established by the Series 1993 Ordinance and which is continued pursuant to Section 11 of this Series 2012 Bond Ordinance.

"Revenues" means the totality of all water and sewer service rates, rentals and charges of any and all types and varieties imposed, enforced and collected by the City for any services rendered by the works and facilities of the City which relate to the System, together with other income received by the City, if any, from any agency of government, both federal and state, as representing income or operating subsidies, as distinguished from capital grants, to the extent not otherwise required to be treated and applied.

"Series 1993 Bonds" means the \$4,990,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding Bonds, Series of 1993.

"Series 1993 Ordinance" means the bond ordinance of the City adopted on January 21, 1993, as amended on February 8, 1993, authorizing the Series 1993 Bonds.

"Series 2004 Bonds" means the \$4,495,000 City of Franklin, Kentucky Water and Sewer Revenue Bonds, Series 2004 authorized pursuant to the Series 2004 Bond Ordinance.

"Series 2004 Ordinance" means the bond ordinance adopted by the City on May 24, 2004 authorizing the Series 2004 Bonds

"Series 2009 Bonds" means the \$1,545,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding and Improvement Bonds, Series 2009 authorized pursuant to the Series 2009 Ordinance.

"Series 2009 Ordinance" means the bond ordinance adopted by the City on September 14, 2009 authorizing the Series 2009 Bonds.

"Series 2012 Bonds" means the City of Franklin, Kentucky Water and Sewer Revenue Refunding Bonds, Series 2012 authorized pursuant to this Series 2012 Bond Ordinance.

"Series 2012 Bond Ordinance" means this bond ordinance adopted by the City on June 25, 2012 authorizing the Series 2012 Bonds.

"Subordinated Debt" means any additional obligations issued under the provisions of Section 12 of this Series 2012 Bond Ordinance.

"System" means (a) the existing water and sewer collection, treatment and distribution facilities of the City and (b) all future improvements, additions and extensions thereto.

"System Bonds" means the Series 2009 Bonds, the Series 2012 Bonds and any additional Parity Debt.

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

Capitalized terms utilized in this Series 2012 Bond Ordinance and not specifically defined herein shall have the meanings ascribed to such terms in the Series 2009 Ordinance.

SECTION 2. Ratification of Consolidation of Water and Sewer System as Single Public Project. The System of the City as the same now exists and as the same shall be modified, extended and improved, having heretofore been combined and consolidated as a single revenue producing public project or system within the meaning of KRS 58.010 through 58.140; said consolidation is hereby ratified and affirmed, and so long as any of the City's Water and Sewer Revenue Refunding Bonds, Series 2012 authorized hereunder or any System Bonds shall remain outstanding, said System shall be owned, controlled, operated and maintained on a revenue producing basis as a combined and consolidated System for the security and source of payment of the System Bonds. All of the streets, alleys and rights-of-way within the jurisdiction of the City are hereby to the extent required, dedicated to the use of said System

SECTION 3. Maintenance of System; Declaration of Period of Usefulness of System. So long as any System Bonds shall remain outstanding, the City shall operate the System as a revenue-producing project under the provisions of the Constitution of Kentucky and Chapter 58 of the Kentucky Revised Statutes, as amended.

The City hereby declares that the period of usefulness of the entire System is more than twenty-five (25) years from the date of adoption of this Series 2012 Bond Ordinance.

SECTION 4. Authorization of Series 2012 Bonds; Permitted Adjustment. It has been heretofore determined by the City, and it is hereby confirmed, that it is necessary that the City proceed to issue a series of its revenue bonds, the proceeds of which shall be used, together with other available funds of the City, to pay the costs of refunding the Series 2004 Bonds, funding a debt service reserve, if necessary, and pay the costs of issuance of the Series 2012 Bonds. There are hereby specifically authorized to be issued and sold for such purposes Three Million Nine Hundred Ninety Thousand Dollars (\$3,990,000) principal amount of City of Franklin, Kentucky Water and Sewer Revenue Refunding Bonds, Series 2012 (which amount may be increased or decreased by up to \$400,000 as hereinafter provided). All of said Series 2012 Bonds shall be

dated as their date of initial issuance and delivery, and shall bear interest from such date at a rate or rates as may be fixed by resolution or executive order as a result of the advertised sale and competitive bidding for said Series 2012 Bonds, as hereinafter provided, and shall be issued and delivered only according to the "Form of Fully Registered Bond," as hereinafter prescribed.

Interest on the Series 2012 Bonds shall be payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2012; provided that the first interest payment period will cover interest only from the dated date of the Series 2012 Bonds to the ensuing June 1 or December 1, whichever is earlier.

Notwithstanding anything contained in this Series 2012 Bond Ordinance to the contrary, only \$3,990,000 principal amount of Series 2012 Bonds shall be offered for sale in accordance with the provisions hereof and the determination of the best purchase bid for the Series 2012 Bonds shall be made on the basis of all bids submitted for exactly \$3,990,000 principal amount of Series 2012 Bonds offered for sale under the terms and conditions herein specified; provided however, a permitted adjustment is reserved in the City hereunder and the City reserves the right to increase or decrease the total principal amount of Series 2012 Bonds sold to such best bidder, in an amount not exceeding \$400,000 (the "Permitted Adjustment") with such increase or decrease to be made in any principal maturity so that the total amount of Series 2012 Bonds awarded to such best bidder may be a maximum of \$4,390,000 or a minimum of \$3,590,000. In the event of any such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted; the price at which such adjusted principal amount of Series 2012 Bonds will be sold shall be at the same price per \$1,000 of Series 2012 Bonds as the price per \$1,000 of the \$3,990,000 of Bonds bid.

Said Series 2012 Bonds shall mature, or be subject to mandatory sinking fund redemption, as to principal on December 1 of each of the respective years set forth below (subject to the Permitted Adjustment). The Series 2012 Bonds shall be issued as fully registered bonds in denominations of \$5,000 or any integral multiple thereof consistent with the schedule of principal maturities as follows:

SCHEDULE OF PRINCIPAL MATURITIES, SERIES 2012 BONDS

<u>Maturity Date</u> <u>December 1</u>	<u>Principal</u> <u>Maturity Series</u> <u>2012 Bonds*</u>	<u>Maturity Date</u> <u>December 1</u>	<u>Principal</u> <u>Maturity Series</u> <u>2012 Bonds*</u>
2012	\$160,000	2023	\$175,000
2013	150,000	2024	180,000
2014	150,000	2025	185,000
2015	155,000	2026	190,000
2016	155,000	2027	195,000
2017	150,000	2028	205,000
2018	160,000	2029	210,000
2019	160,000	2030	215,000
2020	165,000	2031	220,000
2021	165,000	2032	230,000
2022	175,000	2033	240,000

*Subject to Permitted Adjustment

SECTION 5 Provisions for Payment of Principal and Interest. The Series 2012 Bonds shall be payable, with respect to interest, principal and redemption premium, if any, in any coin or currency of the United States of America which at the time of paying is legal tender for the payment of public and private debts.

Interest on each Series 2012 Bond shall be payable by check or draft drawn upon the Paying Agent and Registrar and mailed to the Registered Owner thereof as shown as of the fifteenth day of the month immediately preceding that date for payment of such interest, at the address shown on the registration books to be kept by The Paying Agent and Registrar. The principal of and premium, if any, on the Series 2012 Bonds shall be payable, without exchange or collection charges, in lawful money of the United States of America upon their presentation and surrender as they respectively become due and payable, whether at maturity or by prior redemption, at the principal corporate trust office of the Paying Agent and Registrar.

SECTION 6. Provisions for Prior Redemption.

(A) Optional Redemption. The Series 2012 Bonds maturing on or after December 1, 2022, are subject to redemption prior to their stated maturities on any date falling on or after June 1, 2022, in such order of maturities as the City shall determine (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount, plus accrued interest.

(B) Mandatory Sinking Fund Redemption. If the successful bidder and original purchaser of the Series 2012 Bonds elects, in accordance with the provisions of the Official Terms and Conditions of Bond Sale, to combine the Series 2012 Bonds stated to mature on the maturity dates set out in the successful bid of such original purchaser to comprise a term bond ("Term Bonds") as set out in said successful bid, then such Term Bonds shall be subject to mandatory sinking fund redemption in part, at the selection of the Paying Agent and Registrar by lot in such manner as the Paying Agent and Registrar may determine, from moneys in the Bond Fund on each applicable December 1 at par plus accrued interest to the redemption date, according to the mandatory sinking fund redemption schedule or schedules set out in the accepted bid and in principal amounts corresponding to the maturity schedule set out in Section 4 hereof (subject to the Permitted Adjustment as herein provided).

In the event that any of the Series 2012 Bonds are to be redeemed, notice of such redemption, identifying the Series 2012 Bonds to be redeemed or amounts to be pre-paid, shall be given by the Paying Agent and Registrar at least thirty (30) days prior to the date of redemption by written notification by United States mail, postage prepaid, to the Registered Owners thereof. In the event any Series 2012 Bonds shall be called for redemption in the manner above provided, and in the event that on the redemption date the City shall cause to be deposited with the Paying Agent and Registrar a sum sufficient to pay such Series 2012 Bonds and all charges hereon, computed to the redemption date as above set forth, then such Series 2012 Bonds shall be deemed to have been paid and shall no longer constitute an obligation of the City and shall no longer be secured by the Ordinance and shall cease to bear interest; and thereafter the Registered Owner thereof shall look exclusively to the Paying Agent and Registrar for the payment thereof.

SECTION 7. Appointment and Duties of Paying Agent and Registrar. The Huntington National Bank, Cincinnati, Ohio, is hereby appointed Paying Agent and Registrar for the Series 2012 Bonds. The Paying Agent and Registrar shall maintain a complete and current record of each Series 2012 Bond issued, the name of each Registered Owner of any Series 2012 Bonds, and such additional information as may be required for compliance with applicable law and

regulations. The Paying Agent and Registrar shall make all payments of interest, principal and redemption premium, if any, on the Series 2012 Bonds at the time and in the manner herein provided.

The recitals of fact herein and in the Series 2012 Bonds shall be taken as statements of the City and the Paying Agent and Registrar assumes no responsibility for the correctness of the same. The Paying Agent and Registrar makes no representations as to the validity or sufficiency of this Series 2012 Bond Ordinance or of any Series 2012 Bonds issued hereunder or in respect of the security afforded by this Series 2012 Bond Ordinance, and the Paying Agent and Registrar shall not incur any responsibility in respect thereof. The City shall, however, be responsible for its representations and covenants contained in the Series 2012 Bonds. The Paying Agent and Registrar shall not be under any responsibility or duty with respect to the issuance of the Series 2012 Bonds for value or the application of the proceeds thereof or the application of any moneys paid to the City. The Paying Agent and Registrar shall be under no obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless properly indemnified. The Paying Agent and Registrar shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it in good faith to be genuine, and to have been signed or presented by the proper party or parties. The Paying Agent and Registrar may consult with counsel, who may or may not be of counsel to the City, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith. Whenever the Paying Agent and Registrar shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, including payment of any moneys out of any fund, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by an authorized officer of the city and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Series 2012 Bond Ordinance upon the faith thereof, but in its discretion the Paying Agent and Registrar may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable. Except as otherwise expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the City to the Paying Agent and Registrar shall be sufficiently executed if executed in the name of the City by its Mayor or Finance Director.

The City shall pay to the Paying Agent and Registrar from time reasonable compensation for all services rendered under this Series 2012 Bond Ordinance, and also reasonable expenses, charges, counsel fees, and other disbursements, including those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Series 2012 Bond Ordinance. The City further agrees, to the extent permitted by law, to indemnify and hold the Paying Agent and Registrar harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its gross negligence or default. The Paying Agent and Registrar hereby indemnifies and will hold the City harmless against any liabilities which the City may incur as a result of the gross negligence or default of the Paying Agent and Registrar.

The Paying Agent and Registrar may become the owner of any Series 2012 Bonds, with the same rights as it would have if it were not the Paying Agent and Registrar. The Paying Agent and Registrar and any other fiduciary may act as depository for, or permit any of its officers or

directors to act as a member of, or in any other capacity with respect to any committee formed to protect the rights of Registered Owners or to effect or aid in any reorganization arising out of the enforcement of the Series 2012 Bonds or this Series 2012 Bond Ordinance, whether or not any such committee shall represent the holders of a majority in principal amount of the Series 2012 Bonds then outstanding.

Any company into which the Paying Agent and Registrar may be merged or converted or with which it may be consolidated or to which it shall be a party or any company to which the Paying Agent and Registrar may sell or transfer all or substantially all of its banking and corporate trust business, provided such company shall be authorized by law to perform all the duties imposed upon it by this Series 2012 Bond Ordinance, shall be the successor to the Paying Agent and Registrar without the need for execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

SECTION 8. Form of Fully Registered Bonds; Execution Authorized; Registration and Authentication; Transfer and Exchange of Series 2012 Bonds. The fully registered Series 2012 Bonds referred to herein shall be in substantially the same form as set forth in Exhibit A to this Series 2012 Bond Ordinance, with appropriate insertions, omissions and variations consistent with or as provided or permitted by this Series 2012 Bond Ordinance. The fully registered Series 2012 Bonds shall be of a type and composition, shall be on paper of sufficient weight and strength to prevent deterioration until the last principal installment due thereon and shall conform in size to standard bond practices.

All Series 2012 Bonds shall be registered as to both principal and interest on the books of the City maintained at the corporate trust office of the Paying Agent and Registrar. The Series 2012 Bonds shall be subject to transfer, without charge to the Registered Owner, except for any tax fee or other governmental charge required to be paid with respect to such transfer. No transfer of any Series 2012 Bond shall be valid unless made on said books at the request of the Registered Owner in person or by his attorney duly authorized in writing, and similarly noted on such Series 2012 Bond. The Paying Agent and Registrar shall not be required to transfer or exchange any Series 2012 Bond on any date which is after the fifteenth day of the month preceding any interest payment date, or during any period beginning 15 days prior to the selection by the Paying Agent and Registrar of Series 2012 Bonds to be redeemed prior to maturity and ending on the date of mailing of notice of any such redemption. The person in whose name a Series 2012 Bond is registered upon the registration books shall be deemed the owner thereof for all purposes hereunder.

The Series 2012 Bonds shall initially be issued under and held in a book-entry system ("Book-Entry System"). The Depository Trust Company, New York, New York ("DTC") which is registered to act as a "clearing agency" under Section 17A of the Securities Exchange Act of 1934, as amended, is hereby designated and appointed to act as securities depository ("Securities Depository") in respect of the Series 2012 Bonds. So long as DTC shall act as Securities Depository in respect of the Series 2012 Bonds, the Series 2012 Bonds shall be registered in the name of Cede & Co., or its successors, as nominee of DTC and DTC shall pay to the beneficial owners of the Series 2012 Bonds the maturing principal of, interest on and redemption premium on the Series 2012 Bonds in accordance with DTC procedures and the provisions of this Series 2012 Bond Ordinance. Neither the City nor the Paying Agent and Registrar will have any responsibility or obligation or liability in respect of payments from DTC to beneficial owners under its Book-Entry System.

In the event the Book-Entry System is discontinued in respect of the Series 2012 Bonds, the City covenants to take and carry out the actions prescribed by this Series 2012 Bond Ordinance to prepare and deliver Series 2012 Bond certificates to the Registered Owners of the Series 2012 Bonds.

In case any Series 2012 Bonds shall become mutilated or be destroyed, stolen or lost, the City shall execute and the Paying Agent and Registrar shall authenticate and deliver a new Series 2012 Bond of like maturity and principal amount as the Series 2012 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Series 2012 Bond upon surrender and cancellation of such mutilated Series 2012 Bond or in lieu of and in substitution for the Series 2012 Bond destroyed, stolen or lost, upon filing with the City evidence satisfactory to the City and the Paying Agent and Registrar that such Series 2012 Bond has been destroyed, stolen or lost, and upon furnishing the City and the Paying Agent and Registrar with indemnity satisfactory to them and complying with such other reasonable regulations as the City and the Paying Agent and Registrar may prescribe and paying such expenses as the City and the paying Agent and Registrar may incur in connection therewith. All Series 2012 Bonds so surrendered to the Paying Agent and Registrar shall be cancelled by it and evidence of such cancellation shall be given to the City.

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

Each Series 2012 Bond shall bear thereon a certificate of authentication, substantially in the form set forth in the form of Series 2012 Bond attached hereto as Exhibit A, duly completed and manually executed by the Paying Agent and Registrar. Only such Series 2012 Bonds as shall bear thereon such certificate of authentication and registration, duly executed, shall be entitled to any right or benefit under this Series 2012 Bond Ordinance. No Series 2012 Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such Series 2012 Bond shall have been duly executed by the Paying Agent and Registrar. Such certificate of authentication by the Paying Agent and Registrar upon any Series 2012 Bond executed on behalf of the City shall be conclusive and the only evidence that the Series 2012 Bond so authenticated has been duly authenticated and delivered under this Series 2012 Bond Ordinance and that the Registered Owner thereof is entitled to the benefit of this Series 2012 Bond Ordinance. The authentication of any Series 2012 Bond by the Paying Agent and Registrar shall in itself constitute the acceptance by the Paying Agent and Registrar of the duties imposed on the Paying Agent and Registrar by this Series 2012 Bond Ordinance.

SECTION 9. Series 2012 Bonds Payable from System Revenues; Parity with Prior Obligations. The Series 2012 Bonds hereby authorized to be issued shall rank on a parity with the Prior Obligations, it having been determined that all conditions precedent to the issuance of the Series 2012 Bonds on a parity with the Prior Obligations will be met prior to the issuance of Series 2012 Bonds. All of said Series 2012 Bonds and all the Prior Obligations, together with the interest thereon, shall be payable solely and only out of the "Water and Sewer Bond and Interest Redemption Fund" (the "Bond Fund"), originally established under the provisions of the Series 1993 Ordinance and which is hereby ordered continued, and shall be a valid claim of the Registered Owners thereof only against such Bond Fund and the System revenues pledged thereto in accordance with the provisions of Chapters 58 and 96 of the KRS.

SECTION 10. Delivery of the Series 2012 Bonds; Disbursement of Series 2012 Bond Proceeds and Transfers of Balances in Funds and Accounts. Upon the delivery of the Series 2012 Bonds herein authorized, the following distribution of the proceeds of said Series 2012 Bonds shall be made simultaneously with said delivery and receipt of payment (the "Date of Closing"),

(a) Simultaneously with the delivery of the Series 2012 Bonds, all amounts representing accrued interest, if any, shall be deposited to the Bond Fund; and

(b) After observing the priority of the disbursement set forth in subparagraph (a) above, and simultaneously with the delivery of the Series 2012 Bonds, there shall next be deposited to a special account hereby established and designated as the "City of Franklin, Kentucky Series 2004 Water and Sewer Bonds Redemption Account" a sufficient amount of the proceeds of the Series 2012 Bonds as shall be sufficient to fully retire, discharge and redeem the Series 2004 Bonds within ninety days of the date of issuance and delivery of the Series 2012 Bonds; and

(c) After observing the priorities of the disbursements set forth in subparagraphs (a) and (b) above, there shall next be deposited to the Debt Service Reserve such amount of the proceeds of the Series 2012 Bonds (but not to exceed 10% of the sales proceeds of the Series 2012 Bonds), together with other available moneys of the City, as shall be necessary so that the balance then on deposit in the Debt Service Reserve shall be not less than the Debt Service Reserve Requirement; and

(d) After observing the priorities of the disbursements set forth in subparagraphs (a), (b) and (c) above, there shall next be paid such costs of issuance of the Series 2012 Bonds as shall be set forth in a certificate of the Mayor of the City to be delivered on the Date of Closing.

SECTION 11. Disposition of System Revenues; Funds and Accounts. From and after the delivery of any of the Series 2012 Bonds authorized under the provisions of this Series 2012 Bond Ordinance, the System shall be operated on a fiscal year basis and on that basis the Revenues derived directly or indirectly from the operation of said combined System shall be deposited promptly and as received first to the credit of the separate and special account known as the "Water and Sewer Revenue Fund" (the "Revenue Fund"), originally established by the Series 1993 Ordinance and which is hereby continued. Such Revenue Fund shall be held separate and apart from all other funds of the City and shall be maintained so long as any of the System Bonds are outstanding and payment is not provided therefore. The monies so deposited in such Revenue Fund shall be expended only in the manner and order as follows:

(a) Bond Fund. A separate and special fund or account of the City designated "Water and Sewer Revenue Bond and Interest Redemption Fund" (the "Bond Fund"), was originally created by the Series 1993 Ordinance, and the same is hereby continued and maintained as long as any System Bonds remain outstanding and there shall be transferred on or before the first day of each month from the Revenue Fund the amounts hereinafter specified to pay the interest on and Principal Installments of the System Bonds. The amounts to be so set aside and paid into the Bond Fund in each month, in equal installments, shall be amounts sufficient to pay the annual debt service requirements of the System Bonds, as same fall due, as follows:

- (i) An amount equal to one-sixth ($1/6$) of the interest due on the System Bonds on the next succeeding interest due date, but subject to a credit for the amount of accrued interest collected on the Series 2012 Bonds and deposited in the Bond Fund;
- (ii) An amount equal to one-twelfth ($1/12$) of the Principal Installment of all System Bonds coming due on the next succeeding Principal Installment date; plus
- (iii) If, whenever, and so long as an amount equal to the Debt Service Reserve Requirement shall not have been accumulated and/or is not being maintained, an additional amount shall be deposited each month into the Debt Service Reserve equal to $1/60$ of the additional amount required to be accumulated in the Debt Service Reserve, until such total Debt Service Reserve Requirement shall have been accumulated, after which such additional deposits may be discontinued, subject to resumption, if, whenever and so long as same shall be reduced below the Debt Service Reserve Requirement.

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

The Bond Fund is hereby pledged for the payment of the interest on and principal of the System Bonds and is subject to a first lien and charge in favor of the holders of the System Bonds.

No further payments need be made into the Bond Fund (a) whenever and so long as such amount of the System Bonds shall have been retired that the amounts then held in the Bond Fund (and in the Debt Service Reserve) are equal to the entire amount of the interest and principal that will be payable to and at the time of the retirement or maturity of all of the System Bonds, or (b) whenever the System Bonds shall have been defeased as set out in Section 23 of this Series 2012 Bond Ordinance and the applicable ordinance or ordinances authorizing any System Bonds.

Such payments into the Bond Fund shall be made in equal monthly installments on or before the first day of each month, except that when the first day of any month shall be on a Saturday, Sunday or legal holiday, then such payments shall be made on the next succeeding secular or business day.

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

All funds on deposit in the Bond Fund shall be kept separate and apart from all other municipal funds and shall be deposited, secured and/or invested in the manner provided in paragraph (F) of this Section 11.

(b) Debt Service Reserve. A separate and special fund or account of the City within the Bond Fund designated "Debt Service Reserve" (the "Debt Service Reserve") was originally created in the Series 1993 Ordinance and which is hereby ordered continued. There shall be deposited monthly on or before the first day of each month in the Debt Service Reserve an amount equal to 1/60 of the additional amount required to be accumulated therein until the Debt Service Reserve Requirement has been fully funded. Amounts on deposit in the Debt Service Reserve may be withdrawn and used by the City, when necessary, and shall be so withdrawn and used, if and to the extent necessary to prevent the occurrence of an event of default, for the purpose of making payments of principal of and interest on the System Bonds if the amount on deposit in the Bond Fund is not sufficient to make such payments; provided, however, that in the event of any such withdrawal, the City shall restore such deficiency through the deposit into the Debt Service Reserve in each month thereafter, of an amount equal to 1/60 of the additional amount required to be accumulated in the Debt Service Reserve, until the Debt Service Reserve Requirement shall have been restored.

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

The City shall cause the depository of the Debt Service Reserve from time to time to transfer or pay out moneys in the Debt Service Reserve for the purpose of making payments and transfers to other funds and accounts pursuant to this paragraph (B) of this Section upon receipt by said depository of written direction of an Authorized Officer stating with respect to each payment or transfer to be made:

- (1) the account or fund to which the payment or transfer is to be made,
- (2) the purpose of the payment or transfer, and
- (3) the amount to be paid.

Any interest earned or sums realized as a result of investment of moneys in the Debt Service Reserve shall accrue to, and be a part of, said Debt Service Reserve; provided, however, that so long as the Debt Service Reserve contains the Debt Service Reserve Requirement, any such interest earned or sums realized shall be transferred, as received, to the Bond Fund.

All funds on deposit in the Debt Service Reserve shall be invested in the manner provided in paragraph (F) of this Section 11.

In lieu of the deposit of funds in the Debt Service Reserve, the City may obtain a Debt Service Reserve Guaranty. Any Debt Service Reserve Guaranty shall be considered a deposit of funds in the Debt Service Reserve equal to the Debt Service Reserve Guaranty Coverage provided by the Debt Service Reserve Guaranty Agreement.

As conditions precedent to delivery of a Debt Service Reserve Guaranty, the City shall obtain (i) a Debt Service Reserve Guaranty, (ii) an opinion of counsel addressed to the City stating that the delivery of such Debt Service Reserve Guaranty to the City is authorized under and complies with the terms hereof and the Prior Ordinance, and (iii) written evidence from a Rating Agency, if the System Bonds are rated by such Rating Agency, that the Rating Agency has reviewed the proposed Debt Service Reserve Guaranty and that (x) the issuance of the Debt Service Reserve Guaranty to the City and (y) if a Debt Service Reserve Guaranty is then in effect with respect to the Debt Service Reserve, the substitution of the proposed Debt Service Reserve Guaranty for the Debt Service Reserve Guaranty then in effect, will not, by itself, result in a reduction or withdrawal of its rating on the System Bonds. If the System Bonds are insured by a bond insurer, the references to Rating Agency in the prior sentence shall be read to mean such bond insurer and the substitution of the proposed Debt Service Reserve Guaranty shall not result in the cancellation of the bond insurance provided by such bond insurer. For purposes of the provisions of this paragraph, the following terms shall have the following meanings:

"Debt Service Reserve Guarantor" means the issuer of a Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty" means a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Debt Service Reserve Guarantor to pay to the City upon request made by the City up to an amount stated therein for application as provided in this Section.

"Debt Service Reserve Guaranty Agreement" means the reimbursement agreement, loan agreement or similar agreement between the City and a Debt Service Reserve Guarantor with respect to repayment of amounts advanced under the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Coverage" means the amount available at any particular time to be paid to the City under the terms of the Debt Service Reserve Guaranty.

"Debt Service Reserve Guaranty Limit" means the maximum aggregate amount available to be paid to the City under the terms of a Debt Service Reserve Guaranty.

"Rating Agency" means either Moody's Investors Service, Inc. or Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., corporations organized under the laws of the States of Delaware and New York, respectively, and their successors and assigns.

(C) Depreciation Fund. A separate and special fund or account of the City was originally created under the Series 1993 Ordinance, which fund was designated "City of Franklin Water and Sewer Depreciation Fund" (the "Depreciation Fund"), and which Depreciation Fund is hereby directed to be continued and maintained so long as any of the System Bonds are outstanding. The Series 1993 Ordinance required, and it is hereby required that following the required transfers set forth in Sections 11 (A) and (B) above, there continue to be set aside and deposited in the Depreciation Fund ten percent (10%) of the balance of the moneys in the Revenue Fund. The minimum Depreciation Reserve Requirement prescribed by the Prior Ordinance and hereby confirmed is established to be 4% of the total principal amount of all System Bonds outstanding upon issuance of the Series 2012 Bonds.

Funds in the Depreciation Fund shall be utilized to balance depreciation, to make unforeseen major repairs and replacements of the System, to pay the costs of constructing additions, extensions, betterments and improvements to the System which will either increase income and revenues or provide a higher degree of service and to pay principal or interest requirements on any System Bonds for which insufficient sums are available in the Bond Fund or Debt Service Reserve. There shall be deposited or transferred to the Depreciation Fund any moneys required to be deposited or transferred thereto by the provisions of the preceding paragraph. In addition, so long as the balance in the Depreciation Fund is less than the Depreciation Reserve Requirement, there shall be transferred to and deposited in such Depreciation Fund any other moneys (i) received by the City from any other source and duly determined and ordered by the City to be deposited therein, unless required to be otherwise applied as provided by this Series 2012 Bond Ordinance or the Prior Ordinance, (ii) for which the City has exercised a discretion to so deposit or transfer as permitted by this Series 2012 Bond Ordinance, and (iii) ordered to be so deposited from the proceeds of any System Bonds.

To the extent that other moneys will not be available for the payment of Principal Installments of and interest on System Bonds when due or the payment of Operation and Maintenance Costs, amounts in the Depreciation Fund shall be transferred by the City, upon written direction by an Authorized Officer, and be deposited in the Bond Fund or Operation and Maintenance Fund, as applicable.

The depository of the Depreciation Fund shall from time to time pay out or permit the withdrawal of moneys from the Depreciation Fund for the purpose of making payments pursuant to the provisions of this paragraph (C) upon receipt by said depository of written direction of an Authorized Officer stating the following with respect to each payment to be made:

- (1) the fund from which the payment is to be made,
- (2) the name of the person or party to whom the payment is to be made, and
- (3) the amount to be paid.

In the event any amounts on deposit in the Depreciation Fund are withdrawn to pay principal of, or interest on, System Bonds due to an insufficiency in the Bond Fund or Debt Service Reserve, such withdrawal shall be promptly restored from the first available

Revenues after meeting all current requirements of the Bond Fund and Debt Service Reserve.

It is not reasonably anticipated that any amounts in the Depreciation Fund will be used to pay debt service on any System Bonds.

In addition to the monthly transfers to the Depreciation Fund, there shall be deposited in the Depreciation Fund the proceeds from any property damage insurance not immediately used to replace the damaged or destroyed property, and such proceeds shall be used only for the purposes for which the Depreciation Fund is established.

As and when additional Parity Debt is issued, the City shall determine at the time of the issuance thereof, with the advice of the Independent Consulting Engineer then employed by the City, (i) whether additional amounts shall be accumulated in the Depreciation Fund, (ii) the exact revision, if any to the required deposits in the Depreciation Fund, and (iii) the revised total amount (increased Depreciation Reserve Requirement) necessary to be accumulated in the Depreciation Fund; whereupon covenants to that effect shall be incorporated in the proceedings authorizing the issuance of such additional Parity Debt.

All funds on deposit in the Depreciation Fund shall be kept separate and apart from all other municipal funds and shall be deposited, secured and/or invested in the manner provided in paragraph (F) of this Section 11.

(D) Operation and Maintenance Fund. A special and separate fund of the City was originally created by the Series 1993 Ordinance, distinct and apart from all other funds and accounts of the City, designated and identified as the "City of Franklin Water and Sewer Operation and Maintenance Fund" (the "Operation and Maintenance Fund"), and same is hereby ratified and continued for the benefit of the System and any or all System Bonds payable from the Revenues of the System. So long as any System Bonds remain outstanding and unpaid, there shall continue to be deposited on or before the first day of each month into the Operation and Maintenance Fund, from moneys remaining in the Revenue Fund, after making the transfers required by Subsections (A), (B) and (C) above of this Section 11 (which are cumulative), (i) the amount of money, after adjusting for moneys then on deposit in such Operation and Maintenance Fund and which are not otherwise required for the operational reserve, equal to the reasonable and necessary Operation and Maintenance Costs (the "Monthly Requirement") for the next succeeding month, plus (ii) an amount which, after taking into account the sums then on deposit in said Operation and Maintenance Fund, will equal the estimated and budgeted Operation and Maintenance Costs for two (2) additional months, such additional sums to be held as an operational reserve and expended as required, subject to replacement in the same manner, if so expended.

The Operation and Maintenance Fund shall be used to pay the reasonable expenses of operating, maintaining and repairing the System and for paying Operation and Maintenance Costs and when so withdrawn and paid out shall be free and clear of any lien, pledge or assignment in trust created by this Series 2012 Bond Ordinance, provided, however, the City may at any time withdraw moneys from the Operation and Maintenance Fund and deposit such moneys into any other funds or accounts created by this Series 2012 Bond Ordinance, other than the Surplus Fund.

(E) Surplus Funds. Subject to the provisions for the disposition of the income and revenues of the System set forth in Subsections (A), (B), (C) and (D) of this Section 11, which provisions are cumulative and the maintenance of the required minimum balances in said funds, any excess funds remaining in the Revenue Fund after the end of each fiscal year may be used as follows: (i) to the extent necessary from time to time monies constituting Surplus shall be utilized to retire obligations payable from the Revenues; (ii) to make transfers to the Depreciation Fund, provided the required balance in the Operation and Maintenance Fund is being maintained; and (iii) for any other lawful municipal purpose.

(F) Investment of Funds. Except as otherwise provided for in this Series 2012 Bond Ordinance and the Prior Ordinance:

- (1) Investment Obligations purchased as an investment of moneys in any fund or account held by the City or the depository under the provisions of this Series 2012 Bond Ordinance shall be deemed at all times to be a part of such fund or account and the income or interest earned, gains realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged thereto as the case may be, subject, in the case of the Debt Service Reserve, to the provisions of Section 11(B) hereof; provided that escrow agreements may provide otherwise.
- (2) In computing the amount in all funds, including the accounts thereof, investments purchased as an investment of moneys therein, shall be valued at the lesser of cost or fair market value. The value of investments in the Debt Service Reserve and the Depreciation Fund shall be determined as of the first day of each fiscal year. Valuation as of any date of computation shall include the amount of interest or gain realized to such date.
- (3) The City shall sell at the best price obtainable, or present for redemption or exchange, any investments purchased by it pursuant to this Series 2012 Bond Ordinance whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made. The depository shall advise the City in writing, at such times as may be requested by the City, of the details of all investments held for the credit of each fund or account in its custody under the provisions of this Series 2012 Bond Ordinance. The depository shall review and advise the City annually on the nature and value of investments in each fund or account. In the event that the value of investments in the Debt Service Reserve falls below the level required by this Series 2012 Bond Ordinance, the depository shall notify the City and the City shall cure such deficiency as provided in Section 11(B) hereof.

The City covenants to the original purchaser of the Series 2012 Bonds herein authorized that it will make no use of the proceeds of such issue of Series 2012 Bonds at

any time during the term thereof which, if such use had been reasonably expected on the date of issue of such Series 2012 Bonds, would have caused such Series 2012 Bonds to be "arbitrage bonds". Such covenant shall impose an obligation upon the City to comply with the requirements of § 148 of the Code.

The Finance Director of the City shall be responsible for all of the various special funds established by this Series 2012 Bond Ordinance and shall at all times be covered by a Fidelity Bond in accordance with the provisions of this Series 2012 Bond Ordinance. All special funds established by this Series 2012 Bond Ordinance shall be held by one or more financial institutions (a "depository bank") designated from time to time in writing by an Authorized Officer of the City.

SECTION 12. Additional Parity Debt; Subordinated Debt, Notes and Other Obligations.
Except as provided below, no other bonds or other obligations shall be issued by the City and made payable from the income and revenues of the System unless the pledge of revenues for the same is expressly made subordinate and inferior to the lien and pledge herein created for the System Bonds and any additional Parity Debt.

(A) Parity Debt. The City hereby reserves the right and privilege of issuing Parity Debt from time to time payable from the Revenues on a basis of parity and equality with the System Bonds and all other Parity Debt authorized to be issued pursuant to the Series 2012 Bond Ordinance and the Prior Ordinance in order to add new System facilities and related auxiliary facilities provided that:

- (1) the facilities to be acquired, constructed, reconstructed or improved from the proceeds of the Parity Debt to be issued are or are made an integral part of the System and its or their income and revenues are pledged as additional security for the Parity Debt then to be issued, the Series 2012 Bonds and any other outstanding System Bonds;
- (2) the City is in compliance with all covenants and undertakings in connection with all of the provisions of the Prior Ordinance, the Series 2012 Bond Ordinance and all System Bonds then outstanding and payable from the Revenues;
- (3) the Net Revenues of the System for twelve consecutive months out of the preceding eighteen months (with adjustments as herein provided) are certified in writing by an independent firm of certified public accountants to have been equal to at least (i) one and twenty-five one hundredths (1.25) times the maximum Annual Debt Service Requirement on the Series 2012 Bonds and all System Bonds outstanding and payable from the Revenues, together with the Parity Debt then to be issued and (ii) one (1.00) times the average annual debt service requirements on all System Bonds and Subordinated Debt outstanding and payable from the Revenues.

Such "Net Revenues" may be adjusted for the purpose of the foregoing computations to reflect (i) any revisions in the schedule of rates or charges being imposed

at the time of the issuance of any such additional Parity Debt, and also to reflect (ii) any increase in such Net Revenues projected by reason of the revenues anticipated to be derived from the extensions, additions and/or improvements to the System, or any separately acquired (or to be acquired) water or sewer system or facilities being financed (in whole or in part) by such additional Parity Debt; provided such latter adjustments shall be made only if contracts (secured by 100% performance bond) for the immediate acquisition and/or construction of such extensions, additions and/or improvements, or contracts for the acquisition of an existing water and sewer system or existing water and sewer facilities have been or will have been entered into prior to the issuance of such additional parity bonds. All of such adjustments shall be based upon the written certification of an Independent Consulting Engineer, as defined herein.

The City further reserves the right to issue Parity Debt to refund or refinance outstanding System Bonds or any portion thereof, if there shall have been procured a statement by a certified public accountant reciting the opinion that after the issuance of such Parity Debt, the annual Net Revenues, as adjusted and defined above, of the then existing System for the fiscal year preceding the date of issuance of such Parity Debt, after taking into account the revised Debt Service Requirements resulting from the issuance of such Parity Debt and from the elimination of the bonds being refunded or refinanced thereby, are equal to not less than 125% of the maximum Annual Debt Service Requirements thereafter on all of the then outstanding System Bonds payable from the revenues of the System, calculated in the manner specified above.

The Parity Debt (sometimes herein referred to as "permitted" to be issued) the issuance of which is conditioned and restricted, shall be understood to mean Parity Debt payable from the Revenues on a basis of parity and equality with the Series 2012 Bonds and the Prior Obligations, and shall not be construed to include Subordinated Debt. The City may issue Subordinated Debt in accordance with the requirements of Section 12(B) of this Series 2012 Bond Ordinance. In the event any of such Subordinated Debt is issued, the City may also authorize and issue Subordinated Debt to refund same, pursuant to the terms and conditions of Section 12(B) of this Series 2012 Bond Ordinance.

Provided, however, that nothing in this Section 12(A) is intended or shall be construed as a restriction upon the ordinary refunding of the Series 2012 Bonds and/or of any System Bonds which may be outstanding under any of the provisions of the Series 2012 Bond Ordinance or Prior Ordinance if such refunding does not operate to increase amortization requirements on System Bonds outstanding and not to be refunded, if any, in any year to and including the final maturity of the refunding debt.

The City has covenanted and agreed that in the event Parity Debt is issued, it shall:

- (1) adjust the monthly deposits into the Bond Fund on the basis prescribed in the Series 2012 Bond Ordinance and the Prior Ordinance to reflect the Annual Debt Service on the Parity Debt; and
- (2) adjust the prescribed amount to be accumulated in the Debt Service Reserve in accordance with the provisions of the Series 2012 Bond Ordinance and the Prior Bond Ordinance, and fund said additional Debt Service Reserve pursuant to the prescribed formula.

- (3) adjust the monthly deposits into the Depreciation Fund on the basis prescribed in the Series 2012 Bond Ordinance and the Prior Ordinance taking into account the future replacement cost of the facilities and equipment to be constructed or acquired with the proceeds of such Parity Debt; and
- (4) make such additional Parity Debt payable as to principal on December 1 of each year in which principal falls due and payable as to interest on June 1 and December 1 of each year.

(B) Subordinated Debt, Notes and Other Obligations. (1) The City may, at any time or from time to time, issue Subordinated Debt in the form of notes, bonds and other obligations having such terms and provisions and secured by a pledge of such funds as the ordinance or resolution authorizing the same shall provide; provided, however (except as otherwise provided in subsection (2) of this Section 12(B)), that any pledge of any fund or account created under this Series 2012 Bond Ordinance or the Prior Ordinance to the holders of any such notes, bonds or other obligations shall be, and shall be expressed to be, subordinate in all respects to the pledge created under this Series 2012 Bond Ordinance and the Prior Ordinance for the benefit of the holders of System Bonds; and provided further that:

(a) the facility or facilities to be acquired, constructed, reconstructed or improved from the proceeds of the Subordinated Debt is or are made an integral part of the System and its or their income and revenues are pledged as additional security for the Subordinated Debt and the outstanding System Bonds;

(b) the City is in compliance with all covenants and undertakings in connection with the Prior Obligations, the Series 2012 Bonds and all of its System Bonds and Subordinated Debt then outstanding and payable from the Revenues; and

(c) the net annual income and revenues of the System for a period of twelve (12) consecutive months of the fifteen (15) months immediately prior to the issuance of said Parity Debt are certified in writing by an independent firm of certified public accountants (subject to adjustments as hereinafter provided) to have been equal to at least one (1.00) times the maximum Annual Debt Service Requirement on all System Bonds and Subordinated Debt outstanding and payable from the Revenues, together with the Subordinated Debt then to be issued.

With reference to the requirements of subparagraph (c) above, the amount of Revenues, and the "net annual income and revenues" of the System, may be adjusted in writing by a firm of independent certified public accountants, which firm shall be the firm performing the certification required by subparagraph (c) of this Section 12(B), to reflect and take into account for the historical period being tested, any revision in the schedule of water and sewer rates, rentals and charges either (i) being actually imposed and billed by the City at the time of issuance of such Subordinated Debt, and, (ii) where Subordinated Debt is refunded, the additional available "net annual income and revenues" of the System released as a result thereof.

The amount of Revenues and the "net annual income and revenues" of the System may also be adjusted in writing by an Engineer with expertise in the field of water or

sewer engineering, as applicable, to take into account and reflect for the historical period being tested, the amount of additional net income and revenues to be realized by the City by virtue of the acquisition by the City of existing and operating waterworks, water distribution facilities and sewer treatment and collection facilities. A further adjustment may be made by adding thereto an estimate of said Engineer of the increase in Revenues anticipated to be derived from the additions, extensions, replacements and betterments to be financed by the Subordinated Debt then being authorized, for the first twelve months following issuance of said Subordinated Debt, less said engineer's estimate of any additional expenses of operation and maintenance during said twelve months. Additionally, an adjustment thereunder may take into consideration revenues to be generated by virtue of contractual relationships between the City and other municipal corporations or other entities, either governmental or private, where such income and revenues are historically determinable, for the period being tested, namely, 12 consecutive months of the 15 months immediately prior to issuance of such Subordinated Debt. Provided, however, that any such adjustment by such Engineer shall take into account only such income and revenues as would have been derived during the historical period being tested had the valid and lawful schedule of rates, rentals and charges of the City which is in effect at the time of issuance of such Subordinated Debt been charged during such historical period being tested, and such adjustments shall also take into account all Operations and Maintenance Costs for such historical period being tested.

(2) Whenever the City shall have authorized or made provision for the authorization of, the issuance of Parity Debt, the City may by ordinance authorize the issuance of Notes in anticipation of the sale of such Parity Debt in a principal amount not exceeding the principal amount of such Parity Debt; provided, however that the principal amount of a grant or grants of any federal or state agency for which a commitment has been received may be included in determining the maximum principal amount of Notes. The principal or any interest on such Notes and renewals thereof may be payable from other moneys of the City available therefor and not pledged under the Prior Ordinance or this Series 2012 Bond Ordinance, including, but not by way of limitation, investments purchased from Note proceeds and may further be secured by a subordinate pledge of revenues. The principal on such Notes shall also be payable from the proceeds of the sale of the Parity Debt in anticipation of which such Notes are issued. Such proceeds may be pledged for the payment of the principal of such Notes and any such pledge shall have priority over any other pledge created by this Series 2012 Bond Ordinance. The proceeds of sale of such Notes shall be applied to the purposes for which such Notes are authorized, and, if the ordinance or ordinances authorizing such Notes so provide, to the payment of interest and other costs in connection with the sale and issuance of such Notes.

SECTION 13. General Covenants of the City. The City, through adoption of this Series 2012 Bond Ordinance, hereby irrevocably covenants and agrees with the Registered Owners of any and all Series 2012 Bonds, so long as the same or any part thereof remain outstanding and unpaid:

(A) It will faithfully and punctually perform all duties with reference to said System required by the Constitution and laws of the Commonwealth of Kentucky and by the terms and provisions of this Series 2012 Bond Ordinance.

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

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

(D) It will not sell, mortgage, pledge, lease or in any manner dispose of the said System, or any extensions, improvements or additions which may be made thereto, or the revenues thereof, except that if the City shall determine by resolution or ordinance that any identified properties of the System are worn out, obsolete or otherwise no longer useful and needed, the same may be sold or exchanged, provided that (i) the City is at the time of such sale or disposition in compliance with all its covenants contained in this Series 2012 Bond Ordinance and each and every provision of the then System Bonds, (ii) the proceeds of any sale of such facilities shall be used either to redeem or purchase System Bonds or deposited to the depreciation fund, (iii) such sale or disposition will not cause the City not to be in compliance with the coverage requirements set forth in this Series 2012 Bond Ordinance and (iv) such sale or disposition would not cause any System Bonds to become "arbitrage bonds" or "private activity bonds" within the meaning of the Code.

(E) The City shall at all times establish, enforce and collect rates, rentals, and charges for services rendered and facilities afforded by facilities constituting the System; and the same shall be reasonable and just, taking into account and consideration the cost and value of the System, the costs of operating the same and maintaining the same in a good state of repair, proper and necessary allowances for additions and extensions, and the amounts necessary for the orderly retirement of all System Bonds and the accruing interest thereon, and the accumulation and maintenance of reserves as provided in this Series 2012 Bond Ordinance (but excluding depreciation expense); and such rates and charges shall be adequate to meet all such requirements as provided in this Series 2012 Bond Ordinance, and shall, if necessary, be adjusted from time to time in order to comply therewith (subject to such regulatory approvals as may be required by law); and annual revenue from such rates, rentals and charges shall be further adequate to provide, after fulfillment of all contractual obligations required of the City incident to the System Bonds, including accumulation and maintenance of all reserves required by the Prior Ordinance and this Series 2012 Bond Ordinance, and after payment of Operation and Maintenance Costs, a 1.00 times coverage of the Annual Debt Service Requirements on all System Bonds and Subordinated Debt then outstanding, and shall, if necessary, be adjusted from time to time in order to comply herewith.

On or before the first day of each fiscal year, so long as any System Bonds remain outstanding, the City will adopt an annual budget of current expenses for the ensuing fiscal year, and will promptly file a copy of such budget, and of any amendments thereto, in the Office of the City Clerk, and will furnish copies thereof to any holder of any System Bond upon request. The term "current expenses" as herein used, includes all reasonable and necessary costs of operating, repairing, maintaining and insuring the System, but shall exclude depreciation expense and expenditures for extensions,

improvements and extraordinary repairs and maintenance, and payments into the Bond Fund and the Debt Service Reserve. The City covenants that the current expenses incurred in any year will not exceed the reasonable and necessary amounts available therefor, and that it will not expend any amount or incur any obligations for operation, maintenance and repairs in excess of the total amount provided for current expenses in its annual budget. At the same time, and in like manner, the City agrees that it will prepare an estimate of Revenues to be derived from operation of the System for such fiscal year, and to the extent that said Revenues are projected to be insufficient to meet all requirements as provided in the Prior Ordinance and this Series 2012 Bond Ordinance, the City covenants and agrees that it will immediately (subject to any regulatory approvals as required by law) revise its rates, rentals and charges for services rendered by the System, so that the same will be adequate to meet all of such requirements.

(F) It will maintain the rates and charges for the services furnished by such System which are in effect at the time of the sale of the Series 2012 Bonds herein authorized which shall not be reduced unless there shall first be filed with the City Clerk of the City a certification of an Independent Consulting Engineer to the effect that the Net Revenues of the then existing System for the fiscal year preceding the date on which such reduction is proposed, as such Net Revenues are adjusted after taking into account the projected reduction in Net Revenues anticipated to result from such proposed rate decrease, are equal to not less than (i) one and twenty-five one hundredths (1.25) times the maximum Annual Debt Service Requirement on the Series 2012 Bonds and all System Bonds outstanding and payable from the Revenues and (ii) one (1.00) times the average annual debt service requirements on all System Bonds and Subordinated Debt outstanding and payable from the Revenues calculated in the manner specified in Section 12 hereof.

(G) It will at all times segregate the revenues of the System from all other revenues, monies and funds of the City and will promptly and regularly make application and distribution thereof into the special funds provided in this Series 2012 Bond Ordinance in the manner and with due regard for the priorities herein attributed thereto.

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

(I) It will, within one hundred twenty (120) days after the end of each fiscal year, cause an audit to be made of the books of record and account pertinent to the System, by a Certified Public Accountant not in the employ of the City on a monthly salary basis, showing all receipts and disbursements, with comments of the auditor concerning whether the books and records are being kept in compliance with this Series 2012 Bond Ordinance and in accordance with recognized accounting practices, and will promptly cause a copy of the audit report to be filed in the Office of the City Clerk where it will be available for public inspection. If requested to do so by the Registered Owners of not less than 10% of the outstanding principal amount of all then outstanding System Bonds, the City will furnish to the Registered Owners submitting such request a condensed form of the Balance Sheet and a condensed form of the Operating Report, in

reasonable detail. All expenses incurred in causing such audits to be made, and copies distributed, shall constitute proper expenses of operating and maintaining the System, and may be paid from revenues allocated for such purposes, as herein provided.

Simultaneously with the preparation of such audit, or at such other time as the City may determine which is not later than four months after the end of the fiscal year, the City shall cause to be filed with the City Commission of the City a report by a Certified Public Accountant and/or Independent Consulting Engineer setting forth the precise percentage ("Coverage") of the maximum debt service requirements falling due in any fiscal year thereafter for principal of and interest on all of the then System Bonds payable from the Revenues of the System produced and provided by the Net Revenues of the System in that fiscal year, calculated in the manner specified in Section 12 hereof; and the City covenants that if such Coverage of Net Revenues was less than 125% of such maximum future Annual Debt Service Requirements, the City shall increase the rates by an amount sufficient, in the opinion of such Independent Consulting Engineer or Certified Public Accountant, to establish the existence of or immediate projection of such minimum 125% Coverage.

Any holder of said Series 2012 Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said City and its officers and agents of all entities imposed or required by law or this Series 2012 Bond Ordinance in connection with the operation of said System, including the making and collecting of sufficient rates and segregation of the revenues and application thereof.

(J) If there be any default in the payment of the principal of or interest on any of said Series 2012 Bonds, then upon the filing of suit by any holder of said Series 2012 Bonds, any court having jurisdiction of the action may appoint a receiver to administer said System on behalf of the City with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against said System, and for the payment of current expenses, and to apply the Revenues in conformity with this Series 2012 Bond Ordinance and the provisions of the statutory laws of Kentucky herein described.

(K) The City will cause each municipal officer or other person (other than depository banks) having custody of any monies administered under the provisions of this Series 2012 Bond Ordinance to be bonded at all times in an amount at least equal to the maximum amount of such monies in his custody at any time, each such bond to have surety given by a surety corporation qualified to do business in Kentucky and approved by the Mayor, and the premiums for such surety shall constitute a proper expense of operating the System, and may be paid from monies available in the Operation and Maintenance Fund.

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

(M) During the time that any of the System Bonds are outstanding, it will take such steps as may be necessary to cause the owners of all properties abutting upon any

sewer lines of the City to connect thereto and to keep connected thereto all sanitary sewage drain pipes on such properties, and will maintain in effect an ordinance imposing such requirements. The foregoing covenant shall be in favor and enforceable by the holders of the System Bonds.

SECTION 14. Events of Default; Registered Owners' Rights to Enforce Covenants. The following shall constitute an Event of Default on the part of the City:

(A) The failure to pay any Principal Installment of the System Bonds when due and payable, either at maturity or by proceedings for redemption.

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

(C) The failure by the City to fulfill any of its obligations pursuant to this Series 2012 Bond Ordinance.

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

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

Any holder of the Series 2012 Bonds, either at law or in equity, by suit, action, mandamus or other proceedings, enforce and compel performance by said City and its officers and agents of all duties imposed or required by law or this Series 2012 Bond Ordinance in connection with the operation of said System, including the making and collection of sufficient rates and segregation of the income and revenues and the application thereof.

If there be any default in the payment of the principal of or interest on any of the Series 2012 Bonds, then upon the filing of suit by any holder of said Series 2012 Bonds, any court having jurisdiction of the action may appoint a receiver to administer the said combined and consolidated System on behalf of the City, with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against such System and for the payment of operating expenses and to apply the income and revenue in conformity with the Prior Ordinance, this Series 2012 Bond Ordinance and with the provisions of Chapters 58 and 96 of Kentucky Revised Statutes. Reasonable attorneys' fees and court costs incurred by any bondholder or bondholders in connection with the appointment of such receiver shall be a proper charge and shall be payable out of the income and revenues from the properties securing the Series 2012 Bonds herein authorized.

SECTION 15. No Priority Among Series 2012 Bonds. The Series 2012 Bonds authorized herein shall not be entitled to priority one over the other in the application of the income and revenues of the System or with respect to the security for their payment, regardless of the time or times of their issuance, it being the intention that there shall be no priority among the Series 2012 Bonds authorized by this Series 2012 Bond Ordinance regardless of the fact that they may be actually issued in different series and delivered at different times.

SECTION 16. Insurance.

(A) Fire and Extended Coverage. If and to the extent that the System includes structures above ground level (including equipment and machinery but not including subsurface lift stations other than the electrical and pumping equipment therein) the City shall, upon the sale of the Series 2012 Bonds if such insurance is not already in force, procure fire and extended coverage insurance on the insurable portion of all of the facilities of the System.

The foregoing fire and extended coverage insurance shall be maintained so long as any of the Series 2012 Bonds are outstanding and shall be in amounts sufficient to provide for not less than full recovery whenever a loss from perils insured against does not exceed eighty percent (80%) of the full insurable value of the damaged facility.

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

(B) Liability Insurance on Facilities. Upon the sale of said Series 2012 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2012 Bonds are outstanding public liability insurance relating to the operation of the facilities of the System with limits of not less than \$300,000 for one person or for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$200,000 from claims for damage to property of others which may arise from the City's operations of the System and any other facilities constituting a portion of the System.

(C) Vehicle Liability Insurance. If and to the extent that the City owns or operates vehicles in the operation of the System, upon receipt of the proceeds of the Series 2012 Bonds, the City shall, if such insurance is not already in force, procure and maintain, so long as any of the Series 2012 Bonds are outstanding vehicular public liability insurance with limits of not less than \$300,000 for one person and \$300,000 for more than one person involved in one accident, to protect the City from claims for bodily injury and/or death, and not less than \$200,000 against claims for damage to property of others which may arise from the operation of such vehicles by the City.

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

(E) Flood Insurance. The City will, upon the sale of the Series 2012 Bonds, to the extent such insurance is not already in force, procure flood insurance on any facilities located in a special flood and mudslide prone areas in an amount deemed adequate by Independent Consulting Engineers.

SECTION 17. Preliminary Official Statement and Official Statement Authorized and Approved. First Kentucky Securities Corporation, Frankfort, Kentucky, Financial Advisor for the City, having prepared a Preliminary Official Statement on behalf of and in conjunction with the City in regard to the sale of the Bonds containing all pertinent information concerning the Series 2012 Bonds and the Preliminary Official Statement having been reviewed by the City, same is hereby authorized, ratified and approved and deemed "final" within the meaning of

Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule"). The Mayor is hereby authorized to acknowledge same and to deem the Preliminary Official Statement "final" within the meaning of the Rule. The Financial Advisor is further directed to prepare a Final Official Statement complying with the requirements of the Rule and the Mayor is directed and authorized to assist with the preparation of the Final Official Statement in accordance with the Rule.

SECTION 18. Continuing Disclosure. In accordance with the Rule, the City hereby covenants and agrees that the City will execute, comply with and carry out all provisions of a continuing disclosure certificate to be dated as of the date of issuance and delivery of the Series 2012 Bonds (the "Disclosure Undertaking"), the form of which has been presented to the City and is hereby approved. The Mayor is hereby authorized and directed to execute said Disclosure Undertaking on behalf of the City.

SECTION 19. Contractual Nature of Series 2012 Bond Ordinance. The provisions of this Series 2012 Bond Ordinance shall constitute a contract between the City and the holders of the Series 2012 Bonds; and after the issuance of any of said Series 2012 Bonds no change, variation or alteration of any kind in the provisions of this Series 2012 Bond Ordinance shall be made in any manner except as herein provided until such time as all of said Series 2012 Bonds and the interest thereon have been paid or provided for in full; provided (a) the City may adopt an ordinance to evidence the succession of a bank or trust company as paying agent and bond registrar and may enact other ordinances for any other purpose not inconsistent with the terms of this Series 2012 Bond Ordinance, and which shall not impair the security of the holders of the System Bonds and/or for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective or inconsistent provisions contained herein or in any ordinance or other proceedings pertaining hereto; and provided further (b) the holders of eighty percent (80%) in principal amount of the System Bonds shall have the right to consent to, and approve the adoption of ordinances, resolutions or other proceedings, modifying or amending any of the terms or provisions contained in this Series 2012 Bond Ordinance, subject to the condition that this Series 2012 Bond Ordinance shall not be so modified in any manner that may adversely affect the rights of certain holders without similarly affecting the rights of all holders of all System Bonds or that shall reduce the percentage of the number of holders whose consent is required to effect a further modification.

SECTION 20. Designation of the Series 2012 Bonds. Pursuant to the provisions of § 265(b)(3) of the Internal Revenue Code of 1986, the City designates the Series 2012 Bonds as "qualified tax-exempt obligations" within the meaning of the Code and certifies that it does not reasonably anticipate that the total principal amount of qualified tax-exempt obligations which will be issued by the City (or any entity acting on its behalf) during the calendar year ending December 31, 2012 will exceed \$10,000,000.

SECTION 21. Expectation Regarding the Series 2012 Bonds. Pursuant to the amendments to the Code, the City, by the adoption of this Series 2012 Bond Ordinance, certifies that it does not reasonably anticipate that less than 95% of the proceeds of the Series 2012 Bonds will be used for "local government activities" of the City.

SECTION 22. Sale of Series 2012 Bonds. The City Clerk is hereby authorized and directed to cause notice for bids for the purchase of said Series 2012 Bonds to be published pursuant to all applicable provisions of the KRS. Said Notice shall state the name and amount

of Series 2012 Bonds to be sold, the time of sale and other details concerning the Series 2012 Bonds and notify the bidders that further information regarding said Series 2012 Bonds is available from the City Clerk. The City Clerk shall utilize the forms of Notice of Bond Sale, Official Terms and Conditions of Bond Sale and Official Bid Form prepared by Peck, Shaffer & Williams LLP, as Bond Counsel, in substantially the same forms as those attached to this Series 2012 Bond Ordinance as Exhibits B, C and D, respectively and such Information for Bidders shall include, but not be limited to the following information:

(A) Bids are required to be submitted on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the best bid. Bids may alternatively be submitted electronically via the **BIDCOMP™/PARITY™** system. Electronic bids for the Bonds must be submitted through the **BIDCOMP™/PARITY™** system and no other provider of electronic bidding services will be accepted. Subscription to the **BIDCOMP™/PARITY™** Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by **BIDCOMP™/PARITY™** shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **BIDCOMP™/PARITY™** conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of **BIDCOMP™/PARITY™** shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **BIDCOMP™/PARITY™**. The use of the **BIDCOMP™/PARITY™** system facilities are at the sole risk of the prospective bidders. For further information regarding the **BIDCOMP™/PARITY™** system, potential bidders may contact **BIDCOMP™/PARITY™**, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Official Bid Forms, together with a Preliminary Official Statement, may be obtained at the office of the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40602, Attention Stan Kramer (502) 875-4611.

(B) The minimum bid shall be not less than \$3,930,150 (98.50% of par), plus accrued interest. Interest rates shall be in multiples 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Series 2012 Bond, and all Series 2012 Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated for any maturity shall not be less than the interest rate for any preceding maturity. There is no limit on the number of different interest rates.

(C) The maximum permissible net interest cost for the Series 2012 Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Series 2012 Bonds plus 1.50%

(D) The determination of the best purchase bid for said Series 2012 Bonds shall be made on the basis of all bids submitted for exactly \$3,990,000 principal amounts

of Series 2012 Bonds offered for sale hereunder; but the City may adjust the principal amount of Series 2012 Bonds which may be awarded to such best bidder upward or downward by up to \$400,000 (the "Permitted Adjustment") to a minimum of \$3,590,000 or a maximum of \$4,390,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Series 2012 Bonds will be sold will be the same price per \$1,000 of Series 2012 Bonds as the price per \$1,000 for the \$3,990,000 of Bonds bid.

(E) Bidders have the option of specifying that all the Series 2012 Bonds maturing in any two or more consecutive years may, in lieu of maturing in each of such years, be combined to comprise one or more maturities of Series 2012 Bonds scheduled to mature in the latest of such year and be subject to mandatory sinking fund redemption at par in each of the years and in the principal amounts of such term Series 2012 Bonds scheduled in the year of maturity of the term Series 2012 Bonds, which principal amount shall mature in that year. Bidders may specify an unlimited number of such term Series 2012 Bonds.

(F) CUSIP identification numbers will be printed on the Series 2012 Bonds at the expense of the City. The purchaser shall pay the CUSIP Service Bureau Charge and the cost of printing the Final Official Statement. Improper imprintation or the failure to imprint CUSIP numbers shall not constitute cause for a failure or refusal by the purchaser to accept delivery of and pay for the Series 2012 Bonds in accordance with the terms of any accepted proposal for the purchase of the Series 2012 Bonds.

(G) The City will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements.

(H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the City an amount equal to 2% of the amount of the principal amount of Series 2012 Bonds awarded by the close of business on the day following the award. Said good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Series 2012 Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Series 2012 Bonds. The successful bidder shall not be required to take up and pay for said Series 2012 Bonds unless delivery is made within 45 days from the date the bid is accepted.

(I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2012 Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Series 2012 Bond certificate will be issued for each maturity of the Series 2012 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Series 2012 Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for

the Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

(J) The City reserves the right to reject any and all bids or to waive any informality in any bid. The Series 2012 Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky income taxation or Kentucky ad valorem taxation on the date of their delivery to the successful bidder, in accordance with the Final Approving Legal Opinion of Peck, Shaffer & Williams LLP, Covington, Kentucky, which opinion will be qualified in accordance with the section of the Official Terms and Conditions of Bond Sale under the heading "TAX TREATMENT".

(K) Prospective bidders are advised that First Kentucky Securities Corporation has been employed as Financial Advisor in connection with the issuance of the Series 2012 Bonds. First Kentucky Securities Corporation's fee for services rendered with respect to the sale of the Series 2012 Bonds is contingent upon the issuance and delivery thereof. Bidders may submit a bid for the purchase of the Series 2012 Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Series 2012 Bonds.

(L) As required by the Code, the purchaser of the Series 2012 Bonds will be required to certify to the City as to certain of its activities regarding any reoffering to the public of the Series 2012 Bonds, including any reoffering prices and yields.

The Mayor of the City is hereby authorized by Executive Order without further action by the City to accept the bid he determines to be the best bid in accordance with the Official Terms and Conditions of Sale; shall, in accepting the successful bid, determine the exact principal amount of Series 2012 Bonds to be issued and the rates of interest which said Series 2012 Bonds shall bear; and shall evidence such acceptance and determination by the completion and execution of the Official Bid Form submitted by the successful bidder.

SECTION 23. Defeasance.

(A) If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Registered Owners of the System Bonds, all of the principal and interest and redemption price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Series 2012 Bond Ordinance, then and in that event this Series 2012 Bond Ordinance shall cease, determine, and become null and void, and the covenants, agreements and other obligations of the City hereunder shall be satisfied and

discharged, and in such event, the City shall execute and deliver all such instruments as may be desirable to evidence such discharge and satisfaction and the Paying Agent and Registrar shall pay over or deliver to the City all moneys or securities held by them pursuant to this Series 2012 Bond Ordinance which are not required for the payment or redemption of System Bonds, not theretofore surrendered for such payment or redemption.

(B) System Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and which shall be held in trust by an escrow agent (a "Fiduciary") (through deposit by the City of funds for such payment or redemption or otherwise) shall, at the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subparagraph (A) of this Section. All System Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subparagraph (A) of this Section if (i) in case any of said System Bonds are to be redeemed on any date prior to their maturity, the City shall have given notice of redemption on said date of redemption of such System Bonds as provided in the ordinance authorizing such System Bonds or shall have provided for the giving of such notice at the appropriate time, and (b) there shall have been deposited with the Fiduciary either moneys in an amount which shall be sufficient, or Defeasance Obligations, the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Fiduciary at the same time, shall be sufficient to pay when due the principal or redemption price, if any, and interest due and to become due on said System Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Neither Defeasance Obligations nor moneys deposited with the Fiduciary pursuant to this Section nor principal or interest payments on any such Defeasance Obligations shall be withdrawn or used for any purposes other than, and shall be held in trust for, the payment of the principal or redemption price, if any, and interest on said System Bonds; provided that any cash received from such principal or interest payments on such Defeasance Obligations deposited with the Fiduciary if not then needed for such purposes, shall, to the extent practicable, be reinvested in Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or redemption price, if any, and interest to become due on said System Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and shall be paid over to the City, following full discharge and payment of such System Bonds free and clear of any trust, lien or pledge.

(C) If, through the deposit of moneys by the City or otherwise, the Fiduciary shall hold, pursuant to this Series 2012 Bond Ordinance, moneys sufficient to pay the principal and interest to maturity on all System Bonds, or in the case of System Bonds in respect of which the City shall have taken all action necessary to redeem prior to maturity, sufficient to pay the redemption price and interest to such redemption date, then at the request of the City all moneys held by the Paying Agent and Registrar shall be paid over to the City, and together with other moneys held by it hereunder, shall be held by the City for the payment or redemption of System Bonds.

(D) Anything in this Series 2012 Bond Ordinance to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the System Bonds which remain unclaimed for six (6) years after the date when

all of the System Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the System Bonds became due and payable, shall, at the written request of the City, be repaid by the Fiduciary to the City, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged; provided, however, that before being required to make any such payment to the City, the Fiduciary shall, at the expense of the City, cause to be published at least twice, at an interval of not less than seven (7) days between publications, in a newspaper of statewide circulation in the Commonwealth of Kentucky notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall be not less than ten (10) nor more than twenty (20) days after the date of the first publication of such notice, the balance of such moneys then unclaimed will be returned to the City.

SECTION 24. Tax Covenants. The City shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the City on the Series 2012 Bonds shall, for the purposes of Federal income taxation, be exempt from income taxation under any valid provision of the Code.

The City shall not permit at any time or times any of the proceeds of the Series 2012 Bonds to be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any such Series 2012 Bonds to be "arbitrage bonds" as defined in Sections 103(b)(2) and 148 of the Code, as then in effect.

In order to assure compliance with this Section, thereby better securing and protecting the holders of the Series 2012 Bonds, the City covenants that it will not purchase any obligation or invest the proceeds of the Series 2012 Bonds in any obligations that produce a yield in excess of the applicable maximum yield as may be permitted by the Code.

The City further covenants that prior to the issuance of the Series 2012 Bonds and as a condition precedent to such issuance the City shall certify by issuance of a certificate of the Mayor, supplemental to this Series 2012 Bond Ordinance, that on the basis of the facts, estimates and circumstances in existence on the date of issue of the Series 2012 Bonds, it is not expected that the proceeds of the Series 2012 Bonds will be used in a manner which would cause such obligations to be "arbitrage bonds" under the Code. The Mayor is hereby designated and charged by the City with the responsibility for issuing the Series 2012 Bonds herein authorized.

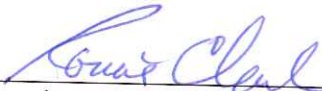
The City further covenants that it will cause to be filed with the Internal Revenue Service the reporting statements required by the Code.

SECTION 25. Severability Clause. If any section, paragraph, clause or provision of this Series 2012 Bond Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Series 2012 Bond Ordinance.

SECTION 26. Effective Date of Ordinance. This Series 2012 Bond Ordinance shall take effect from and after its passage, approval and the publication of a summary thereof.

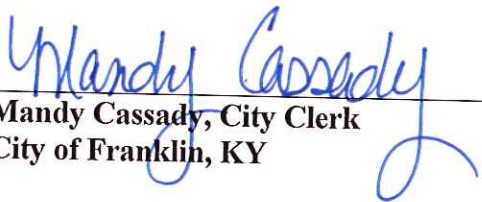
Given First Reading on June 11, 2012.

Passed and Adopted on June 21, 2012.



Ronnie Clark, Mayor
City of Franklin, Kentucky

Attest:



Mandy Cassady, City Clerk
City of Franklin, KY

EXHIBIT A

[FORM OF FULLY REGISTERED BOND]

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
CITY OF FRANKLIN, KENTUCKY
WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2012

No.

\$

INTEREST RATE

MATURITY DATE

DATE OF ORIGINAL ISSUE

CUSIP

REGISTERED HOLDER:

PRINCIPAL AMOUNT:

DOLLARS

KNOW ALL MEN BY THESE PRESENTS:

That the City of Franklin, Kentucky, a municipal corporation and political subdivision of the Commonwealth of Kentucky (the "City"), for value received, hereby acknowledges itself obligated to, and promises to pay to the registered holder identified above, or registered assigns, solely from the limited sources hereinafter described, the principal amount identified above (or, if any part thereof has been paid the balance thereof remaining unpaid), on the maturity date specified above, and to pay interest on said principal amount (or, if any part thereof has been paid, the balance thereof remaining unpaid) from the date hereof at the rate of interest per annum identified above, payable semiannually on the first days of June and December in each year until paid, commencing December 1, 2012. This bond will bear interest from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from the date of original issuance hereof. The principal and interest of this bond are payable, without deduction for exchange, collection, or service charges, in lawful money of the United States of America. Principal is payable at the corporate trust office of The Huntington National Bank, Cincinnati, Ohio, or any successor paying agent or registrar (the "Paying Agent and Registrar"). All interest on this bond shall be payable by check or draft mailed to the record date registered owner hereof at the address shown on the registration records kept by the Paying Agent and Registrar.

THIS BOND DOES NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY OF FRANKLIN, KENTUCKY, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATIONS, BUT IS PAYABLE BOTH PRINCIPAL AND INTEREST SOLELY AND ONLY OUT OF THE REVENUES DERIVED FROM THE OPERATION OF THE COMBINED AND CONSOLIDATED WATER AND SEWER SYSTEM OF SAID CITY, A SUFFICIENT PORTION OF WHICH REVENUES, TO PAY THE PRINCIPAL OF AND INTEREST ON ALL OF SAID BONDS, AS AND WHEN SAME BECOME DUE AND PAYABLE, SHALL BE SET ASIDE AND DEPOSITED IN THE "CITY OF FRANKLIN WATER AND SEWER REVENUE BOND AND INTEREST REDEMPTION FUND."

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH AT THIS PLACE.

Ordinance # 130.51-06-2012 EXHIBITS

A-1

This Bond is one of a duly authorized issue of bonds in the total principal amount of _____ Dollars (\$_____) Water and Sewer Revenue Refunding Bonds, Series 2012 issued by the City pursuant to an Ordinance adopted by the City Commission of said City on June 25, 2012 (the "Bond Ordinance") for the purpose of financing the costs, not otherwise provided, of the refunding of the City's outstanding Water and Sewer Revenue Bonds, Series 2004 (the "Series 2004 Bonds"), the proceeds of which financed the construction of extensions, improvements and additions to the City's combined water and sewer system (the "System"). This Bond is issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including specifically, Chapter 96 and §§ 58.010 through 58.140 of said Statutes. The Bonds of said authorized issue, together with such Parity Debt ranking on a parity therewith that may be issued and outstanding from time to time under the restrictions and provisions of said Bond Ordinance, including the \$1,545,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding and Improvement Bonds, Series 2009 (the "Series 2009 Bonds"), do not constitute an indebtedness of the City within the meaning of the Constitution, but are payable as to principal and interest and premium, if any, solely from and are secured by, inter alia, a pledge of revenues and income resulting from the collection of the rates, rentals and charges for the services rendered by the System. The City has covenanted in the Bond Ordinance that it will fix and revise the rates and charges for the services and facilities of said System and collect and account for the income and revenues therefrom to pay promptly the principal of and interest on this Bond and the issue, of which it is one, as the same becomes due and to pay when due all costs and expenses incident to the operation and maintenance of said System.

This Bond, and the issue of which it forms a part, are all issued under and are equally and ratably secured and entitled to the protection given by the Bond Ordinance duly executed and delivered by the City and reference is hereby made to the Bond Ordinance and all ordinances supplemental thereto for a more complete and the holders of said Bonds and the terms and conditions upon which said Bonds are issued and secured, to all of the provisions of which Bond Ordinance, each holder, by the acceptance hereof, assents.

This Bond, and the issue of which it forms a part, are issuable as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. This Bond shall be registered as to principal and interest in the name of the holder thereof, after which it shall be transferable only upon presentation to the Paying Agent and Registrar, with an assignment duly acknowledged by the registered holder or his duly authorized attorney, which transfer shall be noted upon this bond and upon the books of the Paying Agent and Registrar kept for that purpose.

The Bonds maturing on or after December 1, 2022, are subject to redemption prior to their stated maturities on any date falling on or after June 1, 2022, in such order of maturities as the City may determine (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount, plus accrued interest.

The Bonds due December 1, ____ (the "____ Term Bonds") shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof on December 1, in the years and in the amounts, as follows:

Year

Amount

[TO BE COMPLETED]

Call for redemption shall be by registered mail only, addressed to the Registered Owner at the address shown on the records of the Paying Agent and Registrar. Call for redemption having been given as aforesaid, the Bonds or portions thereof so called for redemption shall become due and payable at the applicable redemption price herein provided, and from and after the date so fixed for redemption, interest on the Bonds, or portions thereof so called for redemption, shall cease to accrue and become payable.

Upon default in the payment of any principal of or interest payment on this Bond (or on any other Bond of this issue of which it forms a part) or upon failure by the City to comply with any other provisions of this Bond or with the provisions of the Bond Ordinance, the Registered Owner may, at its option, institute all rights and remedies provided by law or by said Bond Ordinance. The Registered Owner of this Bond shall not be entitled to enforce the provisions of the Bond Ordinance or to institute, appear in or defend any suit, action or proceeding at law or in equity to enforce any rights, remedies or covenants granted by the Bond Ordinance, or to take any action with respect to any event of default under the Bond Ordinance, except as so provided in the Bond Ordinance.

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

CERTIFICATE

It is hereby certified that the following is a correct and complete copy of the text of the legal opinion of Peck, Shaffer & Williams LLP regarding the issue of which the within bond is one, the original of which opinion was manually executed, dated and issued as of the date of delivery of and payment for said issue and a copy of which is on file with the undersigned.

City Clerk, City of Franklin, Kentucky

[FORM OF BOND COUNSEL OPINION]

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required by the Constitution and Statutes of the Commonwealth of Kentucky and the Bond Ordinance to exist, happen and be performed precedent to and in the issuance of this Bond do exist have happened and have been performed in the manner and form required by law and that the face amount of this Bond does not exceed any limit prescribed by the Constitution or Statutes of the Commonwealth of Kentucky.

IN WITNESS WHEREOF said City of Franklin, Kentucky, in the County of Simpson has caused this bond to be executed in its name by the reproduced facsimile signature of its Mayor and attested by the reproduced facsimile of its City Clerk, and this bond to be dated the ____ day of _____, 2012.

CITY OF FRANKLIN, KENTUCKY

By: _____
Mayor

ATTEST:

City Clerk

Date of Registration and Authentication:

CERTIFICATE OF AUTHENTICATION

This is to certify that this bond is one of the Bonds described hereinabove.

THE HUNTINGTON NATIONAL BANK,
Cincinnati, Ohio, Paying Agent and Registrar

By: _____
Authorized Signature

TEN COM - as tenants in common UNIF GIFT MIN ACT _____Custodian_____
TEN ENT - as tenants by the entireties (Cust) (Minor)

Additional Abbreviations may also be used though not in the above list.

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

(Please print or typewrite name and address of transferee)

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

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

Dated: _____ Signature _____

In the presence of:

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

EXHIBIT B

NOTICE OF BOND SALE

Notice is hereby given that electronic bids will be received by the City of Franklin, Kentucky (the "City"), until 12:00 p.m., C.T. on July 10, 2012 (or at such later time and date announced at least forty-eight hours in advance via the **BIDCOMP™/PARITY™** system) for the purchase of approximately \$3,990,000 of the City's Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"), maturing December 1, 2012 through December 1, 2033, as set out in the ordinance approving the Series 2012 Bonds. Alternatively, written sealed or facsimile bids for the Bonds by the designated time will be received by the Finance Director, 117 West Cedar Street, Franklin, Kentucky 42134 (FAX: (270) 586-9419).

The City reserves the right to increase or decrease the amount of Bonds to be purchased by the successful bidder by an amount not to exceed \$400,000, in increments of \$5,000 at the sale price per \$1,000 of Bonds; such increase or decrease to be made in any maturity.

Official Bid Forms are contained in the Preliminary Official Statement, available from the City's City Manager or from First Kentucky Securities Corporation, 305 Ann Street, Frankfort, Kentucky 40601, Attention Mr. Stan Kramer (502) 875-4611, which has been deemed "final" by the City within the meaning of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). Further information regarding **BIDCOMP™/PARITY™** may be obtained from **BIDCOMP™/PARITY™** 1359 Broadway - 2nd Floor, New York, NY 10018, Telephone: (800) 850-7422

Sale of Bonds on tax-exempt basis subject to approving legal opinion of Peck, Shaffer & Williams LLP, Bond Counsel, Covington, Kentucky. The Bonds are designated as "qualified tax-exempt obligations" pursuant to Section 265 of the Internal Revenue Code of 1986, as amended.

Right to reject bids or waive informality reserved.

Bids must be on Official Bid Form contained in the Preliminary Official Statement, available from the undersigned or First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40601 which has been deemed "final" by the City within the meaning of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). In order to assist bidders in complying with the continuing disclosure requirements of the Rule, the City will undertake in a Continuing Disclosure Undertaking to be delivered at closing, to provide to the applicable repositories notices of certain material events with respect to the Bonds. Reference is made to the Official Terms and Conditions of Bond Sale contained in the Preliminary Official Statement for further details and bidding conditions.

CITY OF FRANKLIN, KENTUCKY

/s/ Mandy Cassady

City Clerk, City of Franklin, Kentucky

EXHIBIT C

OFFICIAL TERMS AND CONDITIONS OF BOND SALE

\$3,990,000*

City of Franklin, Kentucky Water and Sewer Revenue Refunding Bonds, Series 2012

SALE: July 10, 2012 at 12:00 P.M., C.D.S.T.

As duly advertised, electronic bids will be received by the City of Franklin, Kentucky (the "City"), until 12:00 p.m., C.D.S.T. on July 10, 2012 (or at such later time and date announced at least forty-eight hours in advance via the **BIDCOMP™/PARITY™** system) for the purchase of the City's revenue bonds herein described (the "Bonds"). Alternatively, written sealed or facsimile bids for the Bonds by the designated time will be received by the Finance Director, 117 West Cedar Street, Franklin, Kentucky 42134 (FAX: (270) 586-9419). Electronic bids must be submitted through **BIDCOMP™/PARITY™** as described herein and no other provider of electronic bidding services will be accepted. Bids will be opened and acted upon by the Mayor later that same day.

*Preliminary; subject to change as herein described.

STATUTORY AUTHORITY AND PURPOSE OF ISSUE

These Bonds are authorized pursuant to Chapters 58 and 96 of the Kentucky Revised Statutes and are being issued in accordance with a Bond Ordinance adopted by the City Commission of the City on June 25, 2012 (the "Bond Ordinance"). The Bonds are revenue bonds and do not constitute a direct indebtedness of the City.

The Bonds are being issued to finance the costs, not otherwise provided, of the construction of extensions, improvements and additions to the combined and consolidated water and sewer system of the City (the "System") and the refunding of the City's outstanding Water and Sewer Revenue Bonds, Series 2004 (the "Series 2004 Bonds"), the proceeds of which in turn financed and refinanced the construction of extensions, improvements and additions to the System.

The Bonds, in the opinion of Bond Counsel, will constitute legal, valid and binding special obligations of the City of Franklin, Kentucky, payable solely from and secured by a first pledged of and lien on the gross revenues of the System, ranking on a parity with the outstanding principal amount of the \$1,545,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding and Improvement Bonds, Series 2009 (the "Series 2009 Bonds"). The right is reserved by the City to issue additional debt ranking on a parity ("Parity Debt") as to security and source of payment with the Series 2009 Bonds and the Bonds upon meeting the requirements prescribed by the Bond Ordinance. The Bond Ordinance provides that so long as any of the Series 2009 Bonds, the Bonds and/or any additional Parity Debt are outstanding ("System Bonds"), the System shall be owned and operated by the City as a single, revenue producing, public project or System within the meaning of the aforesaid Statutes, for the security and source of payment of any and all of such System Bonds.

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

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

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

(C) It will establish, enforce and collect rates and charges for services rendered and facilities afforded by said System, and the same shall be reasonable and just, taking into account and consideration the cost had value of the System, the costs of operating the same and maintaining it in good state of repair, proper and necessary allowances for depreciation and for additions and extensions, and the amounts necessary for the orderly retirement of all System Bonds and the Bonds herein authorized, and the accruing interest thereon and the accumulation of reserves as herein provided, and such rates and charges shall be adequate to meet all such requirements as provided in this Series 2012 Bond Ordinance and shall, if necessary, be adjusted from time to time in order to comply herewith.

BOND MATURITIES, PRIOR REDEMPTION PROVISIONS AND PAYING AGENT

The Bonds will bear interest from their date of delivery, payable on the first day of each June and December, commencing December 1, 2012. The Bonds are scheduled to mature in each of the years as follows:

<u>Maturity Date</u> <u>December 1</u>	<u>Principal</u> <u>Maturity Series</u> <u>2012 Bonds*</u>	<u>Maturity Date</u> <u>December 1</u>	<u>Principal</u> <u>Maturity Series</u> <u>2012 Bonds*</u>
2012	\$160,000	2023	\$175,000
2013	150,000	2024	180,000
2014	150,000	2025	185,000
2015	155,000	2026	190,000
2016	155,000	2027	195,000
2017	150,000	2028	205,000
2018	160,000	2029	210,000
2019	160,000	2030	215,000
2020	165,000	2031	220,000
2021	165,000	2032	230,000
2022	175,000	2033	240,000

*Subject to Permitted Adjustment

The Bonds maturing on or after December 1, 2022, are subject to redemption prior to their stated maturities on any date falling on or after June 1, 2022, in such order of maturities as the City shall determine (less than all of a single maturity to be selected by lot), in whole or in part, upon terms of the face amount, plus accrued interest.

The Huntington National Bank, Cincinnati, Ohio, has been appointed Paying Agent and Registrar for the Bonds.

BIDDING CONDITIONS AND RESTRICTIONS

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

(A) Bids are required to be submitted on the Official Bid Form in order to provide for uniformity in submission of bids and ready determination of the best bid. Bids may alternatively be submitted electronically via the **BIDCOMP™/PARITY™** system. Electronic bids for the Bonds must be submitted through the **BIDCOMP™/PARITY™** system and no other provider of electronic bidding services will be accepted. Subscription to the **BIDCOMP™/PARITY™** Competitive Bidding System is required in order to submit an electronic bid. The City will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by **BIDCOMP™/PARITY™** shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in **BIDCOMP™/PARITY™** conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of **BIDCOMP™/PARITY™** shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the City. The City shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by **BIDCOMP™/PARITY™**. The use of the **BIDCOMP™/PARITY™** system facilities are at the sole risk of the prospective bidders. For further information regarding the **BIDCOMP™/PARITY™** system, potential bidders may contact **BIDCOMP™/PARITY™**, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form. Official Bid Forms, together with a Preliminary Official Statement, may be obtained at the office of the Financial Advisor, First Kentucky Securities Corporation, 305 Ann Street, Suite 400, Frankfort, Kentucky 40602, Attention Stan Kramer (502) 875-4611.

(B) The minimum bid shall be not less than \$3,930,150 (98.50% of par), plus accrued interest. Interest rates shall be in multiples 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Series 2012 Bond, and all Series 2012 Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated for any maturity shall not be less than the interest rate for any preceding maturity. There is no limit on the number of different interest rates.

(C) The maximum permissible net interest cost for the Series 2012 Bonds shall not exceed "The Bond Buyer's" Index of 20 Municipal Bonds as established on the Thursday immediately preceding the sale of said Series 2012 Bonds plus 1.50%

(D) The determination of the best purchase bid for said Series 2012 Bonds shall be made on the basis of all bids submitted for exactly \$3,990,000 principal amounts of Series 2012 Bonds offered for sale hereunder; but the City may adjust the principal amount of Series 2012 Bonds which may be awarded to such best bidder upward or downward by up to \$400,000 (the "Permitted Adjustment") to a minimum of \$3,590,000 or a maximum of \$4,390,000. In the

event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price at which such adjusted principal amount of Series 2012 Bonds will be sold will be the same price per \$1,000 of Series 2012 Bonds as the price per \$1,000 for the \$3,990,000 of Bonds bid.

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

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

(G) The City will provide to the successful purchaser a Final Official Statement in accordance with SEC Rule 15c2-12. A final Official Statement will be provided in Electronic Form to the successful bidder, in sufficient time to meet the delivery requirements of the successful bidder under SEC and Municipal Securities Rulemaking Board Delivery Requirements. The successful bidder will be required to pay for the printing of Final Official Statements..

(H) Bids need not be accompanied by a certified or bank cashier's good faith check, but the successful bidder will be required to wire transfer to the order of the City an amount equal to 2% of the amount of the principal amount of Bonds awarded by the close of business on the day following the award. Said good faith amount will be forfeited as liquidated damages in the event of a failure of the successful bidder to take delivery of such Series 2012 Bonds when ready. The good faith amount (without interest) will be applied to the purchase price upon delivery of the Bonds. The successful bidder shall not be required to take up and pay for said Bonds unless delivery is made within 45 days from the date the bid is accepted.

(I) The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. They will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Purchases of the Bonds under the DTC system must be made by or through securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations (the "Direct Participants"), which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the records of Direct Participants or securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant (the "Indirect Participants"). Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing

details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

(K) Prospective bidders are advised that First Kentucky Securities Corporation has been employed as Financial Advisor in connection with the issuance of the Bonds. First Kentucky Securities Corporation's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery thereof. Bidders, including First Kentucky Securities Corporation, may submit a bid for the purchase of the Bonds at the time of the advertised public sale, either individually or as a member of a syndicate organized to submit a bid for the purchase of the Bonds.

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

CONTINUING DISCLOSURE

In accordance with the Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") the City (the "Obligated Person") will agree pursuant to a Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking") to be dated as of the date of issuance and delivery of the Bonds, to cause the following information to be provided:

- (i) to the Municipal Securities Rulemaking Board (the "MSRB"), certain annual financial information and operating data, including audited financial statements prepared in accordance with generally accepted accounting principles as applied to governmental units, generally consistent with the information contained in "Appendix A" and "Appendix B" of the Official Statement ("Financial Data"); such information shall be provided within 365 days after the end of the fiscal year ending June 30, commencing with the fiscal year ended June 30, 2012", provided that the audited financial statements may not be available by such date, but will be made available immediately upon delivery thereof by the auditor to the Obligated Person;
- (ii) to the MSRB, in a timely manner, not in excess of ten business days after the occurrence of the event, notice of the occurrence of the following events with respect to the Bonds:
 - (a) Principal and interest payment delinquencies;

- (b) Non-payment related defaults, if material;
 - (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (e) Substitution of credit or liquidity providers, or their failure to perform;
 - (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax-exempt status of the security;
 - (g) Modifications to rights of security holders, if material;
 - (h) Bond calls, except for mandatory scheduled redemptions not otherwise contingent upon the occurrence of an event;
 - (i) Defeasances;
 - (j) Release, substitution or sale of property securing repayment of the securities;
 - (k) Rating changes;
 - (l) Bankruptcy, insolvency, receivership or similar event of the obligated person (Note: For the purposes of this event, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person);
 - (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (iii) in a timely manner to the MSRB, notice of a failure (of which the Obligated Persons have knowledge) of an Obligated Person to provide the required Annual Financial Information on or before the date specified in the Disclosure Undertaking.

The Disclosure Undertaking provides bondholders, including beneficial owners of the Bonds, with certain enforcement rights in the event of a failure by the Obligated Person to comply with the terms thereof; however, a default under the Disclosure Undertaking does not constitute an event of default under the Ordinance. The Disclosure Undertaking may also be amended or terminated under certain circumstances in accordance with the Rule as more fully described therein.

For purposes of this transaction with respect to material events as defined under the Rule:

For purposes of this transaction:

- (a) there are no credit enhancements applicable to the Bonds;
- there are no liquidity providers applicable to the Bonds; and
- there is no property securing the Bonds.

The City has entered into previous disclosure undertakings under the Rule. To the best of the City's knowledge, the City is currently in compliance with its continuing disclosure undertakings.

TAX TREATMENT

In the opinion of Bond Counsel for the Bonds, based upon an analysis of existing laws, regulations, rulings and court decisions, interest on the Bonds is excludable from gross income for Federal income tax purposes. Bond Counsel for the Bonds is also of the opinion that interest on the Bonds is not a specific item of tax preference under Section 57 of the Internal Revenue Code of 1986 (the "Code") for purposes of the Federal individual or corporate alternative minimum taxes. Furthermore, Bond Counsel for the Bonds is of the opinion that interest on the Bonds is exempt from income taxation and the Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for Federal income tax purposes of interest on obligations such as the Bonds. The City has covenanted to comply with certain restrictions designed to ensure that interest on the related issues of Bonds will not be includable in gross income for Federal income tax purposes. Failure to comply with these covenants could result in interest on the Bonds being includable in income for Federal income tax purposes and such inclusion could be required retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel assumes compliance with these covenants. However, Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Certain requirements and procedures contained or referred to in the Bond documents and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any Bonds or the interest thereon if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Peck, Shaffer & Williams LLP.

Although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will be excludible from gross income for Federal and Kentucky income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a Bondholder's Federal, state or local tax liabilities. The nature and extent of these other tax consequences may depend upon the particular tax status of the Bondholder or the Bondholder's other items of income or deduction. Bond Counsel expresses no opinions regarding any tax consequences other than what is set forth in its opinion and each Bondholder or potential

Bondholder is urged to consult with tax counsel with respect to the effects of purchasing, holding or disposing the Bonds on the tax liabilities of the individual or entity.

For example, although Bond Counsel for the Bonds is of the opinion that interest on the Bonds will not be a specific item of tax preference for the alternative minimum tax, corporations are required to include all tax-exempt interest in determining "adjusted current earnings" under Section 56(c) of the Code, which may increase the amount of any alternative minimum tax owed. Receipt of tax-exempt interest, ownership or disposition of the Bonds may result in other collateral Federal, state or local tax consequence for certain taxpayers, including, without limitation, increasing the federal tax liability of certain foreign corporations subject to the branch profits tax imposed by Section 884 of the Code, increasing the federal tax liability of certain insurance companies under Section 832 of the Code, increasing the federal tax liability and affecting the status of certain S Corporations subject to Sections 1362 and 1375 of the Code, increasing the federal tax liability of certain individual recipients of Social Security or Railroad Retirement benefits under Section 86 of the Code and limiting the use of the Earned Income Credit under Section 32 of the Code that might otherwise be available. Ownership of any Bonds may also result in the limitation of interest and certain other deductions for financial institutions and certain other taxpayers, pursuant to Section 265 of the Code. Finally, residence of the holder of Bonds in a state other than Kentucky or being subject to tax in a state other than Kentucky, may result in income or other tax liabilities being imposed by such states or their political subdivisions based on the interest or other income from the Bonds.

The City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265 of the Code.

/s/ Mandy Cassady

City Clerk, City of Franklin, Kentucky

EXHIBIT D

OFFICIAL BID FORM

Subject to the Official terms and Conditions of Bond Sale relating to the \$3,990,000 City of Franklin, Kentucky Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Bonds"), and in accordance with the Notice of Bond Sale, as duly advertised, to all of which the undersigned agrees, the undersigned hereby submits the following offer to purchase the Bonds.

We hereby bid for said \$3,990,000 principal amount of the Bonds maturing on December 1 of the years and in the amounts set forth below, the total sum of \$_____ (not less than \$3,930,150), at the following annual rate(s), payable semi-annually, commencing December 1, 2012 (rates on ascending scale, number of interest rates unlimited):

<u>Maturity Date</u> <u>December 1</u>	<u>Principal</u> <u>Maturity*</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity Date</u> <u>December 1</u>	<u>Principal</u> <u>Maturity*</u>	<u>Interest</u> <u>Rate</u>
2012	\$160,000	_____ %	2023	\$175,000	_____ %
2013	150,000	_____ %	2024	180,000	_____ %
2014	150,000	_____ %	2025	185,000	_____ %
2015	155,000	_____ %	2026	190,000	_____ %
2016	155,000	_____ %	2027	195,000	_____ %
2017	150,000	_____ %	2028	205,000	_____ %
2018	160,000	_____ %	2029	210,000	_____ %
2019	160,000	_____ %	2030	215,000	_____ %
2020	165,000	_____ %	2031	220,000	_____ %
2021	165,000	_____ %	2032	230,000	_____ %
2022	175,000	_____ %	2033	240,000	_____ %

*Preliminary; subject to change as herein described.

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

Bids may be submitted electronically via BiDCOMP™/PARITY™ until the appointed date and time, but no bid will be received after such time. Notwithstanding the foregoing, completed bid forms may be submitted until the appointed date and time (i) in a sealed envelope marked "Official Bid for Bonds" or (ii) by facsimile transmission, in each case delivered to the office of the Finance Director of the City of Franklin, 117 West Cedar Street, Franklin, Kentucky 42134 (FAX: (270) 586-9419). Neither the City nor the Financial Advisor assumes any responsibility whatsoever with regard to the receipt of bids, or that adequate personnel and/or equipment are available to accept all facsimile transfers of bids before the appointed date and time of sale. Bidders have the sole responsibility of assuring that their bids have been received via facsimile or delivered before the appointed date and time of sale.

Any bids in progress by facsimile at the appointed time will be considered as received by the appointed time. No bids will be received via telephone.

It is understood that the City will furnish the final, approving Legal Opinion of Peck, Shaffer & Williams LLP, Bond Counsel to the City. We understand that no certified or bank cashier's check will be required to accompany the bid, but that if we are the successful bidder, we shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the day following the award. Said amount will be applied (without interest) to the purchase price when the Bonds are tendered to us for delivery.

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

Respectfully submitted,

Bidder
By _____
Authorized Officer

Address

Total interest cost: Date of Delivery (estimated to be July 24, 2012)
to Final Maturity

\$ _____

(Less Premium) or Plus Discount, if any

\$ _____

Net interest cost (Total interest cost plus discount)

\$ _____

Average interest rate or (i.e. N.I.C.)

_____ %

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

Accepted this 10th day of July, 2012 by the City of Franklin, Kentucky, as follows:

MATURITIES
DECEMBER 1

AMOUNT

2012	\$ _____
2013	_____
2014	_____
2015	_____
2016	_____
2017	_____
2018	_____
2019	_____

MATURITIES
DECEMBER 1

AMOUNT

2023	\$ _____
2024	_____
2025	_____
2026	_____
2027	_____
2028	_____
2029	_____
2030	_____

2020
2021
2022

2031
2032
2033

Mayor

EXHIBIT

