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ORDINANCE NUMBER 14-2018

AN ORDINANCE providing for the authorization, issuance and sale of Water Revenue Refunding and Improvement Bonds, Series 2018, in the principal amount of \$69,000,000, or such lesser amount as may be necessary, of the City of Owensboro, Kentucky, for the purpose of refunding certain outstanding obligations payable from the revenues of the municipal waterworks of said City and paying the cost of extensions and improvements to the municipal waterworks of said City; setting forth the terms and conditions on which said bonds and additional bonds ranking on a parity therewith are to be and may be issued and outstanding; providing for the security and payment of said bonds and interest thereon from the income and revenues of said municipal waterworks; and providing for the rights of the holders of said bonds in the enforcement thereof.

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Introduced to the Board of Commissioners  
of the City of Owensboro on the 7th day of  
August, 2018

Adopted by the Board of  
Commissioners of the City  
of Owensboro on the 21st day  
August, 2018.

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August, 2018.

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## **ORDINANCE 14-2018**

AN ORDINANCE providing for the authorization, issuance and sale of Water Revenue Refunding and Improvement Bonds, Series 2018, in the principal amount of \$69,000,000 or such lesser amount as may be necessary, of the City of Owensboro, Kentucky, for the purpose of refunding certain outstanding obligations payable from the revenues of the municipal waterworks of said City and paying the cost of extensions and improvements to the municipal waterworks of said City; setting forth the terms and conditions on which said bonds and additional bonds ranking on a parity therewith are to be and may be issued and outstanding; providing for the security and payment of said bonds and interest thereon from the income and revenues of said municipal waterworks; and providing for the rights of the holders of said bonds in the enforcement thereof.

### **PREAMBLES**

#### **WHEREAS**

A. The City of Owensboro, Daviess County, Kentucky (the “*City*”), is a duly organized city of the home rule class pursuant to §156a of the Constitution of the Commonwealth of Kentucky as assigned by the General Assembly in Section 81.005 of the Kentucky Revised Statutes, and is authorized by Sections 96.350 to 96.510, inclusive, of the Kentucky Revised Statutes (the “*Utility Act*”) to own and operate a water system on a revenue producing basis in accordance with the provisions of the Utility Act, as supplemented by other provisions of Kentucky law; and the City has for many years owned and operated its water system (the “*Water System*”) in accordance with the Utility Act.

B. The City has heretofore issued the following outstanding and validly subsisting and unpaid water revenue bonds:

1. WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2009

Original Principal Amount: \$19,160,000

Dated: February 5, 2009

Originally Due  
Serially or as Term Bonds: 2018-2035

Amount Outstanding: \$13,265,000

Issued per Ordinance: 48-2008, adopted December 16, 2008  
(the “Series 2009 Ordinance”)

Due September 15 and described as follows:

YEAR	ORIGINAL AMOUNT (\$)	AMOUNT OUTSTANDING (\$)	RATE (%)
2018	475,000	475,000	5.250
2019	505,000	345,000	5.250
2020	530,000	360,000	5.250
2021	560,000	385,000	5.250
2022	585,000	400,000	5.000
2023	615,000	420,000	5.000
2024	990,000	680,000	5.000
2025	1,040,000	710,000	5.000
2026	1,095,000	750,000	5.000
2027	1,150,000	790,000	5.000
2028 <sup>(1)</sup>	1,210,000	825,000	5.000
2029	1,270,000	870,000	5.000
2030 <sup>(2)</sup>	1,335,000	915,000	5.000
2031	1,405,000	960,000	5.000
2032 <sup>(3)</sup>	1,475,000	1,010,000	5.125
2033	1,555,000	1,065,000	5.125
2034 <sup>(4)</sup>	1,640,000	1,125,000	5.250
2035	1,725,000	1,180,000	5.250

(1) 2028 maturity is a mandatory redemption of the Series 2009 Bonds finally maturing in 2029.

(2) 2030 maturity is a mandatory redemption of the Series 2009 Bonds finally maturing in 2031.

(3) 2032 maturity is a mandatory redemption of the Series 2009 Bonds finally maturing in 2033.

(4) 2034 maturity is a mandatory redemption of the Series 2009 Bonds finally maturing in 2035.

which bonds maturing on and after September 15, 2019 are subject to redemption prior to maturity, in whole or in part, on any date on or after September 15, 2018, at the redemption price of par plus accrued interest to the date of redemption (the “Series 2009 Bonds”).

2. WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2014

Original Principal Amount: \$9,730,000

Dated: July 1, 2014

Originally Due  
Serially or as Term Bonds: 2015-2038

Amount Outstanding: \$7,520,000

Issued per Ordinance: 15-2014, Adopted May 20, 2014  
(the “*Series 2014 Ordinance*”)

Due September 15 and described as follows:

YEAR	ORIGINAL AMOUNT (\$)	AMOUNT OUTSTANDING (\$)	RATE (%)
2018	295,000	295,000	2.00
2019	300,000	300,000	2.00
2020	305,000	305,000	2.25
2021	315,000	315,000	2.50
2022	325,000	325,000	2.75
2023	335,000	335,000	3.00
2036	1,810,000	1,810,000	3.75
2037 <sup>(1)</sup>	1,880,000	1,880,000	3.90
2038	1,955,000	1,955,000	3.90

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(1) 2037 maturity is a mandatory redemption of the Series 2014 Bonds maturing in 2038.

which bonds maturing on and after September 15, 2023 are subject to redemption prior to maturity, in whole or in part, on any date on or after September 15, 2022, at the redemption price of par plus accrued interest to the date of redemption (the “*Series 2014 Bonds*”).

3. WATER REVENUE IMPROVEMENT BONDS, SERIES 2015

Original Principal Amount: \$5,385,000

Dated: December 16, 2015

Originally Due  
Serially or as Term Bonds: 2016-2040

Amount Outstanding: \$5,320,000

Issued per Ordinance: 30-2015, Adopted November 3, 2015  
(the "*Series 2015 Ordinance*")

Due September 15 and described as follows:

YEAR	ORIGINAL AMOUNT (\$)	AMOUNT OUTSTANDING (\$)	RATE (%)
2018	35,000	35,000	3.00
2019	30,000	30,000	3.00
2020	35,000	35,000	3.00
2021	35,000	35,000	3.00
2022	35,000	35,000	3.00
2023	40,000	40,000	3.00
2024	45,000	45,000	3.00
2025 <sup>(1)</sup>	45,000	45,000	3.00
2026 <sup>(2)</sup>	45,000	45,000	3.00
2027	50,000	50,000	3.00
2028	50,000	50,000	3.00
2029	55,000	55,000	3.00
2030	55,000	55,000	3.25
2031 <sup>(3)</sup>	55,000	55,000	3.50
2032 <sup>(4)</sup>	60,000	60,000	3.50
2033 <sup>(5)</sup>	60,000	60,000	3.50
2034	60,000	60,000	3.50
2035 <sup>(6)</sup>	65,000	65,000	3.50
2036 <sup>(7)</sup>	60,000	60,000	3.50
2037 <sup>(8)</sup>	65,000	65,000	3.50
2038 <sup>(9)</sup>	65,000	65,000	3.50
2039	2,095,000	2,095,000	3.50
2040	2,180,000	2,180,000	4.00

(1) 2025 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2027.

(2) 2026 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2027.

(3) 2031 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2034.

(4) 2032 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2034.

(5) 2033 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2034.

(6) 2035 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2039.

(7) 2036 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2039.

(8) 2037 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2039.

(9) 2038 maturity is a mandatory redemption of the Series 2015 Bonds finally maturing in 2039.

which bonds maturing on and after September 15, 2024 are subject to redemption prior to maturity, in whole or in part, on any date on or after September 15, 2023, at the redemption price of par plus accrued interest to the date of redemption (the “*Series 2015 Bonds*”).



4. WATER REVENUE REFUNDING BONDS, SERIES 2016

Original Principal Amount: \$6,590,000

Dated: June 8, 2016

Originally Due  
Serially or as Term Bonds: 2017-2035

Amount Outstanding: \$6,510,000

Issued per Ordinance: 8-2016, Adopted May 3, 2016  
(the “*Series 2016 Ordinance*” and, together with  
the Series 2009 Ordinance, the Series 2014  
Ordinance and the Series 2015 Ordinance, the  
“*Currently Outstanding Bond Ordinances*”)

Due September 15 and described as follows:

YEAR	ORIGINAL AMOUNT (\$)	AMOUNT OUTSTANDING (\$)	RATE (%)
2018	85,000	85,000	2.000
2019	240,000	240,000	2.000
2020	250,000	250,000	2.000
2021	250,000	250,000	2.000
2022	255,000	255,000	2.000
2023	260,000	260,000	2.000
2024	370,000	370,000	3.000
2025	385,000	385,000	2.125
2026	390,000	390,000	2.200
2027	395,000	395,000	2.250
2028	415,000	415,000	2.625
2029	420,000	420,000	2.750
2030	430,000	430,000	2.750
2031 <sup>(1)</sup>	445,000	445,000	3.000
2032	460,000	460,000	3.000
2033	470,000	470,000	3.000
2034	485,000	485,000	3.000
2035	505,000	505,000	3.000

(1) 2031 maturity is a mandatory redemption of the Series 2016 Bonds finally maturing in 2032.

which bonds maturing on and after September 15, 2025 are subject to redemption prior to maturity, in whole or in part, on any date on or after September 15, 2024, at the redemption price of par plus accrued interest to the date of redemption (the “*Series 2016 Bonds*” and together with

the Series 2009 Bonds, the Series 2014 Bonds and the Series 2015 Bonds, the “*Currently Outstanding Bonds*”).

C. The Currently Outstanding Bonds are by their terms payable from and secured by a pledge of the income and revenues derived from the operation of the Water System, are current as to payment of both principal and interest and for the security of which a sinking fund and reserve in the amounts and manner as prescribed pursuant to the Currently Outstanding Bond Ordinances; and there are no other bonds, notes, warrants, leases or other obligations whatsoever payable from such revenues.

D. In order to provide for the proper operation of the Water System, to provide for the project described below, and also to provide for water system rates, fees and charges which are reasonable and favorable to the residents of the City and other users of the Water System, the Utility Commission of the City (the “*Utility Commission*”) and the Board of Commissioners of the City (the “*Board*”) have determined that it is advisable to refund all of the Series 2009 Bonds to achieve debt service savings or restructure the debt service burden of the Water System.

E. Pursuant to the provisions of the Utility Act, and other applicable law, the City has been and is authorized to issue water revenue bonds for waterworks system purposes, including the proposed refunding as described of all of the Series 2009 Bonds (the “*Refunding*”).

F. The Utility Commission has advised the Board that it is advisable and convenient for the public health, safety and welfare to improve the Water System operations, including, but not limited to, the following described improvements:

- (1) construction of a water transmission main and waste sludge lines; (2) construction of new treatment trains and a clearwell; and
- (3) miscellaneous improvements and modifications to the existing facilities of the Water System.

(the “*Project*”), all in accordance with the preliminary plans heretofore prepared by the Utility Commission, and approved and now on file in the office of the Utility Commission for public

inspection, and in connection therewith, to finance a deposit to the Bond Reserve Account of the System (the “*Reserve Account Deposit*”).

G. Pursuant to the Utility Act, and other applicable law, the City has been and is authorized to issue water revenue bonds for the Project and the Reserve Account Deposit.

H. The Board does hereby determine that the City does not have funds available for the purpose of paying the cost of the Project, the Reserve Account Deposit and the Refunding and that it is advisable and in the best interests of the City to borrow not to exceed \$69,000,000 at this time pursuant to the Utility Act as hereinafter defined for the purpose of paying the costs of the Project, the Reserve Account Deposit and the Refunding and, in evidence of such borrowing, issue its water revenue bonds in a principal amount not to exceed such amount.

I. The Utility Act and Sections 58.010 to 58.140, inclusive, of Kentucky Revised Statutes (collectively, the “*Authorizing Statutes*”), authorize the issuance of revenue bonds for the purpose of financing the costs of the Project, the Reserve Account Deposit and the Refunding and, in connection with the Refunding, permit the deposit with the paying agent for the Refunded Bonds of sufficient funds to retire the obligations refunded and the interest thereon when due at maturity or upon earlier redemption.

J. Pursuant to the provisions of the Currently Outstanding Bond Ordinances, no additional bonds shall be issued to share ratably and equally in the income derived from the operation of the Water System (“*Parity Bonds*” as further defined herein) except upon certain provisions, among which is the following:

“A. Parity Bonds may be issued for the purpose of paying the cost of repairs, replacements, renewals, improvements and extensions to the System, for any lawful System purpose, or for refunding Outstanding Bonds upon compliance with the following conditions:

1. The Net Revenues of the System, as evidenced by the statement of an independent certified public accountant not in the regular employ of the City for twelve (12) consecutive months out of the preceding fifteen (15) months, given for the months ending in any one of the three (3) months prior to the month of the date of issuance of the proposed Parity Bonds or the Adjusted Net Revenues (as defined herein) of the System for such period must equal not less than 110% of Maximum Annual Debt Service in each Fiscal Year or in each Bond Year, as may be selected by the City in its discretion, for all Outstanding Bonds as computed immediately after the issuance of the proposed Parity Bonds; but only for those Fiscal Years or Bond Years, as may be applicable, in which the Outstanding Bonds immediately prior to any such issuance will continue to be Outstanding Bonds as provided herein.

2. Net Revenues may be adjusted (the "*Adjusted Net Revenues*") for the purpose of the foregoing computations to reflect any revision in the schedule of rates or charges being imposed at the time of the issuance of any additional Parity Bonds, and also to reflect any increase in such Revenues by reason of the extensions, improvements and betterments to the Water System, the cost of which is to be paid through the issuance of such additional Parity Bonds, but such latter adjustment shall only be made if contracts for the immediate construction or acquisition of such extensions and improvements have been or will be entered into prior to the issuance of such additional Parity Bonds. All such adjustments shall be based upon written certification by an independent consulting engineer or firm of consulting engineers of national reputation in the field of waterworks engineering, licensed in Kentucky and not in the regular employ of the City."

K. Simultaneously with the adoption of this Ordinance, a new schedule of rates and charges is being adopted by the City as described in the previous paragraph.

L. Prior to the issuance of the Bonds as authorized by this Ordinance, the Designated Officers (hereinafter defined) shall obtain and approve in the Bond Order (hereinafter defined) the Certification of Burns & McDonnell, Kansas City, Missouri, the same being a firm of consulting engineers of national reputation in the field of waterworks engineering, licensed in Kentucky and not in the regular employ of the City (the “*Consulting Engineer*”), required by said quoted text (the “*Adjusted Net Revenue Statement*”).

NOW, THEREFORE, Be It Ordained by the City of Owensboro, Kentucky, as follows:

*Section I. Definitions.* Words and terms used in this Ordinance shall have the meanings given them, unless the context or use clearly indicates another or different meaning is intended. Words and terms defined in the singular may be used in the plural and vice-versa. Reference to any gender shall be deemed to include the other and also inanimate persons such as corporations, where applicable.

A. The following words and terms are as defined in the preambles hereto.

Adjusted Net Revenues

Authorizing Statutes

Board

City

Consulting Engineer

Currently Outstanding Bond Ordinances

Currently Outstanding Bonds

Net Revenue Statement

Parity Bonds

Project

Refunding  
Series 2009 Bonds  
Series 2014 Bonds  
Series 2015 Bonds  
Series 2016 Bonds  
Series 2009 Ordinance  
Series 2014 Ordinance  
Series 2015 Ordinance  
Series 2016 Ordinance  
Utility Act  
Utility Commission  
Water System

B. The following words and terms are defined as set forth.

*“Bond Order”* means the Bond Order as authorized to be executed by the Designated Officials of the City as set forth in Section 17 of this Ordinance and by which the final terms of the Bonds will be established.

*“Bond Register”* means the books of the City kept by the Bond Registrar to evidence the registration and transfer of the Bonds.

*“Bond Registrar”* means U.S. Bank National Association, a bank having trust powers, or a successor thereto or a successor designated as bond registrar hereunder.

*“Bond Year”* for a series of bonds means a twelve-month period beginning the day after principal of Outstanding Bonds of any series are annually to become due (such day of the year being the *initial date*) and ending on the day preceding the next initial date; *e.g.*, for bonds with principal due on September 15 of various years, the Bond Year would be September 16 of a given year through September 15 of the next year.

“*Bonds*” means the not to exceed \$69,000,000 Water Revenue Refunding and Improvement Bonds, Series 2018, authorized to be issued by this Ordinance.

“*Code*” means the Internal Revenue Code of 1986, as amended.

“*Defeasance Obligations*” means (i) direct full faith and credit obligations of the United States of America not subject to redemption by the issuer (“*Directs*”), (ii) certificates of participation in a trust comprised exclusively of Directs or cash, which certificates are noncallable and nonredeemable, or (iii) obligations the complete and timely payment of which is fully guaranteed by the United States of America, which obligations are noncallable and nonredeemable.

“*Depository*” means The Depository Trust Company, a New York limited trust company, its successors, or a successor depository qualified to clear securities under applicable state and federal laws.

“*Designated Officials*” means the Mayor and General Manager of Owensboro Municipal Utilities of the City, acting together.

“*Fiscal Year*” means a twelve-month period beginning June 1 of a given year and ending on the May 31 of the following year, or such other fiscal year as the Utility Commission may select.

“*Kentucky*” means the Commonwealth of Kentucky.

“*Maximum Annual Debt Service*” means an amount of money equal to the highest future principal and interest requirement of all Outstanding Bonds required to be deposited into the Sinking Fund continued and maintained by this Ordinance in any Fiscal Year, including and subsequent to the Bond Year in which the computation is made; *and, provided*, that any Outstanding Bonds required to be redeemed pursuant to mandatory redemption from said Sinking Fund shall be treated as falling due on the date required to

be redeemed (except in the case of failure to make any such mandatory redemption) and not on the stated maturity date of such Outstanding Bonds.

“*Municipal Advisor*” means Stifel, Nicolaus & Company, Incorporated, the municipal advisor to the City for the sale of the Bonds.

“*Net Revenues*” means Revenues minus Operation and Maintenance Costs.

“*Operation and Maintenance Costs*” means all costs of operating, maintaining and routine repair of the Water System, including wages, salaries, costs of materials and supplies, taxes, power, fuel, insurance, purchase of water services (including all payments by the City pursuant to long term contracts for such services to the extent provided in such contracts); but excluding debt service, depreciation, or any reserve requirements; and otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

“*Ordinance*” means this Ordinance, numbered \_\_\_\_\_-2018, and passed by the Board on the 21<sup>st</sup> day of August, 2018.

“*Outstanding Bonds*” means the Currently Outstanding Bonds, the Bonds and Parity Bonds which are outstanding and unpaid; *provided, however*, such term shall not include, for purposes of this Ordinance, any such bonds which shall cease to be “Outstanding Bonds” under the applicable Currently Outstanding Bond Ordinance or any such Bonds or Parity Bonds (i) which have matured and for which moneys are on deposit with proper paying agents, or are otherwise properly available, sufficient to pay all principal thereof and interest thereon, or (ii) the provision for payment of which has been made by the City by the deposit in an irrevocable trust or escrow of funds, which may be invested in Defeasance Obligations, the principal of and interest on which will be



sufficient, with any funds left uninvested, to pay at maturity or as called for redemption all the principal of and interest on such Bonds or Parity Bonds.

*“Parity Bonds”* means a bond or bonds or any other obligation to be issued subsequent in time to the Bonds and which will share ratably and equally in the income and revenues of the Water System with the Outstanding Bonds.

*“Prior Paying Agent”* means U.S. Bank National Association, as paying agent for the Series 2009 Bonds.

*“Refunded Bonds”* means the Outstanding Series 2009 Bonds refunded by the Bonds.

*“Reserve Requirement”* means an amount equal to Maximum Annual Debt Service.

*“Revenues”* means all gross revenues or income from whatever source derived from the Water System, including (i) investment income; (ii) connection, permit and inspection fees and the like; (iii) penalties and delinquency charges; (iv) capital development, reimbursement, or recovery charges and the like; (v) annexation or pre-annexation charges insofar as designated by the Board as paid for System connection or service; but excluding expressly (a) non-recurring income from the sale of property of the System; (b) governmental or other grants; (c) advances or grants made from the City; and as otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

*“Sinking Fund”* means the *“Water Bond and Interest Redemption Fund of the City of Owensboro.”*

*“System”* means and may be used interchangeably with Water System.

“*Tax-exempt*” means, with respect to the Bonds, the status of interest paid and received thereon as excludable from gross income of the owners thereof for federal income tax purposes and as not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code.

“*Term Bonds*” means Bonds subject to mandatory redemption by operation of the Sinking Fund.

“*Water Fund*” means the “*Water Revenue Fund of the City of Owensboro.*”

“*Water System*” or “*System*” means the complete waterworks and facilities of the City within and without the corporate limits of the City, and all waterworks properties of every nature hereafter owned and operated by the City, including all extensions and improvements made by the City while any of the Bonds remain Outstanding Bonds as defined, and including but not limited to all real and personal property of every nature comprising part of or used or useful in connection with the waterworks system, and including all appurtenances, contracts, leases, franchises and other intangibles.

C. Definitions also appear in the preambles hereto or in specific sections, as appear below. The table of contents preceding and headings in this Ordinance are for the convenience of the reader and are not a part of this Ordinance.

*Section 2. Incorporation of Preambles.* The Board hereby finds that the recitals contained in the preambles to this Ordinance are true and correct and does incorporate them into this Ordinance by this reference.

*Section 3. Determination to Issue Bonds.* It is necessary and in the best interests of the City to issue the Bonds to provide for the Refunding and the Project for the public health, safety and welfare; and it is hereby found and determined that such issuance is for a proper public purpose, is in the public interest, and is authorized by the Authorizing Statutes.

*Section 4. Determination of Useful Life.* The Utility Commission does hereby determine the period of usefulness of the System to be not less than 40 years from the date of the Bonds.

*Section 5. Bond Details.* There shall be issued and sold the Bonds in the aggregate principal amount of not to exceed \$69,000,000. The Bonds shall each be designated “*Water Revenue Refunding and Improvement Bond, Series 2018*”; be dated the date of issuance thereof, or such other date, not earlier than August 21, 2018, and not later than the date of issuance, as stated in the Bond Order (the “*Dated Date*”); and shall also bear the date of authentication thereof. The Bonds shall be in fully registered book-entry form (as more particularly described below and defined as “*Book Entry Form*”), shall be in denominations of \$5,000 or integral multiples thereof (but no single Bond shall represent principal maturing on more than one date), and shall be numbered consecutively in such fashion as shall be determined by the Bond Registrar. The Bonds shall mature or be subject to mandatory redemption (subject to the right of prior redemption) on September 15 of the years (not earlier than 2019 and not later than 2048) as shall be set forth in the Bond Order, and in such principal amounts as shall be set forth in the Bond Order; *provided, however*, that upon the issuance of the Bonds, the sum of the principal of and interest on the remainder of the Currently Outstanding Bonds (after the effect of the Refunding) and the Bonds shall not exceed \$5,000,000 in any future Fiscal Year. Each Bond shall bear interest at a rate not to exceed 5.00% per annum, from the later of its Dated Date, as herein provided, or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of such Bond is paid or duly provided for, such interest (computed upon the basis of a 360-day year of twelve 30-day months) being payable on September 15 and March 15 of each year, commencing on March 15, 2019, or such other date within one year of issuance, as provided in the Bond Order. Interest on each Bond shall be paid

by check or draft of the Bond Registrar, payable upon presentation thereof in lawful money of the United States of America, to the person in whose name such Bond is registered at the close of business on the applicable record date (the “*Record Date*”), and mailed to the registered owner of the Bond as shown in the Bond Registrar or at such other address furnished in writing by such Registered Owner, or in immediately available funds as may be agreed with the Depository for so long as the Depository is the registered owner as of a given Record Date. The Record Date shall be the first day of the month preceding any regular interest payment date or a redemption on the 15th day of any month and the 15th day preceding any other interest payment date which may be occasioned by a redemption of Bonds on a day other than the 15th day of any month. The principal of or redemption price due on the Bonds shall be payable in lawful money of the United States of America upon presentation thereof at the office of the Bond Registrar maintained for the purpose, or at a successor Bond Registrar.

*Section 6. Book Entry Provisions.* The Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities of the Bonds. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in the name of the Depository or a designee or nominee of the Depository (the “*Nominee*”). Except as otherwise expressly provided, all of the outstanding Bonds from time to time shall be registered in the Bond Register in the name of the Nominee (and accordingly in Book Entry Form as such term is used in this Ordinance). Any City officer, as representative of the City is hereby authorized, empowered and directed to execute and deliver a Letter of Representations or to utilize a previously executed Blanket Letter of Representations (either such being the “*Letter of Representations*”) in customary form for the Depository, to effectuate such Book Entry Form for the Bonds. Without limiting the generality of the authority given with respect to entering into such Letter of Representations, it may contain provisions relating to (a) payment procedures, (b)

transfers of the Bonds or of beneficial interests therein, (c) redemption notices and procedures unique to the Depository, (d) additional notices or communications, and (e) amendment from time to time to conform with changing customs and practices with respect to securities industry transfer and payment practices. With respect to Bonds registered in the Bond Register in the name of the Nominee, neither the City or its financial officers nor the Bond Registrar shall have any responsibility or obligation to any broker-dealer, bank or other financial institution for which the Depository holds Bonds from time to time as securities depository (each such broker-dealer, bank or other financial institution being referred to herein as a “*Depository Participant*”) or to any person on behalf of whom such a Depository Participant holds an interest in the Bonds. Without limiting the meaning of the immediately preceding sentence, the City, the financial officers of the City, and the Bond Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee, or any Depository Participant with respect to any ownership interest in the Bonds, (b) the delivery to any Depository Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register or as otherwise expressly provided in the Letter of Representations, of any notice with respect to the Bonds, including any notice of redemption, or (c) the payment to any Depository Participant or any other person, other than a registered owner of a Bond as shown in the Bond Register, of any amount with respect to principal or redemption price of or interest on the Bonds. No person other than a registered owner of a Bond as shown in the Bond Register shall receive a Bond certificate with respect to any Bond. In the event that (a) the City determines that the Depository is incapable of discharging its responsibilities described herein and in the Letter of Representations, (b) the agreement among the City, and Bond Registrar, and the Depository evidenced by the Letter of Representations shall be terminated for any reason or (c) the City determines that it is in the best interests of the City or of the beneficial owners of the Bonds either that they be able to

obtain certificated Bonds or that another depository is preferable, the City shall notify the Depository and the Depository shall notify the Depository Participants, and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee. Alternatively, at such time, the City may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a system accommodating Book Entry Form, as may be acceptable to the City, or such depository's agent or designee, but if the City does not select such alternate book-entry system, then the Bonds shall be registered in whatever name or names registered owners of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

*Section 7. Execution; Authentication.* The Bonds shall be executed on behalf of the City by the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its City Clerk, as they may determine, and shall have impressed or imprinted thereon the corporate seal or facsimile thereof of the City. In case any such officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. All Bonds shall have thereon a certificate of authentication, substantially in the form hereinafter set forth, duly executed by the Bond Registrar as authenticating agent of the City and showing the date of authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until such certificate of authentication shall have been duly executed by the Bond Registrar by manual signature, and such certificate of authentication upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer of the Bond Registrar, but it shall not be

necessary that the same officer sign the certificate of authentication on all of the Bonds issued hereunder.

*Section 8. Redemption.* The Bonds may be subject to mandatory and optional redemption, as provided in the Bond Order, as follows:

A. *Mandatory Redemption.* Bonds may be Term Bonds, subject to mandatory redemption by operation of the Sinking Fund, on September 15 of any years in which Bonds may become due, at a redemption price of par, without premium.

B. *Optional Redemption.* The Bonds may be subject to redemption prior to maturity at the option of the City through its Utility Commission, from any available funds, in whole or in part on any date as provided in the Bond Order, and if in part, in such order of maturities as shall be selected by the Utility Commission, and if less than an entire maturity, applicable to any mandatory redemption requirement or at final maturity as the Utility Commission shall select, in integral multiples of \$5,000, selected by lot by the Bond Registrar as hereinafter provided, at the redemption price (expressed as a percentage of the principal amount being redeemed) of not to exceed 100% of par plus accrued interest to the date fixed for redemption, as provided in the Bond Order. Term Bonds which are optionally redeemed or purchased in the open market by the City, and retired, shall be allocated and credited to the mandatory redemption schedule for same as determined by the City through its Utility Commission.

C. *Non-Callable.* Notwithstanding any other provision of this Ordinance, the Bond Order may provide for non-callable Bonds.

With respect to an optional redemption of any Bond or Bonds, unless moneys sufficient to pay the redemption price of and interest on the Bonds to be redeemed shall have been received by the Bond Registrar prior to the giving of the notice of redemption, such notice may, at the option of

the City, state that such redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption shall have been given, that such moneys were not so received and that such Bonds will not be redeemed.

The Bond Registrar shall proceed to redeem Term Bonds subject to mandatory redemption without further order or direction from the City whatsoever. For an optional redemption, the City shall, at least 45 days prior to a redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the maturities and principal amounts of Bonds to be redeemed. For purposes of any redemption of less than all of the Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot not more than 60 days prior to the redemption date by the Bond Registrar for the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; provided, that such lottery shall provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Bond or \$5,000 portion of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion. The Bond Registrar shall promptly notify the City in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed. Unless waived by the registered owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first class mail not less than 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is



furnished in writing by such registered owner to the Bond Registrar. All official notices of redemption shall include the name of the Bonds and at least the information as follows:

- (a) the redemption date;
- (b) the redemption price;
- (c) if less than all of the outstanding Bonds of a particular maturity are to be redeemed, the identification (and, in the case of partial redemption of Bonds within such maturity, the respective principal amounts) of the Bonds to be redeemed;
- (d) a statement that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and
- (e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the office of the Bond Registrar maintained for the purpose.

For an optional redemption, unless moneys sufficient to pay the redemption price and interest on the Bonds to be redeemed shall have been received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Official notice of redemption having been given as described, the Bonds or portions of Bonds so to be redeemed shall, subject to the provision for conditional redemption as stated above, become due and payable on the redemption date at the redemption price therein specified, and from and after such date (unless the City shall default in

the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner of a Bond, shall affect the sufficiency of such notice with respect to other registered owners. Notice having been properly given, failure of a registered owner of a Bond to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a registered owner of a Bond entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. In lieu of the foregoing notice, so long as the Bonds are held in Book Entry Form, notice may be given as provided in the Letter of Representations, and the giving of such notice shall constitute a waiver by the Depository and its Nominee, as registered owner, of the foregoing notice. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. The procedure for the payment of interest due as part of the redemption price shall be as herein provided for payment of interest otherwise due. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of like tenor, of authorized denominations, of the same maturity, and bearing the same rate of interest in the amount of the unpaid principal. If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption. All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for

such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. As part of its duties hereunder, the Bond Registrar shall prepare and forward to the City a statement as to notices given with respect to each redemption together with copies of the notices as mailed and published.

*Section 9. Registration of Bonds; Persons Treated as Owners.* The City shall cause books (the Bond Register) for the registration and for the transfer of the Bonds as provided in this Ordinance to be kept at the office of the Bond Registrar maintained for the purpose, which is hereby constituted and appointed the registrar of the City for the Bonds. The City is authorized to prepare, and the Bond Registrar or such other agent as the City may designate shall keep custody of, multiple Bond blanks executed by the City for use in the transfer and exchange of Bonds. Subject to the provisions of this Ordinance relating to the Bonds in Book Entry Form, any Bond may be transferred or exchanged, but only in the manner, subject to the limitations, and upon payment of the charges as set forth in this Ordinance. Upon surrender for transfer or exchange of any Bond at the office of the Bond Registrar maintained for the purpose, duly endorsed by or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Bond Registrar and duly executed by the registered owner or an attorney for such owner duly authorized in writing, the City shall execute and the Bond Registrar shall authenticate, date and deliver in the name of the transferee or transferees or, in the case of an exchange, the registered owner, a new fully registered Bond or Bonds of like tenor, of the same maturity, bearing the same interest rate, of authorized denominations, for a like aggregate principal amount. The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the close of business on the Record Date for an interest payment to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of Bonds or to transfer or exchange any Bond all or a portion of which has

been called for redemption. The execution by the City of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond; *provided, however*, the principal amount of Bonds of each maturity authenticated by the Bond Registrar shall not at any one time exceed the authorized principal amount of Bonds for such maturity less the amount of such Bonds which have been paid. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal or redemption price of or interest on any Bond shall be made only to or upon the order of the registered owner thereof or said owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

*Section 10. Form of Bond.* The Bonds shall be in substantially the form hereinafter set forth; *provided, however*, that if the text of the Bonds is to be printed in its entirety on the front side of the Bonds or on multiple pages, then the second paragraph on the front side and the legend "See Reverse Side for Additional Provisions" shall be omitted and the text of paragraphs set forth for the reverse side shall be inserted immediately after the first paragraph.

[Form of Bond - Front Side]

REGISTERED  
NO. \_\_\_\_\_

REGISTERED  
\$ \_\_\_\_\_

**UNITED STATES OF AMERICA**  
**COMMONWEALTH OF KENTUCKY**  
**COUNTY OF DAVIESS**  
**CITY OF OWENSBORO**

**WATER REVENUE REFUNDING AND IMPROVEMENT BOND, SERIES 2018**

See Reverse Side for  
Additional Provisions.

Interest                      Maturity                      Dated  
Rate:                      Date: September 15, \_\_\_\_\_                      Date: \_\_\_\_\_, 2018                      CUSIP \_\_\_\_\_

Registered Owner: CEDE & Co.

Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS that the City of Owensboro, Daviess County, Kentucky, a municipal corporation and political subdivision of the Commonwealth of Kentucky (the “City”) hereby acknowledges itself to owe and for value received promises to pay upon presentation to the Registered Owner identified above, or registered assigns as hereinafter provided, **solely from the Water Revenue Fund of the City as hereinafter provided and not otherwise**, on the Maturity Date identified above (subject to right of prior redemption), the Principal Amount identified above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Amount from the later of the Dated Date of this Bond identified above or from the most recent interest payment date to which interest has been paid or duly provided for at the Interest Rate per annum identified above, such interest to be

payable semiannually on March 15 and September 15 of each year, commencing March 15, 2019, until said Principal Amount is paid or duly provided for. Payment of interest shall be made to the Registered Owner hereof as shown on the registration books of the City maintained by U.S. Bank National Association, as paying agent and bond registrar (the "*Bond Registrar*"), at the close of business on the applicable record date (the "*Record Date*"). The Record Date shall be the first day of the month preceding any regular interest payment date or a redemption on the 15th day of any month and the 15th day preceding any other interest payment date which may be occasioned by a redemption of Bonds on a day other than the 15th day of any month. Interest shall be paid by check or draft of the Bond Registrar, payable upon presentation in lawful money of the United States of America, mailed to the address of such Registered Owner as it appears on such registration books or at such other address furnished in writing by such Registered Owner to the Bond Registrar, or as otherwise agreed by the City and the Bond Registrar and a qualified securities clearing corporation as depository, or nominee, for so long as this Bond shall be in Book Entry Form as provided for same. Principal when due or as called for redemption is payable upon presentation at the office of the Bond Registrar so maintained for the purpose.

Reference is hereby made to the further provisions of this Bond set forth on the reverse hereof, and such further provisions shall for all purposes have the same effect as if set forth at this place.

It is hereby certified and recited that all acts, conditions and things required to be done precedent to and in the issuance of this Bond have been done and have happened and have been performed in regular and due form of law and that provision has been made for depositing into the Water Fund the entire Revenues received from the operation of the System to be applied in the manner as set forth in the Ordinance; that the amount of this Bond, together with all other obligations of the City, does not exceed any limit prescribed by the Constitution or Statutes of the

Commonwealth of Kentucky; and that a sufficient portion of the income and revenues of the municipal waterworks of the City has been pledged to and will be set aside into a special fund by the City for the prompt payment of the principal of and interest on all bonds which by their terms and by provisions of the Ordinance are payable therefrom.

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

IN WITNESS WHEREOF the City of Owensboro in the Commonwealth of Kentucky by its Board of Commissioners has caused this Bond to be executed with the manual or duly authorized facsimile signature of its Mayor and attested by the manual or duly authorized facsimile signature of its City Clerk and its corporate seal or a facsimile thereof to be impressed or reproduced hereon, as of the Dated Date identified above.

Date of Authentication:

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Mayor

---

City Clerk

[SEAL]

[Form of Certificate of Authentication]

**CERTIFICATE OF AUTHENTICATION**

Date of Authentication: \_\_\_\_\_, 2018

This Bond is one of the Bonds described in the within-mentioned Ordinance and is one of the Water Revenue Refunding and Improvement Bonds, Series 2018, of the City of Owensboro, Daviess County, Kentucky.

U.S. Bank National Association,  
as Bond Registrar

By \_\_\_\_\_  
Authorized Signatory

[Form of Bond - Reverse Side]

**CITY OF OWENSBORO, KENTUCKY  
WATER REVENUE REFUNDING AND IMPROVEMENT BOND,  
SERIES 2018**

This Bond is one of a duly authorized issue aggregating \$\_\_\_\_\_ principal amount and has been issued by the City pursuant to an ordinance duly adopted by the Board of Commissioners of the City on August 21, 2018 (herein called the “*Ordinance*”) for the purpose of paying the cost of refunding certain outstanding Water Revenue Bonds of the City and acquiring and constructing extensions and improvements to the municipal waterworks of the City, and of paying all related cost of reserves and issuance, and this Bond has been issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, including among others Sections 96.350 to 96.510, inclusive, and Sections 58.010 to 58.140, inclusive, of the Kentucky Revised Statutes.



This Bond and the issue of which it forms a part, together with such additional bonds ranking on a parity therewith as have previously been or may be hereafter issued and outstanding from time to time under the conditions and restrictions of the Ordinance, are payable only from and secured by the income and revenues to be derived from the operation of the municipal waterworks system of the City, a sufficient portion of which, to pay the principal of and interest on this issue and any additional parity bonds, shall be set aside into a special fund heretofore created for that purpose and identified as the “Water Bond and Interest Redemption Fund.” THIS BOND AND THE ISSUE OF WHICH IT FORMS A PART DO NOT CONSTITUTE AN INDEBTEDNESS OF THE CITY OF OWENSBORO WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION. The City covenants that it will fix and charge such rates for the services and facilities of said municipal waterworks and collect and account for income and revenues therefrom so that the same will be sufficient to promptly pay the interest on and principal of this issue of Bonds and all other bonds ranking on a parity therewith as may be outstanding from time to time and also to pay the cost of operation, maintenance and depreciation of said municipal waterworks.

A statutory mortgage lien, which is granted by Section 96.400 of the Kentucky Revised Statutes, is hereby recognized as valid and binding on said municipal waterworks system and appurtenances and extensions thereto and is created and granted in favor of the owner or owners of the series of Bonds of which this Bond is one, and same shall remain in effect until the payment in full of the principal of and interest on the Bonds.

Reference is hereby made to the Ordinance for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds, the terms on which the Bonds are issued and secured, the rights, duties and obligations of the City, the rights of the owners of the

Bonds and the procedures for defeasance of the Bonds and amendment of the Ordinance, and to all of the provisions of which the owner hereof by the acceptance of this Bond assents.

THIS BOND IS EXEMPT FROM TAXATION IN THE COMMONWEALTH OF KENTUCKY.

[Bonds of the issue of which this Bond is one maturing on and after September 15, 20\_\_ are subject to redemption prior to maturity in whole or in part, and if in part, in such order of maturities as shall be selected by the Utility Commission of the City, and if less than an entire maturity, applicable to any mandatory redemption requirement or at final maturity as the Utility Commission shall select, integral multiples of \$5,000, selected by lot, on September 15, 20\_\_ and on any date thereafter, at the redemption price of \_\_% of the principal amount thereof plus accrued interest to the redemption date.]

[Bonds of the issue of which this Bond is one maturing on September 15, 20\_\_ and September 15, 20\_\_ are Term Bonds and are subject to the respective mandatory sinking fund redemption requirements prior to maturity in the following principal amounts (subject to certain credits as specified in the Ordinance) on September 15 of the respective years at the redemption price of the principal amount thereof, without premium, plus accrued interest to the redemption date, as follows:

SEPTEMBER 15, 20__ MATURITY		SEPTEMBER 15, 20__ MATURITY	
REDEMPTION DATE (SEPTEMBER 15)	PRINCIPAL AMOUNT (\$)	REDEMPTION DATE (SEPTEMBER 15)	PRINCIPAL AMOUNT (\$)

With a final maturity of \$\_\_\_\_\_ for the Term Bonds of 20\_\_ and of \$\_\_\_\_\_ for the Term Bonds of 20\_\_.]

Notice of any such redemption shall be sent by first class mail not less than thirty days nor more than sixty days prior to the date fixed for redemption to the Registered Owner of each Bond to be redeemed at the address shown on the registration books of the City maintained by the Bond Registrar or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar. When so called for redemption, this Bond will cease to bear interest on the specified redemption date, provided funds for redemption are on deposit at the place of payment at that time, and shall not be deemed to be outstanding.

This Bond is subject to transfer or exchange by the Registered Owner hereof in person or by such owner's attorney duly authorized in writing at the principal corporate trust office of the Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges provided in the Ordinance, and upon surrender and cancellation of this Bond.

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

\* \* \*

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM—	as tenants in common	UNIF TRANS MIN ACT—
		_____ Custodian _____
TEN ENT—	as tenants by the entireties	(Cust) _____ (Minor)
	under Uniform Transfers to	
	Minors	
JT TEN—	as joint tenants with right of	Act _____
	survivorship and not as tenants	(State)
	in common	

Additional abbreviations may also be used though not listed above.

(ASSIGNMENT)

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

---

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint

attorney to transfer the said Bond on the books kept for registration thereof with full power of substitution in the premises.

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

Signature guaranteed: \_\_\_\_\_

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

*Section 11. Bonds Limited Obligations.* The Bonds shall be payable solely from the Revenues as derived from the operation of the System, and shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision limitation.

*Section 12. Maintenance of Funds.* The following special funds of the City, the control of which are vested in the Utility Commission, designated as “*Water Revenue Fund*” (the same being the previously defined Water Fund); the “*Water Bond and Interest Redemption Fund*” (the same being the previously defined Sinking Fund); the “*Operation and Maintenance Fund*”; the “*Renewals and Replacement Fund*”; and the “*Water General Reserve Fund*” (collectively, the “*Funds*”) are hereby continued in force and shall inure to the security and benefit of the holders of the Bonds as and to the extent herein provided.

*Section 13. Flow of Funds.* From and after the delivery of any Bonds issued under the provisions of this Ordinance, the Revenues shall continue to be set aside into the Water Fund and used and apportioned each month as follows:

A. *Sinking Fund.* There shall be deposited to the Sinking Fund and held, in cash and investments, a fractional amount of the interest becoming due on the next succeeding interest payment date on Outstanding Bonds and also a fractional amount of the principal becoming due or subject to mandatory redemption on the next succeeding principal maturity or mandatory redemption date of Outstanding Bonds until there shall have been accumulated and held, in cash and investments, in the Sinking Fund in or before the month preceding such payment date of interest or maturity or mandatory redemption date of principal, an amount sufficient to pay such principal or interest, or both. In computing the fractional amount to be set aside each month in the Sinking Fund, the fraction shall be so computed that a sufficient amount will be set aside in the Sinking Fund and will be available for the prompt payment of such principal of and interest on all Outstanding Bonds and shall be not less than 1/6th of the interest becoming due on the next succeeding interest payment date and not less than 1/12th of the principal becoming due or subject to mandatory redemption on the next succeeding principal payment or mandatory redemption date on all Outstanding Bonds until there is sufficient money in the Funds to pay such principal or interest, or both. In the event different series of Outstanding Bonds have different Bond Years, the requirement of depositing 1/6th of interest and 1/12th of principal as stated above shall be applied separately with respect to each such series. Credits to the Sinking Fund may be suspended in any relevant Bond Year at such time as there shall be a sufficient sum, held in cash and investments, in the Sinking Fund to meet principal and interest requirements in the Sinking Fund for the balance of such Bond Year, but such credits shall again be resumed at the beginning of the next Bond Year. All moneys in the Sinking Fund ("*Bond Moneys*") shall be used only for the purpose of paying interest on and principal of Outstanding Bonds as follows:

(1) Bond Moneys shall be applied to the payment of interest when due and principal or redemption price when due at maturity or as redeemed pursuant to mandatory redemption from the Sinking Fund, or

(2) On or before 65 days preceding any mandatory redemption date, Bond Moneys up to the amount of the redemption requirement on such mandatory redemption date plus interest due on related Term Bonds on such date may be applied (a) to the purchase of Term Bonds of the maturity for which such mandatory redemption requirement was established at prices (including commissions and charges, if any) not exceeding par and accrued interest to such mandatory redemption date or (b) to the redemption of such Bonds, without premium, pursuant to optional redemption provisions applicable thereto. Upon the purchase or redemption of Term Bonds of any maturity pursuant to this paragraph (2), an amount equal to the principal amount of such Bonds or applicable portion thereof so purchased or redeemed shall be deducted from such mandatory redemption requirement thereafter to become due on such Bonds and any excess over the amount of such requirement shall be deducted from the future requirement for such Bonds as the City through its Utility Commission shall determine.

B. *Bond Reserve Account.* A bond reserve account within the Sinking Fund is established (the "*Bond Reserve Account*"). At the time of the delivery of any Bonds, there shall be on deposit to the credit of the Bond Reserve Account an amount equal to the Reserve Requirement. The Bond Reserve Account shall be maintained in said amount. In the event of a withdrawal from the Bond Reserve Account resulting in the amount on deposit to the credit thereof being less than the required amount, the City and the Utility Commission covenant to replenish the Bond Reserve Account to the required amount at the rate of 1/60th of the Reserve Requirement each month. In the event Parity Bonds are issued, the City and the Utility

Commission will accumulate to the credit of the Bond Reserve Account the amount of the Reserve Requirement at the rate of such amount per month such that in not less than 60 months after delivery and with credits each month in the amount of not less than 1/60th of the difference between Reserve Requirement and the amount on deposit to the credit of this Account at the time of such delivery. Amounts to the credit of the Bond Reserve Account shall be used to pay principal of or interest on the Outstanding Bonds at any time when there are insufficient funds available within the Sinking Fund to pay the same.

(1) The City, acting by and through the Utility Commission, may satisfy all or a portion of the Reserve Requirement in the Bond Reserve Account by causing to be so credited to the Bond Reserve Account a surety bond, a line of credit, an insurance policy or a letter of credit (a "*Credit Facility*") in an amount which together with other moneys on deposit in such Bond Reserve Account is equal to the Reserve Requirement (or such lesser proportional amount prior to the date the full Reserve Requirement is met). In the event the Bond Reserve Account is funded with both moneys and a Credit Facility, any withdrawals from such Bond Reserve Account pursuant to the provisions of this Ordinance shall be made first from such moneys (or the liquidation of investments made therewith) and second from such Credit Facility. The Credit Facility shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Bond Reserve Account and applied to the payment of the principal of or interest on the Outstanding Bonds for which payments cannot be made by amounts credited to the Sinking Fund. The insurer providing such surety bond, line of credit or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by any two of the three most widely

used municipal ratings agencies. The letter of credit issuer shall be a bank or trust company, acceptable to any municipal bond insurance company which has insured a series of Bonds or Parity Bonds, and which is rated not lower than the second highest rating category by any two such agencies, and the letter of credit itself shall be rated in the highest category of either such rating agency. The insurance policy, line of credit or surety bond must extend for the life of the Bonds and Parity Bonds and must be unconditional and irrevocable. If a disbursement is made pursuant to a Credit Facility provided pursuant to this paragraph, the City, acting by and through the Utility Commission, shall be obligated either (i) to reinstate the maximum limits of such Credit Facility, or (ii) to deposit into the Bond Reserve Account cash or securities in the amount of the disbursement made under such Credit Facility, or a combination of such alternatives, as shall provide that the amount credited equals the Reserve Requirement within a time period not longer than one (1) year. If a letter of credit is provided under the provisions of this paragraph, then not later than sixty (60) days prior to the expiration date of any said letter of credit, (a) the City, acting by and through the Utility Commission, shall obtain another letter of credit, or (b) the City, acting by and through the Utility Commission, shall draw upon the letter of credit in order to fund the Bond Reserve Account with cash, or (c) the City, acting by and through the Utility Commission, shall fully fund the Bond Reserve Account with cash. The Utility Commission shall receive such opinions, including legal opinions, certificates and other documentation, as it shall deem appropriate, prior to receipt of any Credit Facility.

(2) If the issuer of a Credit Facility credited to the Bond Reserve Account shall cease to have a rating described in paragraph (1) above, the City, acting by and through the Utility Commission, shall use reasonable efforts to replace such Credit Facility with



one issued by an issuer having a rating so described, and shall pay, or commit to pay, any increased fees, expenses or interest in connection with such replacement or to deposit “available revenues” in the Bond Reserve Account in lieu of replacing such Credit Facility with another. “Available revenues” as used in this paragraph shall mean income and revenues of the Water System after provision has been made in any month for deposits in the Sinking Fund or other available cash from whatever source.

(3) In the event a series of Outstanding Bonds is insured by a municipal bond insurance company, such company may from time to time review the bank or trust company providing a letter of credit under the provisions of paragraph (1) hereof and if, in such review, the company finds such bank or trust company to be unacceptable, then:

(i) the City, acting by and through the Utility Commission, shall obtain another letter of credit within forty-five (45) days of a notice to such effect; or

(ii) the City, acting by and through the Utility Commission, shall draw upon the letter of credit in order to fund the Bond Reserve Account with cash; or

(iii) the City, acting by and through the Utility Commission, shall fund the Bond Reserve Account with cash over the next immediately following eleven (11) months in substantially equal monthly payments.

(4) In the event the Bond Reserve Account has been funded with a Credit Facility and such instrument has been drawn upon, moneys available to repay such Credit Facility provider shall first be used to reinstate the Credit Facility to its original amount. Any interest or fees due to the Credit Facility provider, other than reinstatement, shall be subordinate to any amounts payable upon the Outstanding Bonds.

(5) In the event it is determined that a draw on the Credit Facility is necessary, a demand for payment thereon, in such form as may be provided by the reimbursement agreement between the Utility Commission and the provider of such Credit Facility, shall be given not less than three (3) days prior to the date on which funds are required.

(6) In the event a Credit Facility is credited to the Bond Reserve Account resulting in the stated amount of such Credit Facility plus moneys and securities in the Bond Reserve Account to be in excess of the Reserve Requirement, such moneys and securities (less any costs of procuring the Credit Facility) in an amount not exceeding such excess may be transferred to the Renewals and Replacement Fund and pending expenditure shall be invested as permitted by this Ordinance and as will not cause any of the Outstanding Bonds to be arbitrage bonds as set forth in an opinion of counsel of national reputation in matters under Section 148 of the Code relating to arbitrage bonds.

C. *Operation and Maintenance Fund.* After making the prescribed monthly payments referred to in the preceding subparagraph A and B, there shall next be set apart and paid out of said Water Fund into the Operation and Maintenance Fund an amount considered necessary and sufficient to pay the reasonable Operation and Maintenance Costs for the current month. In the event of a deficiency, further transfers may be made in like manner on any date to the extent necessary to pay the Operation and Maintenance Costs actually accrued and payable.

D. *Renewals and Replacement Fund.* After making the prescribed monthly payments into the several funds as prescribed in the preceding subparagraphs A, B and C, if there is a balance in said Water Fund in excess of the amount estimated to be in like manner transferred and paid into said special funds during the succeeding one month, there shall then be set apart and paid into the Renewals and Replacement Fund in each year not less than:

(1) a sum equal to 10% of the net operating profits (defined in this paragraph to mean gross revenues, excluding interest income, less current operating expenses including salaries, wages, cost of materials and supplies) of the Water System for the preceding fiscal year; or

(2) an amount equal to 1.25% of the gross book value of Water System property, plant and equipment at the end of the preceding fiscal year; or

(3) the sum of \$25,000;

whichever is greater, unless the current balance in the Renewals and Replacement Fund is greater than 1.25% of the gross book value of Water System property, plant and equipment as of the end of the preceding fiscal year, at which time deposits may cease until this test is no longer met. All accumulations in the Renewal and Replacement Fund shall be kept separate and apart from all other funds of the City and the Utility Commission and may be withdrawn solely and only for the purpose of paying the costs of renewals, replacements, maintenance and additions to the Water System, or at the option of the Utility Commission, the Renewal and Replacement Fund may be used for the purpose of purchasing at market price any bonds which by their terms are payable from the Sinking Fund then outstanding, provided, that no such purchases of bonds shall be made by use of the Renewal and Replacement Fund to such extent as the balance remaining in the Renewal and Replacement Fund will be reduced to less than \$50,000. The Renewal and Replacement Fund shall be regarded as a depreciation fund within the meaning of the Authorizing Statutes.

E. *Water General Reserve Fund.* Whenever all specified and required transfer payments into the special funds hereinbefore provided have been made, any balance remaining shall be deposited each month into the Water General Reserve Fund, and moneys in the Water General Reserve Fund may be used for any lawful purpose related to the Water System.

*Section 14. Rate Covenant.* While the Bonds or any of them remain Outstanding Bonds, the rates for all service rendered by the Water System to the City and to its citizens, corporations or other consumers, shall be reasonable and just, taking into account and consideration the cost and value of the Water System and the cost of maintaining and operating

the same, and the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of all bonds and the accruing interest on all such Bonds as may be Outstanding Bonds as defined. There shall be charged against all users of said Water System, including the City, such rates and amounts for water and water service (including fire hydrant rentals, if any) as shall be adequate to meet the requirements of this and the preceding sections hereof. Compensation for services rendered to the City shall be charged against the City and payment for same from the corporate funds shall be apportioned as other income and revenues.

*Section 15. General Covenants.* The City and the Utility Commission covenant and agree with the holders and registered owners of the Outstanding Bonds as follows:

A. *Investments.* Moneys to the credit of the Water Fund prior to the monthly accounting and to the credit of the Operation and Maintenance Fund, the Renewals and Replacement Fund and the Water General Reserve Fund may be invested pursuant to any authorization granted to municipal corporations by Kentucky statute or court decision. Moneys to the credit of the Sinking Fund may be invested from time to time in (a) Directs, being direct full faith and credit obligations of the United States of America, whether bonds, notes, bills or otherwise called; (b) certificates of participation in a trust or trust receipts from a trust comprised solely of Directs; (c) shares in a money market or mutual fund comprised more than 95% at all times of Directs or agreements to repurchase such obligations; (d) obligations unconditionally guaranteed as to both principal and interest by the United States Government, (e) obligations which are tax-exempt under Section 103(a) of the Code but are not private activity bonds under Section 141(a) of the Code, if rated at the time of purchase “AA” or better by a nationally recognized ratings service for municipal bonds; (f) certificates of deposit or time deposits of any bank or trust company, *provided* such bank is insured by the Federal Deposit Insurance Corporation or a successor corporation to the Federal Deposit Insurance Corporation, and

*provided further* that the principal of such deposits in excess of the insured amount is secured by a pledge of obligations as described in clauses (a), (b), (c) or (d) above in the full principal amount of such excess. Such investments must also be legal and proper investments for the City. Such investments may be sold from time to time as funds may be needed for the purpose for which the Funds have been created. To the extent moneys in the Funds of the Water System are held uninvested and on deposit in demand accounts, such amounts shall be added to the amount invested pursuant to clause (f) above, and the sum so derived subject to the limitations as set forth therein.

Investments in the Funds shall mature or be subject to redemption at the option of the holder thereof prior to the time when needed. After making provision for the payment of any amount of excess arbitrage profits, as provided in the Code, attributable to investment earnings or profits to the Rebate Fund (as hereinafter defined) for the appropriate issue or issues of Outstanding Bonds, all earnings or profit, on any funds so invested in the Sinking Fund, the Utility Commission may take credit for such earnings or profits (not transferred to the Rebate Fund) in any monthly accounting for the Sinking Fund. All interest or profit earned on any funds so invested in other Funds shall be credited to the Water Fund. Moneys in any of said Funds shall be invested by the Utility Commission, if necessary, in investments restricted as to yield, which investments may be in United States Treasury Obligations—State and Local Government Series, if available, and to such end the Utility Commission shall refer to any investment restrictions covenanted by the City and the Utility Commission or any officer thereof as part of the transcript of proceedings for the issuance of the Bonds, and to appropriate opinions of counsel.

B. *Accounts Excesses.* Any amounts to the credit of the funds of the Water System in excess of the then current requirements therefor may be transferred by the Utility Commission to such other fund of the Water System as they may in their sole discretion designate.

C. *Maintain System.* The City and the Utility Commission will maintain the System in good repair and working order, will operate the same efficiently and faithfully, and will punctually perform all duties with respect thereto required by the Constitution and laws of the Commonwealth of Kentucky and the United States.

D. *Rate Reductions.* The City and the Utility Commission further covenant and agree that no schedule of rates and charges from time to time in effect shall be reduced unless or until all payments into the Funds are current and there shall have been procured a statement by an independent engineer or firm of engineers of recognized reputation in waterworks matters approving such reduction in the schedule and stating that such revised schedule will produce revenues sufficient to provide for all expenses of operation, repair and maintenance of the Water System and leave a balance each year equal to at least 1.10 times the maximum amount of principal requirement and interest requirement in any succeeding Bond Year to pay, when due, all bonds and interest thereon for the payment of which such revenues have or shall have been pledged, charged or otherwise encumbered.

E. *Statutory Mortgage Lien; Enforcement Provisions; Receiver.* For the further protection of the owners of the Bonds herein authorized a statutory mortgage lien upon the Water System and all properties connected therewith and extensions thereof and belonging thereto is granted and created by Section 96.400 et seq. of the Kentucky Revised Statutes which said statutory mortgage lien is hereby recognized and declared to be valid and binding upon the City and the Utility Commission and all the property now or hereafter constituting the Water System of the City and the Utility Commission, as provided by law, and shall take effect immediately upon the delivery of any Bonds. Any owner of the Bonds may either at law or in equity, by suit, action, mandamus or other proceedings, protect the statutory mortgage lien hereby conferred and may by suit, action, mandamus or other proceedings, enforce and compel performance by the

City and the Utility Commission and their respective officers and agents of all duties and obligations imposed or required by law or this Ordinance in connection with the operation of the Water System, including the making and collecting of sufficient rates and segregation of the income and revenues and the application thereof. If there be any default in the payment of the principal of or interest on any of the Bonds then, upon the filing of suit by any owner of the Bonds, any court having jurisdiction of the action may appoint a receiver to administer the Water System on behalf of the City and the Utility Commission with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the Water System, and for the payment of the operating expenses, and to apply the income and revenues in conformity with this Ordinance and the provisions of the statutes and laws of Kentucky.

F. *Rules.* The Utility Commission will establish such rules and regulations for the control and operation of the System necessary for the efficient and economical operation thereof, and rates and charges shall be fixed and revised from time to time as may be necessary to produce funds sufficient for all purposes herein provided.

G. *Accounting.* The Utility Commission will make and keep proper books and accounts (separate and apart from all other records and accounts of the City and the Utility Commission), in which complete entries shall be made of all transactions relating to the System, and hereby covenants that within 210 days following the close of each Fiscal Year it will cause the books and accounts of the System to be audited annually by independent certified public accountants showing the receipts and disbursements on account of the System. Each such audit, in addition to whatever matters may be thought proper by the accountants to be included therein, shall, without limiting the generality of the foregoing, include the following:

1. A statement in detail of the income and expenditures of the system for such Fiscal Year, and including credits to the various accounts provided herein.

2. A balance sheet as of the end of such Fiscal Year.

3. The accountant's comment regarding the manner in which the Utility Commission has carried out the accounting requirements of this ordinance, and the accountant's recommendations for any changes or improvements in the operation of the System.

All expenses incurred in the making of the audit required by this Section shall be regarded and paid as an Operation and Maintenance Cost.

H. *No Sale, etc.* Except for the statutory mortgage lien provided for herein, neither the City nor the Utility Commission will sell, lease, loan, mortgage, or in any manner dispose of or encumber the System (subject to the reserved right of the City to issue additional obligations as provided in this Ordinance); *provided, however*, that this covenant shall not prevent the City or the Utility Commission from disposing of any property which in the judgment of the Utility Commission is no longer useful or profitable in the operation of the System. The proceeds from the sale of any property shall be credited to the Renewals and Replacement Fund.

I. *Contract; Enforcement.* The provisions of this Ordinance shall constitute a contract between the City and the holders and registered owners of the Bonds, and after the issuance of the Bonds, no changes, additions or alterations of any kind shall be made hereto, except as herein provided for amendments hereto.

J. *Insurance.* The Utility Commission will carry insurance on the System of the kinds and in the amounts which are usually carried by private parties operating similar properties. Alternatively, the Utility Commission shall self-insure or provide insurance by means of a self-insurance pool with other units of local government, *provided* that either private insurance is not available at a reasonable cost or the Utility Commission or the pool shall have assets or shall have created a self-insurance reserve fund in an amount as shall be determined by the Utility



Commission to be not unreasonable in view of the risks insured. All moneys received for property loss under such insurance policies or from the self-insurance reserve fund or pool shall be deposited to the credit of the Renewals and Replacement Fund and, unless deemed by the Utility Commission to be an imprudent expense, be used in making good the loss or damage in respect of which they were paid, either by repairing the property damaged or making replacement of the property destroyed, and provision for making good such loss or damage shall be made within 270 days from the date of the loss. The proceeds derived from any and all policies for workers' compensation or public liability or from the self-insurance reserve fund or pool for such purposes shall be paid into the Operation and Maintenance Fund and used in paying the claims on account of which they were received or shall be used to reimburse any account from which the claim was previously paid. The payment of premiums, regular payments to a pool and regular accumulations for a reserve fund required under the provisions of this covenant shall be considered an Operation and Maintenance Cost.

*Section 16. Parity Bonds.* It is hereby covenanted and agreed that, while any of the Bonds issued hereunder are Outstanding Bonds, the City will not issue any other bonds or obligations of any kind or nature having a pledge on the Revenues which is prior to the lien on the Revenues of the Bonds. No obligations or bonds of any kind shall be issued which are payable from the Revenues except upon compliance with one of the options (A) through (D) set out below.

A. Parity Bonds may be issued for the purpose of paying the cost of repairs, replacements, renewals, improvements and extensions to the System, for any lawful System purpose, or for refunding Outstanding Bonds upon compliance with the following conditions:

1. The Net Revenues of the System, as evidenced by the statement of an independent certified public accountant not in the regular employ of the City for twelve

(12) consecutive months out of the preceding fifteen (15) months, given for the months ending in any one of the three (3) months prior to the month of the date of issuance of the proposed Parity Bonds or the Adjusted Net Revenues of the System for such period (as defined herein) must equal not less than 110% of Maximum Annual Debt Service in each Fiscal Year or in each Bond Year, as may be selected by the City in its discretion, for all Outstanding Bonds as computed immediately after the issuance of the proposed Parity Bonds; but only for those Fiscal Years or Bond Years, as may be applicable, in which the Outstanding Bonds immediately prior to any such issuance will continue to be Outstanding Bonds as provided herein.

2. Net Revenues may be adjusted (the "*Adjusted Net Revenues*") for the purpose of the foregoing computations to reflect any revision in the schedule of rates or charges being imposed at the time of the issuance of any additional Parity Bonds, and also to reflect any increase in such Revenues by reason of the extensions, improvements and betterments to the Water System, the cost of which is to be paid through the issuance of such additional Parity Bonds, but such latter adjustment shall only be made if contracts for the immediate construction or acquisition of such extensions and improvements have been or will be entered into prior to the issuance of such additional Parity Bonds. All such adjustments shall be based upon written certification by an independent consulting engineer or firm of consulting engineers of national reputation in the field of waterworks engineering, licensed in Kentucky and not in the regular employ of the City.

B. Parity Bonds may be issued to refund Outstanding Bonds if, upon the issuance of such Parity Bonds, the amount of the principal and interest requirement for Outstanding Bonds for each Fiscal Year for which Outstanding Bonds immediately prior to such issuance will continue to be Outstanding Bonds as provided herein after the issuance of such Parity Bonds will

not be greater than such requirement for each such Fiscal Year calculated immediately prior to the issuance of such Parity Bonds.

C. Parity Bonds may be issued to refund Outstanding Bonds in order to avoid or remedy default in the payment of principal of or interest on such Outstanding Bonds; *provided* they are issued to avoid such default not earlier than three months prior to the due date of such principal or interest.

D. Bonds or any other obligations may be issued payable from the Revenues subordinate to the Outstanding Bonds. Such subordinate bonds shall be payable from or out of the Operation and Maintenance Fund, the Renewals and Replacement Fund, or the Water General Reserve Fund in accordance with good accounting practices.

E. Parity Bonds may be issued payable on such payment dates as the City shall determine.

*Section 17. Sale of Bonds; Bond Order.* The Designated Officials are hereby authorized to proceed, without any further authorization or direction whatsoever from the Board or the Utility Commission, to sell and deliver the Bonds upon the terms as prescribed in this Ordinance. Reference is hereby made to the limitations set forth (in Section 5, above) of this Ordinance. The Bonds shall be sold and delivered to the best bidder at public sale (the "*Purchaser*") at the price of not less than 98.0% of the par value of the principal amount thereof plus accrued interest to the date of delivery. Such sale shall be made upon the advice (in the form of a written certificate or report) of the Municipal Advisor that the net interest cost rate on the Bonds, calculated in accordance with customary market practice, does not exceed 5.00% and that the terms of the Bonds are fair and reasonable in view of current conditions in the bond markets.

Nothing in this Section shall require the Designated Officials to sell the Bonds if in their judgment, aided by the Municipal Advisor, the conditions in the bond markets shall have

markedly deteriorated from the time of adoption thereof, but the Designated Officials shall have the authority to sell the Bonds in any event so long as the limitations set forth in this Ordinance and the conditions of this Section shall have been met. Upon the sale of the Bonds, the Designated Officials and any other officers of the City as shall be appropriate, shall be and are hereby authorized and directed to approve or execute, or both, such documents of sale of the Bonds as may be necessary, including, without limitation, the Bond Order, Preliminary Official Statement, Notice of Bond Sale, Official Statement, Bond Purchase Contract (as hereinafter defined), and closing documents. The Utility Commission is hereby directed to prepare a Preliminary Official Statement and Notice of Bond Sale related to the sale of the Bonds, and the preparation and dissemination of such documents is hereby in all respects authorized and approved; and the proposed use by the Purchaser of an Official Statement (in substantially the form of the Preliminary Official Statement but with appropriate variations to reflect the final terms of the Bonds) is hereby approved. A bond purchase contract for the sale of the Bonds to the Purchaser (the “*Bond Purchase Contract*”), to be comprised of the Notice of Bond Sale and an executed Bid Form, is hereby in all respects authorized and approved. Upon the sale of the Bonds, the Designated Officials shall prepare the Bond Order, which shall include the pertinent details of sale as provided herein, and further provide for and approve the Net Revenue Statement; and such Bond Order with all exhibits shall be entered into the records of the City.

*Section 18. Application of Proceeds; Call of the Prior Bonds.* The proceeds derived from the sale of the Bonds shall be used as follows:

- A. Accrued interest shall be credited to the Sinking Fund.
- B. The amount necessary from the proceeds of the Bonds, together with such money in the Sinking Fund allocable to the Currently Outstanding Bonds to be refunded as may be advisable for the purpose, if any, shall be used to provide for the Refunding, and the payment of

such expenses as may be designated, by depositing the necessary funds for the Refunding directly at closing with the Prior Paying Agent at the time of the issuance of the Bonds. The Series 2009 Bonds selected for refunding shall be as set forth in the Bond Order, and shall be called for redemption as provided in the Series 2009 Bond Ordinance on the date set forth in the Bond Order.

C. Such amount as may be necessary to meet the Reserve Requirement shall be deposited to the credit of the Bond Reserve Account.

D. The remaining proceeds of the Bonds shall be deposited into the “*Waterworks Construction Fund Account (2018) of the City of Owensboro*”, hereby created (the “*Project Fund*”). The money in the Project Fund shall be held for the benefit of the City for the purposes herein provided, and for the benefit of the registered owners of the Bonds hereby authorized as their interests may appear, and said funds shall be withdrawn from time to time upon duly approved procedures of the Utility Commission. The costs of issuance of the Bonds, accomplishing the Refunding, all engineering, legal and financing services, the costs of surveys, designs, soundings, borings, rights-of-way, and all other necessary and incidental expenses, shall be deemed items of cost of construction of the Project. The moneys deposited into the Project Fund may be temporarily invested from time to time in lawful investments for City funds. All payments received as principal or interest derived from such investments shall be credited to the Project Fund. Said fund may be closed by action of the Utility Commission upon its being fully depleted.

*Section 19. Continuing Disclosure.* The Mayor or the Interim General Manager or the Director of Finance and Accounting of the Utility Commission is hereby authorized, empowered and directed to execute and deliver the Continuing Disclosure Undertaking (the “*Continuing Disclosure Undertaking*”) substantially in the form attached hereto as *Exhibit A* to this

Ordinance, made a part hereof by this reference, and hereby approved; the officer signatory to such Continuing Disclosure Undertaking being hereby authorized and directed to execute same, his or her execution to constitute conclusive proof of action in accordance with this Ordinance, and approval of all completions or revisions necessary or appropriate to such undertaking. When the Continuing Disclosure Undertaking is executed and delivered on behalf of the City as herein provided, the Continuing Disclosure Undertaking will be binding upon the City, the Utility Commission and their respective officers, employees and agents and such officers, employees and agents, are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the Continuing Disclosure Undertaking as executed. Notwithstanding any other provision of this Ordinance, the sole remedies for failure to comply with the Continuing Disclosure Undertaking shall be the ability of the beneficial owner of any Bond to seek mandamus or specific performance by court order, to cause the City and the Utility Commission to comply with its obligations under the Continuing Disclosure Undertaking.

*Section 20. Management Ordinance.* It is hereby represented and declared that pursuant to an ordinance adopted July 29, 1940, as amended, the management, control and operation of the Water System has been vested in the Utility Commission of the City; and it is hereby covenanted and agreed that so long as any of the Bonds remain outstanding, the management, control and operation of the Water System will continue to be vested in and carried out by the Utility Commission created, appointed and functioning in accordance with the provisions of said ordinance aforesaid.

*Section 21. General Tax Covenants.* The City hereby covenants that it will not take any action, omit to take any action, or permit the taking or omission of any action, within its control (including, without limitation, making or permitting, any use of the proceeds of the Bonds) if

taking, permitting, or omitting to take such action would cause any of the Bonds to be an arbitrage bond or a private activity bond within the meaning of the Code or would otherwise cause the interest on the Bonds to be included in the gross income of the recipients thereof for federal income tax purposes. The City acknowledges that, in the event of an examination by the Internal Revenue Service of the exemption from Federal income taxation for interest paid on the Bonds, under present rules, the City may be treated as the “taxpayer” in such examination and agrees that it will respond in a commercially reasonable manner to any inquiries from the Internal Revenue Service in connection with such an examination. In furtherance of the foregoing provisions, but without limiting their generality, the City agrees: (a) through its officers, to make such further specific covenants, representations as shall be truthful, and assurances as may be necessary or advisable; (b) to comply with all representations, covenants, and assurances contained in certificates or agreements as may be prepared by Bond Counsel; (c) to consult with Bond Counsel and to comply with such advice as may be given; (d) to file such forms, statements, and supporting documents as may be required and in a timely manner; and (e) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys, and other persons to assist the City in such compliance.

*Section 22. Certain Specific Tax Covenants.* A. None of the Bonds shall be a “private activity bond” as defined in Section 141(a) of the Code; and the City certifies, represents, and covenants as follows:

- (1) Not more than 5% of the net proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person other than a state or local governmental unit.

(2) Not more than 5% of the amounts necessary to pay the principal of and interest on the Bonds will be derived, directly or indirectly, from payments with respect to any private business use by any person other than a state or local governmental unit.

(3) None of the proceeds of the Bonds will be used, directly or indirectly, to make or finance loans to persons other than a state or local governmental unit.

(4) No user of the System or other infrastructure of the City to be improved as part of the Project portion financed, other than the City or another governmental unit, will use the same on any basis other than the same basis as the general public; and no person, other than the City or another governmental unit, will be a user of such System or infrastructure as a result of (i) ownership or (ii) actual or beneficial use pursuant to a lease, a management or incentive payment contract other than as expressly permitted by the Code, or (iii) any other arrangement.

B. The Bonds shall not be “arbitrage bonds” under Section 148 of the Code; and the City certifies, represents, and covenants as follows:

(1) The City has incurred or within six months after delivery of the Bonds expects to incur substantial binding obligations to be paid for with money received from the sale of such Bonds, said binding obligations comprising binding contracts for the Project in not less than the amount of 5% of the spendable proceeds of the Project portion of the Bonds.

(2) More than 85% of the spendable proceeds of the Project portion of the Bonds shall be expected to be expended on or before three years from the date of issuance for the purpose of paying the costs of the Project.

(3) All of the principal proceeds of the Project portion of the Bonds and investment earnings thereon in the Project Fund shall be expected to be used, needed, and



expended for the purpose of paying the costs of issuance of the Bonds, including costs of the Refunding, and costs of the Project, including expenses incidental thereto.

(4) Work on the Project is expected to proceed with due diligence to completion.

(5) Except for the funds as described in this Ordinance, the City has not created or established and will not create or establish any sinking fund, reserve fund, or any other similar fund to provide for the payment of the Bonds. The Sinking Fund has been established and will be funded in a manner primarily to achieve a proper matching of revenues and debt service and will be depleted at least annually to an amount not in excess of 1/12th the particular annual debt service on the Bonds. Money deposited into the Sinking Fund will be spent within a 13-month period beginning on the date of deposit, and investment earnings in the Sinking Fund will be spent or withdrawn from the Sinking Fund within a one-year period beginning on the date of receipt.

(6) Amounts of money related to the Bonds required to be invested at a yield not materially higher than the yield on the Bonds, as determined pursuant to such tax certifications or agreements as the City officers may make in connection with the issuance of the Bonds, shall be so invested; and appropriate City officers are hereby authorized and directed to make such investments.

(7) Unless an applicable exception to Section 148(f) of the Code, relating to the rebate of “excess arbitrage profits” to the United States Treasury (the “*Rebate Requirement*”), is available to the City for the Bonds, the City will meet the Rebate Requirement.

(8) Relating to applicable exceptions, any City or Utility Commission officer charged with issuing the Bonds is hereby authorized to make such elections under the

Code as such officer shall deem reasonable and in the best interests of the City. If such election may result in a “penalty in lieu of rebate” as provided in the Code, and such penalty is incurred (the “*Penalty*”), then the City shall pay such Penalty.

(9) The officers of the Utility Commission shall, not less frequently than annually, cause the amount of the Rebate Requirement to be determined and plan or budget for such amount to be available when due for payment. Said officers shall cause to be paid to the United States Treasury, without further order or direction from the Board, from time to time as required, amounts sufficient to meet the Rebate Requirement or to pay the Penalty.

(10) Interest earnings in the Project Fund are hereby authorized to be transferred, without further order or direction from the Board or Utility Commission, to a separate fund of the City (the “*Rebate Fund*”) and, without further order or direction from the Board or Utility Commission, the amounts in the Rebate Fund may be transferred from time to time as required to meet or pay the Rebate Requirement; and proceeds of the Bonds and other funds of the City are also hereby authorized to be used to meet or pay the Rebate Requirement or to pay the Penalty but only if necessary after application of investment earnings as aforesaid and only as appropriated by the Board.

C. None of the proceeds of the Bonds will be used to pay, directly or indirectly, in whole or in part, for an expenditure that has been paid by the City prior to the date hereof except architectural or engineering costs incurred prior to commencement of any of the Project or expenditures for which an intent to reimburse has been properly declared under Treasury Regulations Section 1.150-2. This Ordinance is in itself a declaration of official intent under Treasury Regulations Section 1.150-2 as to all costs of the Project paid after the date hereof and prior to issuance of the Bonds.

D. The City reserves the right to use or invest moneys in connection with the Bonds in any manner, or to make changes in the Project list, or to use the City infrastructure acquired, constructed, or improved as part of the Project in any manner, notwithstanding the representations and covenants in this and the preceding section of this Ordinance, provided it shall first have received an opinion from Bond Counsel or another attorney or a firm of attorneys generally acceptable to purchasers of tax-exempt bonds to the effect that use or investment of such moneys or the changes in or use of such infrastructure as contemplated will not result in loss or impairment of Tax-exempt status for the Bonds.

*Section 23. Municipal Bond Insurance.* The Board recognizes an Insurer may be providing a policy with respect to the Bonds (the “*Policy*”), resulting in a lower interest cost. In consideration thereof, the City authorizes any of its Designated Officials, as available, to make such usual and ordinary representations and covenants as may be required by such bond insurer, including as follows:

A. *Consent to Amendments.* That any provision of this Ordinance expressly recognizing or granting rights in or to any such Insurer or to Bondholders generally may not be amended in any manner which affects the rights of the Insurer or Bondholders generally without the prior written consent of the Insurer.

B. *Notices.* That the City may be required to furnish to the Bond Insurer information or notices.

C. *List of Permitted Investments.* That the investment of moneys in the various accounts of the Funds of the Water System directly related to the Bonds may be limited to such list of lawful investments as may be required by the Insurer; *provided, however*, such list shall include direct obligations of the United States of America.

D. *Non-Defeasance and Subrogation.* That in the event that the principal and/or interest due on the Bonds shall be paid by the Insurer pursuant to a Policy, the Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the pledge of Net Revenues and all covenants, agreements and other obligations of the City to the Bondholders shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such Bondholders.

E. *Payment Procedure Pursuant to Policy.* That so long as the Policy shall be in full force and effect, the City and any Paying Agent and Bond Registrar agree to comply with such reasonable timing and notice procedures to properly effectuate Bond payment.

F. *Control of Proceedings; Vote in Plan.* That so long as the Policy shall be in full force and effect and not in default, the Insurer may exercise the rights of the registered owners of the Bonds in connection with the enforcement of all rights and remedies, and may vote the interests of the owners of such bonds in connection with bankruptcy, reorganization or insolvency plan or proceeding.

*Section 24. Pertaining to the Bond Registrar.* If requested by the Bond Registrar, any officer of the Utility Commission is authorized to execute standard forms of agreements between the Utility Commission and the Bond Registrar with respect to the obligations and duties of the Bond Registrar under this Ordinance. In addition to the terms of such agreements and subject to modification thereby, the Bond Registrar by acceptance of duties under this Ordinance agrees (a) to act as bond registrar, paying agent, authenticating agent, and transfer agent as provided herein; (b) to maintain a list of Bondholders as set forth herein and to furnish such list to the Utility Commission upon request, but otherwise to keep such list confidential to the extent permitted by law; (c) to cancel and/or destroy Bonds which have been paid at maturity or upon redemption or submitted for exchange or transfer; (d) to furnish the Utility Commission at least annually a

certificate with respect to Bonds cancelled and/or destroyed; and (e) to furnish the Utility Commission at least annually an audit confirmation of Bonds paid, Bonds outstanding and payments made with respect to interest on the Bonds. The City and the Utility Commission covenant with respect to the Bond Registrar, and the Bond Registrar further covenants and agrees as follows:

(A) The City and the Utility Commission shall at all times retain a Bond Registrar with respect to the Bonds; it will maintain at the designated office(s) of such Bond Registrar a place or places where Bonds may be presented for payment, registration, transfer or exchange; and it will require that the Bond Registrar properly maintain the Bond Register and perform the other duties and obligations imposed upon it by this Ordinance in a manner consistent with the standards, customs and practices of the municipal securities industry.

(B) The Bond Registrar shall signify its acceptance of the duties and obligations imposed upon it by this Ordinance by executing the certificate of authentication on any Bond, and by such execution the Bond Registrar shall be deemed to have certified to the City that it has all requisite power to accept and has accepted such duties and obligations not only with respect to the Bond so authenticated but with respect to all the Bonds. Any Bond Registrar shall be the agent of the City and the Utility Commission and shall not be liable in connection with the performance of its duties except for its own negligence or willful wrongdoing. Any Bond Registrar shall, however, be responsible for any representation in its certificate of authentication on Bonds.

(C) The City, acting by and through the Utility Commission, may remove the Bond Registrar at any time. In case at any time the Bond Registrar shall resign, shall be removed, shall become incapable of acting, or shall be adjudicated a bankrupt or

insolvent, or if a receiver, liquidator, or conservator of the Bond Registrar or of the property thereof shall be appointed, or if any public officer shall take charge or control of the Bond Registrar or of the property or affairs thereof, the City and the Utility Commission covenant and agree that it will thereupon appoint a successor Bond Registrar. The Utility Commission shall give notice of any such appointment made by it to each registered owner of any Bond within twenty days after such appointment in the same manner, or as nearly the same as may be practicable, as for a redemption of Bonds. Any Bond Registrar appointed under the provisions of this Section shall be a bank, trust company, or national banking association maintaining its offices in Kentucky, Minnesota, Illinois or New York, and having capital and surplus and undivided profits in excess of \$100,000,000.

The City Clerk of the City is hereby directed to file a certified copy of this Ordinance with the Bond Registrar.

*Section 25. Ordinance a Contract.* The provisions of this Ordinance shall constitute a contract between the City and the holder or holders of the Bonds to be issued, and after the issuance of any of the Bonds no change, variation or alteration of any kind in the provisions of this Ordinance shall be made in any manner except as herein provided, until such time as there are no Outstanding Bonds remaining.

*Section 26. Amendment of Ordinance.* The owners of 51% in principal amount of the Outstanding Bonds (not including in any case any Bonds which may then (i) be held or owned by or for the account of the City or the Utility Commission, including such refunding bonds as may be issued for the purpose of refunding any of the Bonds if such refunding bonds shall not then be owned by the City) shall have the right from time to time to consent to and approve the adoption by the City of an ordinance or ordinances modifying or amending any of the terms or provisions

contained in this Ordinance; *provided, however*, that this Ordinance may not be so modified or amended in such manner as to:

- (a) Make any change in the maturity of the Bonds.
- (b) Make any change in the rate of interest borne by any of the Bonds.
- (c) Reduce the amount of the principal or redemption premiums on the Bonds or impose any conditions with respect to such payment.
- (d) Modify the terms of payment of principal of or interest on any of the Bonds or impose any conditions with respect to such payment.
- (e) Materially affect the right of the owners of less than all of the Bonds then outstanding.
- (f) Reduce the percentage of the principal amount of the Bonds the consent of the owners of which is required to effect a further amendment.

Whenever the City shall propose to amend or modify this Ordinance under the provisions of this Section, notice of the proposed amendment shall be given by the Bond Registrar on behalf of the City by mailing the amendment notice by first class mail, postage prepaid, to each of the registered owners of the Bond or Bonds at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory ordinance is on file in the office of the City Clerk of the City for public inspection. Whenever at any time within one year from the date of the mailing of said notice there shall be filed with said City Clerk an instrument or instruments executed by the owners of at least 51% in aggregate principal amount of Outstanding Bonds, which instrument or instruments shall refer to the proposed amendatory ordinance described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the

Governing Body may adopt such amendatory ordinance and such ordinance shall become effective.

If the owners of at least 51% in aggregate principal amount of the Outstanding Bonds at the time of the adoption of such amendatory ordinance, or the predecessors in title of such owners, shall have consented to and approved the adoption thereof as herein provided, no owner of any Bond whether or not such owner shall have consented to or shall have revoked any consent as in this Section provided, shall have any right or interest to object to the adoption of such amendatory ordinance or to object to any of the terms or provisions therein contained or to the operation thereof or to enjoin or restrain the City from taking any action pursuant to the provisions thereof. Any consent given by the owner of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future owners of the same Bond during such period. Such consent may be revoked at any time after six months from the date of such instrument by the owner who gave such consent or by a successor in title by filing notice of such revocation with the City Clerk, but such revocation shall not become effective if the owners of 51% in aggregate principal amount of the Outstanding Bonds, prior to the attempted revocation, consented to and approved the amendatory ordinance referred to in such revocation.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction, that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer. The amount and numbers of the Bonds owned by any person executing such instrument and the date of his owning the same may be proven by the Bond Register kept by the Bond Registrar.



Consent may be given by proxy in fractional shares of ownership of Bonds, in accordance with approved procedures of the Depository.

*Section 27. Severability.* If any section, paragraph, clause or provision of this Ordinance shall be held to be invalid or ineffective for any reason, the remainder thereof shall remain in full force and effect, it being expressly hereby found and declared that the remainder of this Ordinance would have been adopted despite the invalidity of such section, paragraph, clause or provision.

*Section 28. Repeal; Effective Date.* All ordinances, resolutions and orders, or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed, and this Ordinance shall take effect from and after its adoption, approval and publication as provided by law, and the City Clerk is hereby directed to file a certified copy of this Ordinance with the Utility Commission.

Introduced August 7, 2018

Adopted and Approved August 21, 2018

Attest:

\_\_\_\_\_  
City Clerk

\_\_\_\_\_  
Mayor

Recorded August \_\_, 2018

\_\_\_\_\_  
City Clerk

**RESOLUTION  
OF THE BOARD OF COMMISSIONERS  
OF THE CITY UTILITY COMMISSION  
OWENSBORO MUNICIPAL UTILITIES**

WHEREAS, the City Utility Commission (the "*Utility Commission*") of the City of Owensboro, Kentucky (the "*City*") desires that the City issue not to exceed \$69,000,000 City of Owensboro, Kentucky, Water Revenue Refunding and Improvement Bonds, Series 2018 (the "*2018 Bonds*");

WHEREAS, in connection with the sale of the 2018 Bonds by the City, it will be necessary for the Board of Commissioners of the City (the "*City Commissioners*") to adopt an ordinance (the "*Bond Ordinance*") authorizing the issuance and sale of the 2018 Bonds, and such Bond Ordinance has been submitted to the Utility Commission;

WHEREAS, there will be prepared a draft Preliminary Official Statement describing the 2018 Bonds at such time and in such manner as set forth in the Bond Ordinance to be adopted to authorize the sale of the 2018 Bonds;

NOW, THEREFORE, THE UTILITY COMMISSION HEREBY RESOLVES AS FOLLOWS:

1. The City Commissioners are hereby requested to introduce at their meeting on August 7, 2018, the Bond Ordinance in substantially the form before this meeting authorizing the issuance and sale of the 2018 Bonds.

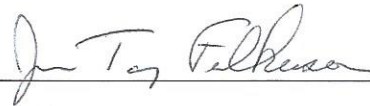
2. The form of Bond Ordinance (including *Exhibit A* thereto, the form of the Continuing Disclosure Undertaking), and the Bond Order (as defined and set forth in the Bond Ordinance), each in substantially the form before this meeting with such changes therein as are approved by the officers of the City, the Chairman of the Utility Commission and/or the Interim General Manager of Owensboro Municipal Utilities is hereby approved, and the City Commissioners are hereby requested to approve such documents and adopt the Bond Ordinance for the issuance of the 2018 Bonds.

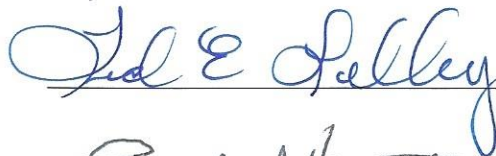
3. The Chairman, Vice Chairman, Secretary and Assistant Secretary of the Utility Commission and the Interim General Manager and Director of Finance and Accounting of Owensboro Municipal Utilities or each of them are hereby authorized and directed to take any such action as may be necessary or desirable in connection with the issuance and sale of the 2018 Bonds and the preparation of the aforesaid documents in final form, in order to carry out the purposes of this Resolution.

4. This Resolution will take effect immediately upon its adoption.

DATED: August 2, 2018

BOARD OF COMMISSIONERS OF THE CITY  
UTILITY COMMISSION  
OWENSBORO MUNICIPAL UTILITIES

  
\_\_\_\_\_

  
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\_\_\_\_\_

  
\_\_\_\_\_

COMMONWEALTH OF KENTUCKY                    )  
  )  
COUNTY OF DAVIESS                            )

**CERTIFICATION OF RESOLUTION AND MINUTES**

I, the undersigned, do hereby certify that I am the Secretary for the Board of Commissioners (the "*Board*") of the City Utility Commission (the "*Utility Commission*") of the City of Owensboro, in the County and Commonwealth aforesaid, and as such official I am the keeper of the records and files of the Utility Commission.

I do hereby further certify that the attached Resolution (the "*Resolution*"), duly adopted by the Board on August 2, 2018, at which meeting a quorum was in attendance at all times, is a true, correct and complete copy of such Resolution as the same appears in the official records of the Utility Commission.

I do hereby further certify that there is also attached a true, correct and complete transcript of the proceedings of the Board as had under date of August 2, 2018, insofar as such proceedings relate to the Board's approval of such Resolution as the same appears in the official records of the Utility Commission.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and the corporate seal of the Board of Commissioners of the City Utility Commission of the City of Owensboro, Kentucky this 2<sup>nd</sup> day of August, 2018.

  
Secretary

[SEAL]

STATE OF KENTUCKY        )  
                                      ) SS  
COUNTY OF DAVIESS        )

**CERTIFICATION OF ORDINANCE**

I, the undersigned, City Clerk of the City of Owensboro, in the County and Commonwealth aforesaid, do hereby certify that as such official I have in my possession or have access to the complete corporate records of said City, and that the attached Ordinance No. 14-2018, finally adopted by the Board of Commissioners of the City on August 21, 2018, and entitled:

AN ORDINANCE providing for the authorization, issuance and sale of Water Revenue Refunding and Improvement Bonds, Series 2018, in the principal amount of \$69,000,000, or such lesser amount as may be necessary, of the City of Owensboro, Kentucky, for the purpose of refunding certain outstanding obligations payable from the revenues of the municipal waterworks of said City and paying the cost of extensions and improvements to the municipal waterworks of said City; setting forth the terms and conditions on which said bonds and additional bonds ranking on a parity therewith are to be and may be issued and outstanding; providing for the security and payment of said bonds and interest thereon from the income and revenues of said municipal waterworks; and providing for the rights of the holders of said bonds in the enforcement thereof.

is a true, correct and complete copy of such Ordinance as the same appears in the official records of the City.

IN WITNESS WHEREOF I have hereunto affixed my official signature and the corporate seal of said City of Owensboro, Kentucky this 21<sup>st</sup> day of August, 2018.

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City Clerk

[SEAL]

COMMONWEALTH OF KENTUCKY                    )  
  )  
COUNTY OF DAVIESS                            )

**CERTIFICATION OF MINUTES**

I, the undersigned, City Clerk of the City of Owensboro, in the County and Commonwealth aforesaid, do hereby certify that the foregoing constitute true, correct and complete transcripts of the proceedings of the Board of Commissioners of said City as had under date of August 7, 2018 and August 21, 2018, insofar as such proceedings relate to the adoption of Ordinance No. 14-2018 and a true, correct and complete copy of such Ordinance, all as appears in the official records of the City. I further certify that said Board of Commissioners have not adopted and by-laws or procedural rules affecting the adoption of municipal orders or ordinances.

IN WITNESS WHEREOF, I have hereunto affixed my official signature and the corporate seal of said City of Owensboro, Kentucky this 21<sup>st</sup> day of August, 2018.

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City Clerk

[SEAL]

**NOTICE OF BOND SALE**

**\$63,510,000\***

**CITY OF OWENSBORO, KENTUCKY**

**WATER REVENUE REFUNDING AND IMPROVEMENT BONDS  
SERIES 2018**

*Request for Bids.* The City of Owensboro, Kentucky (the “City”), will receive bids in the manner described below for the purchase of the City’s \$63,510,000\* principal amount of Water Revenue Refunding and Improvement Bonds, Series 2018 (the “Bonds”), on an all or none basis on the date and at the time and place as follows:

TIME/DATE: Until 10:00 a.m., Central Daylight Saving Time  
Wednesday, September 12, 2018

PLACE: Owensboro Municipal Utilities  
2070 Tamarack  
Owensboro, Kentucky 42301

SUBMISSION OF PROPOSALS: Bids will be received via **PARITY®**

or such other later date as may be established by the Director of Finance and Accounting of the Owensboro Municipal Utilities as provided under the caption “Alternative Sale Date” herein. All proposals will be publicly opened, read and evaluated at said time, date, and place and the award of the Bonds will be acted upon by the Mayor and Interim General Manager of the Municipal Utilities of the City acting as representative of the City pursuant to ordinance adopted August 21, 2018.

*Alternative Sale Date.* The City reserves the right to cancel or postpone, from time to time, the date and/or time established for receipt of bids and in such event, the cancellation or postponement will be announced via The Municipal Market Monitor (“TM3”) News Service at least 24 hours prior to the time established for the receipt of bids. Following a postponement, a new date and time of sale (the “Alternative Sale Date”) will be announced via TM3 News Service at least 48 hours prior to the time bids are to be submitted. On any such Alternative Sale Date, bidders shall submit bids for the purchase of the Bonds in conformity with the provisions of this Notice of Bond Sale (“Notice”), subject to any pre-bid revisions announced via TM3 News Service as provided under the caption “Pre-Bid Revisions” herein.

*Terms of the Bonds.* The Bonds will consist of fully registered bonds without coupons and, when initially issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Purchases of beneficial ownership interests in the Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof.

The Bonds will be dated the date of original issuance and delivery thereof (expected September 27, 2018), and will become due in principal installments on the maturity dates as follows, with interest payable semiannually on March 15 and September 15 in each year, beginning on March 15, 2019:

**SERIES 2018 BONDS  
MATURITY SCHEDULE**

MATURITY SEPTEMBER 15	PRINCIPAL AMOUNT*	MATURITY SEPTEMBER 15	PRINCIPAL AMOUNT*
2019	\$ 980,000	2034	\$2,095,000
2020	1,010,000	2035	2,165,000
2021	1,055,000	2036	960,000
2022	1,100,000	2037	995,000
2023	1,140,000	2038	1,035,000
2024	1,425,000	2039	1,075,000
2025	1,480,000	2040	1,115,000
2026	1,545,000	2041	3,425,000
2027	1,605,000	2042	3,565,000
2028	1,665,000	2043	3,715,000
2029	1,735,000	2044	3,865,000
2030	1,810,000	2045	4,020,000
2031	1,880,000	2046	4,185,000
2032	1,950,000	2047	4,355,000
2033	2,025,000	2048	4,535,000

Any bidder electing to designate one or more maturities of term bonds shall specify the current serial bonds by year of maturity which are to comprise the term bonds. The final year designated shall be deemed the year of maturity of the term bonds. Term bonds shall be subject to mandatory sinking fund redemption by lot in the amounts currently specified for the serial bonds, at a redemption price of 100% of the principal amount thereof.

For purposes of computing the true interest cost (as hereinafter defined) and awarding the Bonds, the maturity of such term bonds shall be treated as if the amounts subject to mandatory sinking fund redemption are equal to the amounts and mature on the dates currently specified as serial bonds.

*Place of Payment.* The principal of and interest on the Bonds will be payable in lawful money of the United States of America. So long as DTC or its nominee is the Registered Owner of the Bonds, payments of principal of each Bond will be payable at maturity or upon earlier redemption to DTC by U.S. Bank National Association, Louisville, Kentucky, which has been designated by the City as paying agent and registrar for the Bonds (the “*Paying Agent*”). Interest on each Bond will be paid to the Registered Owner of such Bond as shown on the Bond Register

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\* Preliminary, subject to change.



at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Registered Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Registered Owner or (b) in immediately available funds as may be agreed with DTC for so long as DTC is the registered owner as of a given record date.

*Redemption of Bonds Prior to Maturity.* Bonds maturing on and after September 15, 2028, are subject to redemption prior to maturity at the option of the City through its Utility Commission in whole or in part, and if in part, in such order of maturities as shall be selected by the City acting through its Utility Commission, and if less than an entire maturity, in integral multiples of \$5,000, selected by lot, on September 15, 2027, and on any date thereafter, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

*Conditions of Bids.* Proposals will be received on the Bonds bearing such rate or rates of interest as may be specified by the bidders, subject to the following conditions: Each bid shall be for all of the Bonds. Each interest rate specified shall be a multiple of 1/8 or 1/20 of 1%. **The interest rates shall not exceed 5.00% per annum.** No supplemental interest payments will be authorized. **No bid shall be for less than 98% of the principal amount of the Bonds plus accrued interest, if any.** Bidders are requested (but not required) to specify the total interest cost (expressed in dollars) and to supply an estimate of the true interest cost (expressed as a rate) for the Bonds to the City as specified herein on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the City. Solely for purposes of the calculations set forth in the preceding sentence, each bidder shall assume a dated date for the Bonds of September 27, 2018.

*Basis of Award.* Following the opening of the bids, the Successful Bidder will be designated by a representative of the City (the “*Successful Bidder*”). The Successful Bidder will be the bidder whose bid will result in the lowest “true interest cost” (“*TIC*”), determined as follows: the *TIC* is the discount rate (expressed as a per annum percentage rate) which, when used in computing the present value of all payments of principal and interest to be paid on the Bonds, from the payment dates to September 27, 2018 (the assumed dated date and assumed date of delivery of the Bonds), produces an amount equal to the purchase price bid. Payments of principal and interest on the Bonds will be based on the principal amount set forth in this Notice (as may be modified as described herein) and the interest rate specified by each bidder. Present value will be computed on the basis of semiannual compounding and a 360-day year of twelve 30-day months. No bidder will be designated as the Successful Bidder unless its bid shall be in compliance with the other terms and conditions of this Notice. If there is any discrepancy between the *TIC* shown on the bid form and the interest rate specified on the bid form, the latter shall govern and the *TIC* specified in the bid shall be adjusted accordingly. If two or more proper bids are received providing for identical lowest *TIC*, the City shall determine by lot which bid, if any, shall be accepted and its determination shall be final.

*Pre-Bid Revisions.* The City reserves the right to issue a Supplemental Notice of Bond Sale not later than 24 hours prior to the sale date via TM3 News Service (“*Supplemental Notice*”). If issued, the Supplemental Notice may modify (i) the principal amount of the Bonds, and/or

(ii) such other terms of this Notice as the City determines. Any such modifications will supersede the principal amount and such other terms as set forth herein.

*Post-Bid Revisions.* After bids are received on the sale date, the City may in its discretion revise the principal amount of the Bonds; *provided*, that the principal amount of the Bonds shall not be increased or decreased by an amount in excess of 10%. THE SUCCESSFUL BIDDER MAY NEITHER WITHDRAW NOR MODIFY ITS PROPOSAL AS A RESULT OF ANY POST-BID REVISIONS TO THE BONDS MADE BY THE CITY. The Underwriter's Discount shall be held constant on a per bond basis for any par revisions.

*Authority and Security.* The Bonds are being issued by the City pursuant to an ordinance adopted by the Board of Commissioners of the City (the "*Bond Ordinance*") by authority given to the City in the Statutes of the Commonwealth of Kentucky, including among others, Sections 96.350 to 96.510, inclusive, and Sections 58.010 to 58.140, inclusive, all of the Kentucky Revised Statutes. The Bonds are issued on a parity with the City's outstanding Water Revenue Refunding and Improvement Bonds, Series 2014, Water Revenue Improvement Bonds, Series 2015, and Water Revenue Refunding Bonds, Series 2016 (collectively, the "*Currently Outstanding Bonds*"), and any other parity bonds that may be issued in the future. The Bonds and the interest thereon are payable solely from the revenues derived by the City from the operation of the City's water supply system (the "*System*"), all as described in more detail in the Preliminary Official Statement for the Bonds. The Bonds are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation.

*Purpose.* The Bonds are being issued for the purpose of (i) refunding the City's outstanding Water Revenue Refunding and Improvement Bonds, Series 2009, (ii) financing various capital expenditures to the System, (iii) fully funding the Bond Reserve Account for the Currently Outstanding Bonds and the Bonds and (iv) paying the costs of issuance for the Bonds.

*Legal Opinion.* The Bonds will be sold subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel (the "*Bond Counsel*"), which opinion will be furnished and paid for by the City and delivered to the Successful Bidder when the Bonds are delivered. Said opinion will also relate to the excludability of the interest on the Bonds from gross income for federal and Kentucky income tax purposes. Reference is made to the Preliminary Official Statement for further discussion of federal and Kentucky income tax matters relating to the interest on the Bonds. By submitting a bid, any bidder makes the representation that it understands Bond Counsel represents the City in the Bond transaction and, if such bidder has retained Bond Counsel in an unrelated matter, such bidder consents to and waives any conflict of interest arising from any adverse position to the City in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and Bond Counsel.

*Establishment of Issue Price.* (a) The Successful Bidder shall assist the City in establishing the issue price of each maturity of the Bonds and shall execute and deliver to the City on the date of closing (the "*Closing Date*") an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or the sales price or prices of each maturity of the

Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form of the Certificate of Purchaser attached hereto as Exhibit I, with such modifications as may be appropriate or necessary, in the reasonable judgment of the City and Bond Counsel. All actions to be taken by the City under this Notice to establish the issue price of the Bonds may be taken on behalf of the City by Stifel, Nicolaus & Company, Incorporated, St. Louis, Missouri, the City's municipal advisor (the "*Municipal Advisor*"), and any notice or report to be provided to the City may be provided to the Municipal Advisor. Within one hour of the award, the Successful Bidder will provide to the City the expected Initial Offering Price of each maturity of the Bonds, which the Successful Bidder used in formulating its bid for the Bonds.

(b) The City intends that the provisions of Treasury Regulation Section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of the Bonds (the "*competitive sale requirements*") because:

- (1) the City shall disseminate this Notice to potential underwriters in a manner that is reasonably designed to reach potential underwriters;
- (2) all bidders shall have an equal opportunity to bid;
- (3) the City may receive, with respect to the Bonds, bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and
- (4) the City anticipates awarding the sale of the Bonds to the bidder who submits a firm offer to purchase at the lowest TIC, as set forth in this Notice.

Any bid submitted pursuant to this Notice shall be considered a firm offer for the purchase of the Bonds, as specified in the bid.

(c) In the event that the competitive sale requirements are not satisfied with respect to the Bonds, the City shall so advise the Successful Bidder. Subject to the winning bidder electing the hold-the-offering-price rule hereinafter described, the City shall then treat the first price at which 10% of a maturity of the Bonds (the "*10% test*") is sold to the public as the issue price of such maturity of the Bonds. Such Successful Bidder shall advise the City if such maturity of the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The City will *not* require bidders to comply with the "hold-the-offering-price rule" and therefore does not intend to use the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity, unless the Successful Bidder elects to comply with the hold-the-offering-price rule for such maturity. Bids will *not* be subject to cancellation in the event that the competitive sale requirements are not satisfied. *Bidders should prepare their bids on the assumption that the Bonds will be subject to the 10% test in order to establish the issue price of the Bonds*, unless the Successful Bidder elects to comply with the hold-the-offering-price rule for the Bonds.

(d) Until the 10% test has been satisfied as to a maturity of the Bonds, the Successful Bidder agrees to promptly report to the City the prices at which the unsold Bonds of such maturity

have been sold to the public; this reporting obligation shall only extend to the Closing Date if the competitive sale requirements are satisfied. If the competitive sale requirements are not satisfied or the Successful Bidder has not elected to apply the hold-the-offering-price rule with respect to the Bonds, that reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to such maturity of the Bonds or until all Bonds and maturity have been sold to the public. In the event the Successful Bidder elects to apply the hold-the-offering-price rule to the Bonds, the reporting obligation described immediately above shall only continue to the Closing Date with respect to the Bonds.

(e) By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Successful Bidder that either the 10% test has been satisfied as to such maturity of the Bonds or all Bonds of such maturity have been sold to the public, if and for so long as directed by the Successful Bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the Successful Bidder or such underwriter that either the 10% test has been satisfied as to the Bonds of such maturity, or all Bonds of such maturity have been sold to the public, if and for so long as directed by the Successful Bidder or such underwriter for and as set forth in the related pricing wires, which shall be at least until the 10% test has been satisfied as to such maturity of the Bonds or until all Bonds of such maturity have been sold to the public.

**(f) The City is not requiring the application of the hold-the-offering-price rule (defined in (g) below) to the Bonds. The Successful Bidder may elect to apply the hold-the-offering-price rule to the Bonds.**

(g) The City may determine to treat (i) the first price at which 10% of a maturity of the Bonds is sold to the public as the issue price of that maturity and/or (ii) if the Successful Bidder of the Bonds elects to apply the hold-the-offering-price rule, as described below, to any maturity of the Bonds, the initial offering price to the public as of the sale date of the Bonds as the issue price of such maturity of the Bonds (the “*hold-the-offering-price rule*”). The Successful Bidder may, in its discretion, agree to apply the hold-the-offering-price rule to the Bonds. The City is not requiring the Bonds be subject to the hold-the-offering-price rule. If the Successful Bidder so elects to apply the hold-the-offering-price rule to the Bonds, which election will be made in the report of the final interest rates and prices of each maturity of the Bonds agreed to between the Successful Bidder and the City, the Successful Bidder shall (i) confirm that the underwriters have offered or will offer each maturity of the Bonds to the public on or before the date of award at the offering price (the “*initial offering price*”), or at the corresponding yield, set forth in the bid

submitted by the Successful Bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of a maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5th) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of such maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(h) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Notice. Further, for purposes of this Notice:

(1) “*public*” means any person other than an underwriter or a related party,

(2) “*underwriter*” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(3) a purchaser of any of the Bonds is a “*related party*” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(4) “*sale date*” means the date that the Bonds are awarded by the City to the Successful Bidder.

*Delivery and Payment.* The City will deliver the Bonds to DTC (or to the Paying Agent as DTC’s “*Fast Agent*”) properly prepared, executed and registered, without cost to the Successful Bidder within 30 days after the date of sale. The Successful Bidder will also be furnished with a certified transcript of the proceedings evidencing the authorization and issuance of the Bonds and the usual closing documents, including a certificate that there is no litigation pending or threatened at the time of delivery of the Bonds affecting their validity and a certificate regarding the completeness and accuracy of the Official Statement. Payment for the Bonds shall be made in

Federal Reserve funds, immediately available for use by the City. The City will deliver one bond per maturity registered in the name of Cede & Co.

*Good Faith Deposit.* A Good Faith Deposit (“*Deposit*”) in the form of a Funds Wire Transfer in the amount of 2% of the par amount of the Bonds, payable to the order of the City, is required for each bid to be considered. The Successful Bidder agrees to wire the required Deposit such that the funds are received in the account of the City by 2:00 p.m., Central Daylight Saving Time, on September 12, 2018. **Wiring instructions will be provided to the Successful Bidder upon notification of acceptance of the bid. Failure to submit the Deposit in accordance herewith may serve as grounds for rejection of bids.** No interest will be paid upon the Deposit made by the Successful Bidder. If a bid is accepted, said Deposit shall be held by the City until the Successful Bidder has complied with all of the terms and conditions of this Notice, at which time the amount of said Deposit shall be returned to the Successful Bidder or deducted from the purchase price at the option of the City. If a bid is accepted but the City fails to deliver the Bonds to the Successful Bidder in accordance with the terms and conditions of this Notice, said Deposit shall be returned to the bidder. If a bid is accepted but the Successful Bidder defaults in the performance of any of the terms and conditions of this Notice, the Deposit shall be retained by the City as and for liquidated damages.

*Ratings.* Moody’s Investors Service, Inc. (“*Moody’s*”) has assigned an underlying rating of “\_\_\_\_” to the Bonds. Such rating is described in the City’s Preliminary Official Statement relating to the Bonds, copies of which will be provided to the Successful Bidder. As part of the City’s application for the rating, certain information and materials, some of which are not contained herein, have been supplied to Moody’s. The rating is neither a “market” rating nor a recommendation to buy, sell or hold the Bonds and the rating and the Bonds should be evaluated independently.

*Bidders’ Option Bond Insurance.* The City has sought prequalification for municipal bond insurance with [Build America Mutual and Assured Guaranty.] Bidders are instructed to consult with each insurer for preapproval and specific insurance premium bids. The City **will not** pay the premium or any associated cost in connection with any policy of municipal bond insurance purchased by the Successful Bidder. In the event a bidder desires to purchase and pay all costs associated with the issuance of a policy of municipal bond insurance to insure the timely payment of the principal and interest on the Bonds, the bidder must (a) indicate such election, the name of the bond insurer and the amount of the bond insurance premium to be paid by the bidder on the Official Bid Form or provide such information to the City and the Municipal Advisor within 20 minutes after notification by the City or the Municipal Advisor of acceptance of such bidder’s bid for the Bonds and (b) attach evidence of the qualification of such Bonds for insurance, all terms and conditions to which the City would be required to agree in connection with the issuance of such insurance policy and a designation of the maturities to be insured to the Official Bid Form or provide such information to the City and the Municipal Advisor within 20 minutes after notification by the City or the Municipal Advisor of acceptance of such bidder’s bid for the Bonds. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City.

*CUSIP Number.* A CUSIP identification number has been ordered by the City and will be printed on the Bonds, but neither the failure to print such number on the Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the Successful Bidder to accept delivery of and pay for the Bonds in accordance with the terms of this Notice. All expenses in relation to the assignment and printing of a CUSIP number on the Bonds will be paid by the City.

*Submission of Proposals.* Each bid must be submitted via **PARITY®** in accordance with this Notice, until 10:00 a.m., Central Daylight Saving Time, on September 12, 2018. **Any prospective bidder that intends to submit a bid must submit its bid through PARITY. No in-person or faxed bids will be accepted.** Subscription to i-Deal's 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 bidder to subscribe. To the extent any instructions or directions set forth in **PARITY®** conflict with this Notice, the terms of this Notice shall control. For further information, potential bidders may contact Ms. Anne Noble at Stifel, Nicolaus & Company, Incorporated, the Municipal Advisor to the City, telephone (314) 342-8488 or [noblea@stifel.com](mailto:noblea@stifel.com), or **PARITY®** at 1359 Broadway, New York, New York 10018, telephone (212) 849-5000.

An electronic bid made through the facilities of **PARITY®** shall be deemed to incorporate the provisions of this Notice and the Official Bid Form for the Bonds. Any such electronic bid shall be deemed to constitute an irrevocable offer to purchase the Bonds for which a bid is submitted on the terms provided herein and shall be binding upon the Successful Bidder. The City shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of **PARITY®**, the use of such facilities being the sole risk of the prospective bidder.

*Official Statement.* The City has prepared a Preliminary Official Statement, copies of which will be available electronically from [www.i-DealProspectus.com](http://www.i-DealProspectus.com). The City has deemed the Preliminary Official Statement "final" as of its date for purposes of Section (b)(1) of Rule 15c2-12 (the "*Rule*") adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, except for such information which is permitted to be omitted pursuant to Section (b)(1) of the Rule.

Upon the sale of the Bonds, the City will adopt a final Official Statement and will furnish the Successful Bidder with a sufficient quantity of such Official Statements within seven business days of the acceptance of the Successful Bidder's proposal in order to comply with Rule 15c2-12(b)(4) of the Securities and Exchange Commission and Rule G-32 of the Municipal Securities Rulemaking Board. The City's acceptance of the Successful Bidder's proposal for the purchase of the Bonds shall constitute a contract between the City and the Successful Bidder for purposes of said Rules. Additional copies of the final Official Statement may be ordered by the Successful Bidder at its expense.

*Continuing Disclosure Undertaking.* The Utility Commission will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "*MSRB*") through its Electronic Municipal Market Access system ("*EMMA*") pursuant to the requirements of Section (b)(5) of Rule 15c2-12 (the "*Rule*")

adopted by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934. The form of the Undertaking is attached to the Preliminary Official Statement as Appendix C, which sets forth the information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies. Such annual information will be provided by not later than 210 days after the end of each of the Utility Commission’s fiscal years (presently, each May 31), commencing with the fiscal year ended May 31, 2018. The Undertaking will be made by the Utility Commission in order to assist the Underwriters in complying with Rule 15c2-12 of the SEC.

The Successful Bidder’s obligation to purchase the Bonds shall be conditioned upon its receiving, at or prior to the delivery of the Bonds, the Bond Ordinance evidencing that the Utility Commission has made the continuing disclosure undertaking set forth above for the benefit of the holders of the Bonds.

*Additional Information.* Additional information regarding the Bonds may be obtained from the undersigned at City of Owensboro, Kentucky, Owensboro Municipal Utilities, 2070 Tamarack, Owensboro, KY 42301 (270-926-3200 ext. 202) or from the Municipal Advisor, Stifel, Nicolaus & Company, Incorporated, One Financial Plaza, 501 North Broadway, 10th Floor, St. Louis, Missouri 63102, Attention: Ms. Anne Noble (314-342-8488 or noblea@stifel.com).

DATED this 5th day of September, 2018.

CITY UTILITY COMMISSION OF THE CITY OF  
OWENSBORO, KENTUCKY

By: /s/ Kevin Frizzell  
Interim General Manager  
Owensboro Municipal Utilities



## EXHIBIT I

### FORM OF CERTIFICATE OF PURCHASER CITY OF OWENSBORO, KENTUCKY WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2018

(To be provided by the City for execution and delivery by Successful Bidder prior to closing)

The undersigned, on behalf of \_\_\_\_\_ (the “*Purchaser*”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “*Bonds*”).

#### I. GENERAL

1. On the Sale Date, the Purchaser purchased the Bonds from the City of Owensboro, Kentucky (the “*City*”), by submitting electronically an “Official Bid Form” responsive to a “Notice of Bond Sale” and having its bid accepted by the City. The Purchaser has not modified the terms of the purchase since the Sale Date.

#### II. PRICE

*[Competitive Sale Rules (3 bids received)]*

[1. Reasonably Expected Initial Offering Price.

(a) As of the Sale Date, the reasonably expected initial offering price of each Maturity of the Bonds to the Public by the Purchaser is the price listed in *Schedule A* (the “*Expected Offering Prices*”). The Expected Offering Price is the price for such Maturity of the Bonds used by the Purchaser in formulating its bid to purchase the Bonds. Attached as *Schedule B* is a true and correct copy of the bid provided by the Purchaser to purchase the Bonds.

(b) The Purchaser was not given an exclusive opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by the Purchaser constituted a firm offer to purchase the Bonds.]

*[10% Test – All Bonds Sold]*

[1. As of the date of this certificate, the first price at which at least 10% of each Maturity of the Bonds was sold to the Public is the respective price listed in *Schedule C*.]

*[10% Test – Not All Bonds Sold]*

[1. As of the date of this certificate, the Purchaser has not sold at least 10% of each Maturity of the Bonds at any price.

2. As of the date of this certificate, the Purchaser reasonably expects that the first sale to the Public of an amount of each Maturity of the Bonds equal to 10% or more will be at or below the Expected Sale Price for such Maturity listed on the attached *Schedule A* (the “*Expected First Sale Price*”).

3. The Purchaser agrees to comply with the price reporting requirements with respect to the Bonds as set forth in the Official Notice of Bond Sale for the Bonds under the caption “ESTABLISHMENT OF ISSUE PRICE.”]

*[Hold the Offer Price]*

[1. The Purchaser offered each Maturity of the Bonds to the Public for purchase at the initial offering price listed in *Schedule A* (the “*Initial Offering Price*”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as *Schedule B*.

2. As set forth in the Official Notice of Bond Sale and bid award, the Purchaser has agreed in writing that, (i) it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price during the Holding Period for such Maturity (the “*Hold-The-Offering-Price Rule*”), and (ii) any selling group agreement would contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement would contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the Hold-The-Offering-Price Rule.

3. No Underwriter (as defined below) has offered or sold any Bonds of any Maturity at a price that is higher than the respective Initial Offering Price during the Holding Period.]

### III. DEFINITIONS

(a) “*Holding Period*” means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (\_\_\_\_\_, 2018), or (ii) the date on which the Purchaser has sold at least 10% of the Bonds to the Public at prices that are no higher than the Initial Offering Price.

(b) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(c) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to an Underwriter.

(d) A person is a “*Related Party*” to an Underwriter if the Underwriter and the person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) “*Sale Date*” means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is \_\_\_\_\_, 2018.

(f) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

#### [IV. BOND INSURANCE PROVISIONS, IF REQUIRED

The present value of the fees paid and to be paid for the Credit Facility (using as a discount rate the expected Yield on the Bonds treating the fee paid as interest on the Bonds) is less than the present value of the interest reasonably expected to be saved on the Bonds over the term of the Bonds as a result of the Credit Facility. The fees paid and to be paid for the Credit Facility does not exceed a reasonable, arm’s-length charge for the transfer of credit risk. The fee does not include any payment for any direct or indirect services other than the transfer of credit risk.]

#### V. USE OF REPRESENTATIONS AND CERTIFICATIONS

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Purchaser’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the City with respect to certain of the representations and with respect to compliance with the federal income tax rules affecting the Bonds, and by Chapman and Cutler LLP, in connection with rendering their opinions concerning interest on the Bonds, the preparation of the Internal Revenue Service Form-8038-G, and other federal income tax advice that it may give to the City from time to time relating to the Bonds.

All terms not defined herein shall have the same meanings as in the Tax Exemption Certificate and Agreement with respect to the Bonds, to which this Certificate is attached.

Dated: \_\_\_\_\_, 2018

Very truly yours,

\_\_\_\_\_

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

Its: \_\_\_\_\_

**OFFICIAL BID FORM**

**CITY OF OWENSBORO, KENTUCKY**

**WATER REVENUE REFUNDING AND IMPROVEMENT BONDS, SERIES 2018**

**PROPOSAL FOR THE PURCHASE OF WATER REVENUE REFUNDING AND  
IMPROVEMENT BONDS OF THE CITY OF OWENSBORO, KENTUCKY, SERIES 2018**

September 12, 2018

To: Ms. Anne Noble  
on behalf of City of Owensboro, Kentucky  
Stifel, Nicolaus & Company, Incorporated  
One Financial Plaza  
501 North Broadway, 10th Floor  
St. Louis, Missouri 63102

For the \$63,510,000\* principal amount of Water Revenue Refunding and Improvement Bonds, Series 2018 (the “Bonds”), of the City of Owensboro, Kentucky, to be dated the date of issuance and delivery thereof (expected September 27, 2018), as described in your Notice of Bond Sale dated September 5, 2018, said Bonds to mature and bear interest as follows:

**SERIES 2018 BONDS  
MATURITY SCHEDULE**

DUE SEPTEMBER 15	PRINCIPAL AMOUNT*	INTEREST RATE	DUE SEPTEMBER 15	PRINCIPAL AMOUNT*	INTEREST RATE
2019	\$ 980,000	___%	2034	\$2,095,000	___%
2020	1,010,000	___%	2035	2,165,000	___%
2021	1,055,000	___%	2036	960,000	___%
2022	1,100,000	___%	2037	995,000	___%
2023	1,140,000	___%	2038	1,035,000	___%
2024	1,425,000	___%	2039	1,075,000	___%
2025	1,480,000	___%	2040	1,115,000	___%
2026	1,545,000	___%	2041	3,425,000	___%
2027	1,605,000	___%	2042	3,565,000	___%
2028	1,665,000	___%	2043	3,715,000	___%
2029	1,735,000	___%	2044	3,865,000	___%
2030	1,810,000	___%	2045	4,020,000	___%
2031	1,880,000	___%	2046	4,185,000	___%
2032	1,950,000	___%	2047	4,355,000	___%

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\* Preliminary, subject to change.

NOTE: After bids are received on the sale date, the City may in its discretion revise the principal amount of the Bonds; *provided*, that the principal amount of the Bonds shall not be increased or decreased by an amount in excess of 10%. THE SUCCESSFUL BIDDER MAY NEITHER WITHDRAW NOR MODIFY ITS PROPOSAL AS A RESULT OF ANY POST-BID REVISIONS TO THE BONDS MADE BY THE CITY. The Underwriter’s Discount shall be held constant on a per bond basis for any par revisions.

2033                      2,025,000                      \_\_\_\_%                      2048                      4,535,000                      \_\_\_\_%

The undersigned will pay a purchase price equal to \$\_\_\_\_\_ (which is not less than \_\_\_\_% of the principal amount).

Total interest cost on the Bonds calculated to maturity at the rates specified above                      \$\_\_\_\_\_

Less Premium (if any included in the purchase price)                      \$\_\_\_\_\_

Plus Discount (if any included in the purchase price)                      \$\_\_\_\_\_

Net interest cost                      \$\_\_\_\_\_

True interest cost                      \_\_\_\_\_%

As provided in the Notice of Bond Sale, the undersigned hereby designates the following maturities of Bonds, as shown below, as term bonds:

# **BONDS MATURING IN YEARS**

FIRST YEAR	THROUGH	LAST YEAR**
_____		_____
_____		_____
_____		_____

This bid is conditioned upon the use of municipal bond insurance \_\_\_\_ yes \_\_\_\_ no  
Bond insurer \_\_\_\_ Assured Guaranty \_\_\_\_ Build America Mutual  
Bond insurance premium (to be paid by successful bidder) \$\_\_\_\_\_

By submitting a bid, any bidder makes the representation that it understands Bond Counsel represents the City in the Bond transaction and, if such bidder has retained Bond Counsel in an unrelated matter, such bidder represents that the signatory to the bid is duly authorized to, and does, consent to and waive for and on behalf of such bidder any conflict of interest of Bond Counsel arising from any adverse position to the City in this matter; such consent and waiver shall supersede any formalities otherwise required in any separate understandings, guidelines or contractual arrangements between the bidder and Bond Counsel.

This proposal is subject to all terms and conditions contained in the Notice of Bond Sale, and if the undersigned is the successful bidder, the undersigned will comply with all of the provisions contained in the Notice of Bond Sale. The acceptance of this proposal by the City shall

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\*\* Last year to be maturity for term bonds.

constitute a contract between the City and the successful bidder for purposes of complying with Rule 15c2-12 of the Securities and Exchange Commission.

The undersigned either agrees to provide a Funds Wire Transfer of \$\_\_\_\_\_ by 2:00 p.m., Central Standard Time, on September 12, 2018, if designated by the City as the successful bidder, or a cashier's or certified check in that amount payable to the order of the City of Owensboro, Kentucky accompanies this proposal as an evidence of good faith.

- ☐ By checking this box, the bidder is electing and agreeing to hold the offering price for the Bonds, as described under "*Establishment of Issue Price*" in the Notice of Bond Sale.



Submitted by the Following Firm as Account Manager:

Firm Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Phone: \_\_\_\_\_

Fax: \_\_\_\_\_

E-mail Address: \_\_\_\_\_

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

Authorized Signature

In Association with the Following Account Members:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

#### ACCEPTANCE

Pursuant to action duly taken by the Board of Commissioners of the City of Owensboro, Kentucky, the above proposal is hereby accepted this 12th day of September, 2018.

CITY OF OWENSBORO, KENTUCKY

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

Mayor,  
City of Owensboro

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

Interim General Manager,  
Owensboro Municipal Utilities

**PRELIMINARY OFFICIAL STATEMENT, DATED SEPTEMBER \_\_, 2018**

**NEW ISSUE  
BOOK-ENTRY ONLY**

**RATING:  
MOODY'S INVESTORS SERVICE: "\_\_\_"  
See "MISCELLANEOUS - BOND RATING" herein**

Subject to compliance by the City and the Utility Commission with certain covenants, in the opinion of Chapman and Cutler LLP, Chicago, Illinois ("*Bond Counsel*"), under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Bond Counsel is also of the opinion that, under existing laws of the Commonwealth of Kentucky (the "*Commonwealth*"), the Bonds are exempt from ad valorem taxation and interest on the Bonds is exempt from present Commonwealth income taxes. See "TAX EXEMPTION" herein for a more complete discussion.

**\$63,510,000\***  
**CITY OF OWENSBORO, KENTUCKY**  
**Water Revenue Refunding and Improvement Bonds, Series 2018**

**Dated: Date of Issuance**

**Due: September 15, as further described on the inside cover page**

The Water Revenue Refunding and Improvement Bonds, Series 2018 (the "*Bonds*") of the City of Owensboro, Kentucky (the "*City*"), are issuable only as fully-registered bonds, without coupons, and when issued will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("*DTC*"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form in the denominations of \$5,000 or any integral multiple thereof. Purchasers of the Bonds (the "*Beneficial Owners*") will not receive certificates representing their interests in the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Bonds. See "THE BONDS—Book-Entry Only System" herein.

Interest on the Bonds will be payable semiannually on March 15 and September 15 of each year beginning on March 15, 2019. So long as DTC or its nominee, Cede & Co., is the Bondholder, such payments will be made by U.S. Bank National Association, Louisville, Kentucky, as paying agent and registrar (the "*Paying Agent*") directly to such Bondholder. Disbursement of such payments to the DTC Participants is the responsibility of DTC. Distribution of such payments to Beneficial Owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein.

The Bonds are being issued on a parity with the City's outstanding Water Revenue Refunding and Improvement Bonds, Series 2014, Water Revenue Improvement Bonds, Series 2015, Water Revenue Refunding Bonds, Series 2016 and any other parity bonds that may be issued in the future. The Bonds and the interest thereon are payable solely from the revenues derived by the City from the operation of its water supply system (the "*System*"), all as described herein. The Bonds are limited obligations of the City and do not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation.

Proceeds of the Bonds will be used to (a) refund certain of the City's outstanding bonds, (b) finance various capital expenditures to the System, (c) fully fund the Bond Reserve Account (as defined herein), and (d) pay costs associated with the issuance of the Bonds.

The Bonds are subject to redemption prior to maturity as described herein under the caption "THE BONDS—Optional Redemption" and "—Mandatory Redemption."

*The Bonds are offered when, as and if issued by the City and accepted by the Underwriter, subject to prior placement, withdrawal or modification of the offer without notice and subject to the approval of their validity by Bond Counsel, and subject to certain other conditions. Chapman and Cutler LLP, Chicago, Illinois, will also act as Disclosure Counsel to the City. Certain legal matters have been passed on for Owensboro Municipal Utilities by its counsel, Kamuf, Pace and Kamuf, Owensboro, Kentucky. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about September 27, 2018.*

The date of this Official Statement is September \_\_, 2018.

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\*Preliminary, subject to change.

**\$63,510,000\***  
**CITY OF OWENSBORO, KENTUCKY**  
**Water Revenue Refunding and Improvement Bonds**  
**Series 2018**

**MATURITY SCHEDULE**  
**Base CUSIP: 691106**

MATURITY SEPTEMBER 15	PRINCIPAL AMOUNT*	INTEREST RATE	YIELD	PRICE	CUSIP <sup>(1)</sup>
2019	\$ 980,000				
2020	1,010,000				
2021	1,055,000				
2022	1,100,000				
2023	1,140,000				
2024	1,425,000				
2025	1,480,000				
2026	1,545,000				
2027	1,605,000				
2028	1,665,000				
2029	1,735,000				
2030	1,810,000				
2031	1,880,000				
2032	1,950,000				
2033	2,025,000				
2034	2,095,000				
2035	2,165,000				
2036	960,000				
2037	995,000				
2038	1,035,000				
2039	1,075,000				
2040	1,115,000				
2041	3,425,000				
2042	3,565,000				
2043	3,715,000				
2044	3,865,000				
2045	4,020,000				
2046	4,185,000				
2047	4,355,000				
2048	4,535,000				

**Note:** After bids are received on the sale date, the City may in its discretion revise the principal amount of the Bonds; *provided*, that the principal amount of the Bonds shall not be increased or decreased by an amount in excess of 10%. The Underwriter's Discount shall be held constant on a per bond basis for any par revisions.

\* Preliminary, subject to change.

(1) CUSIP data herein is provided by the CUSIP Global Services, managed on behalf of the American Bankers Association by S&P Capital IQ, a part of McGraw-Hill Companies Financial. No representations are made as to the correctness of the CUSIP numbers. These CUSIP numbers are subject to change after the issuance of the Bonds.

No dealer, broker, salesman or other person has been authorized by the City or \_\_\_\_\_, \_\_\_\_\_ (the “Underwriter”), to give any information or to make any representations other than those contained in this Official Statement in connection with the offering described herein and if given or made, such other information or representations must not be relied upon as statements having been authorized by the City, the Underwriter or any other entity. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds, nor shall there be any offer to sell or solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. This Official Statement is submitted in connection with the sale of the securities described in it and may not be reproduced or used, in whole or in part, for any other purposes.

Unless otherwise indicated, the City is the source of all tables and statistical and financial information contained in this Official Statement. The information contained in this Official Statement concerning DTC has been obtained from DTC. The other information set forth herein has been furnished by the City or from other sources believed to be reliable. The information and opinions expressed herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date of this Official Statement.

This Official Statement should be considered in its entirety and no one factor considered more or less important than any other by reason of its position in this Official Statement. Where statutes, reports or other documents are referred to herein, reference should be made to such statutes, reports or other documents for more complete information regarding the rights and obligations of parties thereto, facts and opinions contained therein and the subject matter thereof.

Any statements made in this Official Statement, including the Exhibits and Appendices, involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such estimates will be realized. This Official Statement contains certain forward-looking statements and information that are based on the City’s beliefs as well as assumptions made by and information currently available to the City. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein and is “deemed final” by the City as of the date hereof (or of the date of any supplement or correction) except for the omission of certain information permitted to be omitted pursuant to such Rule.

**IN CONNECTION WITH THE OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**BOARD OF COMMISSIONERS  
OF  
CITY OF OWENSBORO, KENTUCKY**

Tom Watson, Mayor  
Bob Glenn, Mayor Pro Tem  
Pam Smith-Wright, Commissioner  
Larry Conder, Commissioner  
Jay Velotta, Commissioner  
Nate Pagan, City Manager  
Beth Cecil, City Clerk

**BOARD OF COMMISSIONERS OF  
CITY UTILITY COMMISSION  
OWENSBORO MUNICIPAL UTILITIES**

James A. Fulkerson, Chairman  
Tony Cecil, Vice Chairman  
Ted Lolley, Secretary  
Paul Martin  
Dr. Tom Maddox

**MANAGEMENT OF  
OWENSBORO MUNICIPAL UTILITIES**

**INTERIM GENERAL MANAGER**  
Kevin D. Frizzell

**ACTING DIRECTOR OF PRODUCTION**  
Brad Howton

**DIRECTOR**  
**FINANCE AND ACCOUNTING**  
J. Lynn Holland

**DIRECTOR OF DELIVERY**  
Tim Lyons

**ACTING DIRECTOR OF POWER MARKETING**  
David Blank

**DIRECTOR OF CUSTOMER AND SHARED  
SERVICES**  
Michael Moore

**SUPERINTENDENT OF TELECOMMUNICATIONS**  
Christopher Poynter

**INDEPENDENT AUDITOR**  
Riney Hancock CPAs PSC  
Owensboro, Kentucky

**COUNSEL TO CITY UTILITY COMMISSION**  
Kamuf, Pace and Kamuf  
Owensboro, Kentucky

**BOND AND DISCLOSURE COUNSEL**  
Chapman and Cutler LLP  
Chicago, Illinois

**FINANCIAL ADVISOR**  
Stifel, Nicolaus & Company, Incorporated  
St. Louis, Missouri

**UNDERWRITER**

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APPENDIX A:	Audited Financial Statements for OMU for Fiscal Years Ended May 31, 2016, and 2017 and Draft Audited Financial Statements for the System for Fiscal Years Ended May 31, 2017, and 2018
APPENDIX B:	Form of Bond Counsel Opinion
APPENDIX C:	Form of Continuing Disclosure Undertaking
APPENDIX D:	Notice of Bond Sale and Bid Form



## OFFICIAL STATEMENT

**\$63,510,000\***

**CITY OF OWENSBORO, KENTUCKY  
WATER REVENUE REFUNDING AND IMPROVEMENT BONDS  
SERIES 2018**

### INTRODUCTION

The following introductory information is subject in all aspects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and appendices, should be considered in its entirety. The offering of the Bonds to potential investors is made only by means of the Official Statement.

This Official Statement, including the cover page and Appendices hereto (the “*Official Statement*”), is furnished to prospective purchasers in connection with the sale and delivery of \$63,510,000\* aggregate principal amount of Water Revenue Refunding and Improvement Bonds, Series 2018 (the “*Bonds*”), by the City of Owensboro, Kentucky (the “*City*”).

Certain capitalized terms used in this Official Statement, unless otherwise defined elsewhere herein, are defined under “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Certain Definitions.”

This Official Statement contains “forward-looking statements” that are based upon the City’s current expectations and its projections about future events. When used in this Official Statement, the words “project,” “estimate,” “intend,” “expect,” “scheduled,” “pro-forma” and similar words identify forward-looking statements. Forward-looking statements are subject to known and unknown risks, uncertainties and factors that are outside of the control of the City. Actual results could differ materially from those contemplated by the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Neither the City nor any other party plans to issue any updates or revisions to these forward-looking statements based on future events.

### THE BONDS

#### AUTHORIZATION

The Bonds are being issued by the City pursuant to an ordinance as supplemented by a bond order (together, the “*Bond Ordinance*”) adopted by the Board of Commissioners (the “*Board*”) of the City on the 21st day of August, 2018, pursuant to authority given to the City in

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\* Preliminary, subject to change.

the Statutes of the Commonwealth of Kentucky (the "*Commonwealth*"), including among others, Section 96.350 to 96.510, inclusive, and Sections 58.010 to 58.140, inclusive, all of the Kentucky Revised Statutes (the "*Act*"). The Bonds are issued on a parity with the City's outstanding Water Revenue Refunding and Improvement Bonds, Series 2014 (the "*Series 2014 Bonds*"), Water Revenue Improvement Bonds, Series 2015 (the "*Series 2015 Bonds*") and Water Revenue Refunding Bonds, Series 2016 (the "*Series 2016 Bonds*" and, together with the Series 2014 Bonds and the Series 2015 Bonds, the "*Currently Outstanding Bonds*"), and any other Parity Bonds that may be issued in the future. The Bonds are being issued for the purpose of (i) financing various capital expenditures to the System, including (a) construction of approximately 14,250 feet of new 36 inch finished water transmission main from the Cavin Water Treatment Plant (the "*Cavin Plant*") to tie into the existing distribution system and approximately 10,100 feet of new 8 inch waste sludge lines from the Cavin Plant to OMU's existing sludge lagoons, (b) expansion of the capacity of the Cavin Plant by construction of two new 10 MGD treatment trains at the Cavin Plant including a new 2.5 million gallon clearwell, (c) miscellaneous improvements and modifications to the existing facilities at the Cavin Plant to accommodate the construction and operation of the two new 10 MGD treatment trains and (d) miscellaneous improvements, repairs and replacements throughout the System (collectively, the "*Project*"); (ii) refunding the City's outstanding Water Revenue Refunding and Improvement Bonds, Series 2009 (the "*Series 2009 Bonds*"); (iii) fully funding the Bond Reserve Account; and (iv) paying the costs of issuance for the Bonds. See the section herein captioned "PLAN OF FINANCE."

All capitalized terms used herein and not yet defined shall have the meanings ascribed to such terms under "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE."

#### SECURITY FOR THE BONDS

The Bonds are payable solely from the Revenues derived from the operation of the System, and are secured ratably and equally with the Currently Outstanding Bonds and such additional Parity Bonds as may be issued in the future. From and after the delivery of the Bonds, there shall be deposited to the Sinking Fund of the Water Revenue Fund of the City, and held, in cash and investments, a fractional amount of the interest becoming due on the next succeeding interest payment date on the Bonds and the Currently Outstanding Bonds and also a fractional amount of the principal becoming due or subject to mandatory redemption on the next succeeding principal maturity or mandatory redemption date of Bonds and Currently Outstanding Bonds until there shall have been accumulated and held, in cash and investments, in said Sinking Fund in or before the month preceding such maturity date of interest or maturity or mandatory redemption date of principal, an amount sufficient to pay such principal or interest, or both. In computing the fractional amount to be set aside each month in said Sinking Fund, the fraction shall be so computed that a sufficient amount will be set aside in said Sinking Fund and will be available for the prompt payment of such principal of and interest on all Bonds and Currently Outstanding Bonds and shall be not less than 1/6th of the interest becoming due on the next succeeding interest payment date and not less than 1/12th of the principal becoming due or subject to mandatory redemption on the next succeeding principal payment or mandatory redemption date on all Bonds and Currently Outstanding Bonds until there is sufficient money in said Fund to pay such principal or interest, or both. Credits to said Sinking Fund may be

suspended in any relevant Bond Year at such time as there shall be a sufficient sum, held in cash and investments, in said Sinking Fund to meet principal and interest requirements in said Sinking Fund for the balance of such Bond Year, but such credits shall again be resumed at the beginning of the next Bond Year. All moneys in said Sinking Fund shall be used only for the purpose of paying interest on and principal of Bonds as set forth in the section entitled “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE” herein. The Bonds are further secured by the Bond Reserve Account, as further described in the section entitled “BOND RESERVE ACCOUNT” below.

The issuance of the Bonds as parity bonds is permitted under the ordinances authorizing the Currently Outstanding Bonds. Compliance with the parity test is evidenced by the report of Burns & McDonnell, Kansas City, Missouri, as consulting engineers (the “*Consulting Engineer’s Report*”). The Consulting Engineer’s Report demonstrates that the Adjusted Net Revenues of the System equal not less than 110% of Maximum Annual Debt Service in each Fiscal Year for all Outstanding Bonds as computed immediately after the issuance of the Bonds. The projected Adjusted Net Revenues through the fiscal years ending May 31, 2023, are set forth in the coverage table herein under “THE SYSTEM—Summary of Revenues and Expenses and Debt Service Coverage.” Thereafter, the Consulting Engineer’s Report demonstrates that the annual debt service coverage is no less than 1.10 in any year through the last maturity of the Bonds.

#### BOND RESERVE ACCOUNT

A Bond Reserve Account is established by the City in the Bond Ordinance and amounts therein shall be used at any time when there are insufficient funds available within the Sinking Fund (as described under “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Flow of Funds”) to pay debt service on the Outstanding Bonds (as hereinafter defined). On the date of issuance of the Bonds, the amount on deposit in the Bond Reserve Account will be not less than \$\_\_\_\_\_ (the “*Reserve Requirement*”). The Reserve Requirement is an amount equal to the Maximum Annual Debt Service (as hereinafter defined) on all Outstanding Bonds. In the event of a withdrawal from the Bond Reserve Account resulting in the amount on deposit to the credit thereof being less than the Reserve Requirement, the City shall replenish the Bond Reserve Account to the required amount at the rate of 1/60th of the Reserve Requirement each month. See also “SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE—Flow of Funds” herein.

#### DESCRIPTION

The Bonds will be issued in the principal amount of \$63,510,000\*, will be dated the date of issuance thereof, and will consist of fully registered bonds without coupons in the denomination of \$5,000 or any integral multiple thereof. The Bonds will mature on September 15 in the years and in the principal amounts set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semiannually on March 15 and

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\* Preliminary, subject to change.

September 15 in each year, beginning on March 15, 2019 (each, an “*Interest Payment Date*”). Principal is payable at the office maintained for the purpose of U.S. Bank National Association, Louisville, Kentucky, paying agent (the “*Bond Registrar*” and the “*Paying Agent*”). Interest shall be paid to the person appearing as the registered owner thereof at the close of business on the “*Record Date*” for such interest by check or draft mailed by the Paying Agent to the Registered Owner at the address shown on the registration books kept by the Bond Registrar or at such other address as is furnished to the Bond Registrar in writing by such Registered Owner. The Record Date shall be the first day of the month preceding any regular interest payment date or a redemption on the 15th day of any month and the 15th day preceding any other interest payment date which may be occasioned by a redemption of Bonds on a day other than the 15th day of any month. Cross-reference is made to the discussion under the caption “*Book-Entry Only System*.”

#### OPTIONAL REDEMPTION

Bonds maturing on and after September 15, 2028, are subject to redemption prior to maturity in whole or in part, and if in part, in such order of maturities as shall be selected by the City acting through its Utility Commission (the “*Utility Commission*”), and if less than an entire maturity, in integral multiples of \$5,000, selected by lot, on September 15, 2027, and on any date thereafter, at the redemption price of 100% of the principal amount redeemed, plus accrued interest to the redemption date.

#### MANDATORY REDEMPTION

Bonds maturing on the dates set forth below are Term Bonds subject to mandatory redemption by operation of the Sinking Fund and are subject to respective mandatory sinking fund redemption requirements prior to maturity in the following principal amounts on September 15 of the respective years at the redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, as follows:

SEPTEMBER 15, 20__	
20__	\$
20__	
20__	**

---

\*\* Final maturity

#### NOTICE OF REDEMPTION

In the event of any such redemption, the Bond Registrar will give written notice of the City’s intention to redeem and pay said Bonds or any of them by first class mail to the registered owner of each Bond to be redeemed at the address shown on the Bond Register. Each of said notices are to be mailed at least 30 days but not more than 60 days prior to the redemption date.

## REDEMPTION PROCEDURES

With respect to an optional redemption of any Bond or Bonds, unless moneys sufficient to pay the redemption price of and interest on the Bonds to be redeemed shall have been received by the Bond Registrar prior to the giving of the notice of redemption, such notice may, at the option of the City, state that such redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption shall have been given, that such moneys were not so received and that such Bonds will not be redeemed.

The Bond Registrar shall proceed to redeem Term Bonds subject to mandatory redemption without further order or direction from the City whatsoever. For an optional redemption, the City shall, at least 45 days prior to a redemption date (unless a shorter time period shall be satisfactory to the Bond Registrar), notify the Bond Registrar of such redemption date and of the maturities and principal amounts of Bonds to be redeemed. For purposes of any redemption of less than all of the Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot not more than 60 days prior to the redemption date by the Bond Registrar for the Bonds of such maturity by such method of lottery as the Bond Registrar shall deem fair and appropriate; provided, that such lottery shall provide for the selection for redemption of Bonds or portions thereof so that any \$5,000 Bond or \$5,000 portion of a Bond shall be as likely to be called for redemption as any other such \$5,000 Bond or \$5,000 portion. The Bond Registrar shall promptly notify the City in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed. Unless waived by the registered owner of Bonds to be redeemed, official notice of any such redemption shall be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first class mail not less than 30 days and not more than 60 days prior to the date fixed for redemption to each registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such registered owner to the Bond Registrar. All official notices of redemption shall include the name of the Bonds and at least the information as follows:

- (a) the redemption date;
- (b) the redemption price;
- (c) if less than all of the outstanding Bonds of a particular maturity are to be redeemed, the identification (and, in the case of partial redemption of Bonds within such maturity, the respective principal amounts) of the Bonds to be redeemed;
- (d) a statement that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and

(e) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the office of the Bond Registrar maintained for the purpose.

For an optional redemption, unless moneys sufficient to pay the redemption price and interest on the Bonds to be redeemed shall have been received by the Bond Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption shall be conditional upon the receipt of such moneys by the Bond Registrar on or prior to the date fixed for redemption. If such moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Bonds, and the Bond Registrar shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not so received and that such Bonds will not be redeemed. Official notice of redemption having been given as described, the Bonds or portions of Bonds so to be redeemed shall, subject to the provision for conditional redemption as stated above, become due and payable on the redemption date at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price), such Bonds or portions of Bonds shall cease to bear interest. Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner of a Bond, shall affect the sufficiency of such notice with respect to other registered owners. Notice having been properly given, failure of a registered owner of a Bond to receive such notice shall not be deemed to invalidate, limit or delay the effect of the notice or redemption action described in the notice. Such notice may be waived in writing by a registered owner of a Bond entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by registered owners shall be filed with the Bond Registrar, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. In lieu of the foregoing notice, so long as the Bonds are held in Book Entry Form, notice may be given as provided in the Letter of Representations, and the giving of such notice shall constitute a waiver by the Depository and its Nominee, as registered owner, of the foregoing notice. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. The procedure for the payment of interest due as part of the redemption price shall be as herein provided for payment of interest otherwise due. Upon surrender for any partial redemption of any Bond, there shall be prepared for the registered owner a new Bond or Bonds of like tenor, of authorized denominations, of the same maturity, and bearing the same rate of interest in the amount of the unpaid principal. If any Bond or portion of Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid or duly provided for, bear interest from the redemption date at the rate borne by the Bond or portion of Bond so called for redemption. All Bonds which have been redeemed shall be cancelled and destroyed by the Bond Registrar and shall not be reissued. Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. As part of its duties hereunder, the Bond Registrar shall prepare and forward to the City a statement as to notices given with respect to each redemption together with copies of the notices as mailed and published.

## REGISTRATION, TRANSFER AND EXCHANGE

The Bond Registrar will maintain a Bond Register for the registration, transfer and exchange of the Bonds. Bonds may be transferred or exchanged only on the Bond Register maintained by the Bond Registrar upon compliance with the terms, conditions and limitations set forth in the Bond Ordinance and upon payment of any tax, fee or other governmental charge required to be paid with respect to any such registration, transfer or exchange.

## BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, 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 Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of



redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC, and the City takes no responsibility for the accuracy thereof.

The City will have no responsibility or obligation to any Securities Depository, any Participants in the Book-Entry System or the Beneficial Owners with respect to (a) the accuracy of any records maintained by the Securities Depository or any Participant; (b) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount or redemption price of, or interest on, any Bonds; (c) the delivery of any notice by the Securities Depository or any Participant; (d) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (e) any other action taken by the Securities Depository or any Participant.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

#### REGISTRATION, TRANSFER AND EXCHANGE OF BONDS UPON DISCONTINUANCE OF BOOK-ENTRY ONLY SYSTEM

The Paying Agent will keep or cause to be kept the Bond Register at its principal payment office or such other office designated by the Paying Agent. Upon surrender of any Bond at the principal payment office of the Paying Agent, the Paying Agent shall transfer or exchange Bonds as provided in the Resolution.

Any Bond may be transferred upon the Bond Register by the person in whose name it is registered and shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying

Agent, duly executed by the Registered Owner thereof or by the Registered Owner's duly authorized agent. The Owner requesting such transfer or exchange will be required to pay any additional costs or fees that might be incurred in the secondary market with respect to such exchange. No transfer or exchange of any Bond shall be required of the City and the Paying Agent after such Bond has been called for redemption after notice of such redemption has been mailed. In the event any Registered Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

#### **SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE**

The following is a summary of certain terms and provisions of the Bond Ordinance. The statements contained herein do not purport to be complete and this summary is qualified in its entirety by reference to the Bond Ordinance, copies of which may be obtained from the City.

Certain series of the Currently Outstanding Bonds may have more restrictive covenants applicable to such series due to covenants made with municipal bond insurance providers. In addition, with respect to the Currently Outstanding Bonds, Bondholders rights in the event of default of such series may be ceded to the respective bond insurer so long as the insurer is not in default (*i.e.*, has been making payment on such bonds).

References are made throughout this summary to the City, although in many provisions, it is the City acting through its Utility Commission.

#### **CERTAIN DEFINITIONS**

Set forth below are certain definitions of certain terms used herein. Other capitalized terms used herein are as defined in the Official Statement or the Bond Ordinance.

*"Bond Year"* for a series of bonds means a twelve-month period beginning the day after principal of Outstanding Bonds of any series are annually to become due (such day of the year being the *initial date*) and ending on the day preceding the next initial date; *e.g.*, for bonds with principal due on September 15 of various years, the Bond Year would be September 16 of a given year through September 15 of the next year.

*"Fiscal Year"* means a twelve-month period beginning June 1 of a given year and ending on May 31 of the following year, or such other fiscal year as the Utility Commission may select.

*"Maximum Annual Debt Service"* means an amount of money equal to the highest future principal and interest requirement of all Outstanding Bonds required to be deposited into the Sinking Fund established by the Bond Ordinance in any Fiscal Year, including and subsequent to the Bond Year in which the computation is made; *and, provided*, that any Outstanding Bonds required to be redeemed pursuant to mandatory redemption from said Sinking Fund shall be treated as falling due on the date required to be redeemed (except in the case of failure to make any such mandatory redemption) and not on the stated maturity date of such Outstanding Bonds.

*“Net Revenues”* means Revenues minus Operation and Maintenance Costs.

*“Operation and Maintenance Costs”* means all costs of operating, maintaining and routine repair of the System, including wages, salaries, costs of materials and supplies, taxes, power, fuel, insurance, purchase of water services (including all payments by the City pursuant to long term contracts for such services to the extent provided in such contracts); but excluding debt service, depreciation, or any reserve requirements; and otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

*“Outstanding Bonds”* means the Currently Outstanding Bonds, the Bonds and Parity Bonds which are outstanding and unpaid; *provided, however*, such term shall not include any such Bonds or Parity Bonds (i) which have matured and for which moneys are on deposit with proper paying agents, or are otherwise properly available, sufficient to pay all principal thereof and interest thereon, or (ii) the provision for payment of which has been made by the City by the deposit in an irrevocable trust or escrow of funds, which may be invested in Defeasance Obligations, the principal of and interest on which will be sufficient, with any funds left uninvested, to pay at maturity or as called for redemption all the principal of and interest on such Bonds or Parity Bonds.

*“Parity Bonds”* means a bond or bonds or any other obligation to be issued subsequent in time to the Bonds and which will share ratably and equally in the earnings of the System with the Outstanding Bonds.

*“Reserve Requirement”* means an amount equal to the Maximum Annual Debt Service.

*“Revenues”* means all gross revenues or income from whatever source derived from the System, including (i) investment income; (ii) connection, permit and inspection fees and the like; (iii) penalties and delinquency charges; (iv) capital development, reimbursement, or recovery charges and the like; (v) annexation or pre-annexation charges insofar as designated by the Board as paid for System connection or service; but excluding expressly (a) non-recurring income from the sale of property of the System; (b) governmental or other grants; (c) advances or grants made from the City; and as otherwise determined in accordance with generally accepted accounting principles for municipal enterprise funds.

*“System”* means the complete waterworks and facilities of the City within and without the corporate limits of the City, and all waterworks properties of every nature hereafter owned and operated by the City, including all extensions and improvements made by the City while any of the Bonds remain Outstanding Bonds as defined, and including but not limited to all real and personal property of every nature comprising part of or used or useful in connection with the waterworks system, and including all appurtenances, contracts, leases, franchises and other intangibles.

*“Tax-exempt”* means, with respect to the Bonds, the status of interest paid and received thereon as excludable from gross income of the owners thereof for federal income tax purposes and as not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code.

*“Term Bonds”* means Bonds subject to mandatory redemption by operation of the Sinking Fund.

*“Utility Commission”* means the Utility Commission of the City.

*“Water Fund”* means the “Water Revenue Fund of the City of Owensboro.”

#### REGISTRATION OF BONDS; PERSONS TREATED AS OWNERS

The City shall cause books (the Bond Register) for the registration and for the transfer of the Bonds as provided in the Bond Ordinance to be kept at the office of the Bond Registrar maintained for the purpose. The City is authorized to prepare, and the Bond Registrar shall keep custody of, multiple Bond blanks executed by the City for use in the transfer and exchange of Bonds. Any Bond may be transferred or exchanged in the manner set forth in the Bond Ordinance. Upon surrender for transfer or exchange of any Bond, the City shall execute and the Bond Registrar shall authenticate, date and deliver a new fully registered Bond or Bonds of like tenor, of the same maturity, bearing the same interest rate, of authorized denominations, for a like aggregate principal amount. The Bond Registrar shall not be required to transfer or exchange any Bond during the period from the close of business on the Record Date for an interest payment to the opening of business on such interest payment date or during the period of 15 days preceding the giving of notice of redemption of Bonds or to transfer or exchange any Bond all or a portion of which has been called for redemption. The execution by the City of any fully registered Bond shall constitute full and due authorization of such Bond, and the Bond Registrar shall thereby be authorized to authenticate, date and deliver such Bond. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of the principal or redemption price of or interest on any Bond shall be made only to or upon the order of the registered owner thereof or said owner's legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. No service charge shall be made for any transfer or exchange of Bonds, but the City or the Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds except in the case of the issuance of a Bond or Bonds for the unredeemed portion of a Bond surrendered for redemption.

#### BONDS LIMITED OBLIGATIONS

The Bonds shall be payable solely from the Revenues as derived from the operation of the System, and shall not constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation.

#### FLOW OF FUNDS

From and after the delivery of any Bonds, the Revenues shall be set aside into the Water Revenue Fund and used and apportioned each month as follows:

A. *Sinking Fund.* There shall be deposited to the Sinking Fund a fractional amount of the interest becoming due on the next succeeding interest payment date on Outstanding Bonds and also a fractional amount of the principal becoming due or subject to mandatory redemption on the next succeeding principal maturity or mandatory redemption date of Outstanding Bonds until there shall have been accumulated and held in the Sinking Fund an amount sufficient to pay such principal or interest, or both. The fraction shall be so computed that a sufficient amount will be set aside in said Fund and will be available for the prompt payment of such principal of and interest on all Outstanding Bonds and shall be not less than 1/6th of the interest becoming due on the next succeeding interest payment date and not less than 1/12th of the principal becoming due or subject to mandatory redemption on the next succeeding principal payment or mandatory redemption date on all Outstanding Bonds until there is sufficient money in said Fund to pay such principal or interest, or both. If different series of Outstanding Bonds have different Bond Years, the requirement of depositing 1/6th of interest and 1/12th of principal shall be applied separately with respect to each series. Credits to the Sinking Fund may be suspended in any relevant Bond Year at such time as there shall be a sufficient sum in said Fund to meet principal and interest requirements for the balance of such Bond Year, but such credits shall again be resumed at the beginning of the next Bond Year. All moneys in said Fund ("*Bond Moneys*") shall be used only for the purpose of paying interest on and principal of Outstanding Bonds as follows:

(1) Bond Moneys shall be applied to the payment of interest when due and principal or redemption price when due at maturity or as redeemed pursuant to mandatory redemption from the Bond and Interest Account, or

(2) On or before 65 days preceding any mandatory redemption date, Bond Moneys up to the amount of the redemption requirement on such mandatory redemption date plus interest due on related Term Bonds on such date may be applied (a) to the purchase of Term Bonds of the maturity for which such mandatory redemption requirement was established at prices (including commissions and charges, if any) not exceeding par and accrued interest to such mandatory redemption date or (b) to the redemption of such Bonds, without premium, pursuant to optional redemption provisions applicable thereto. Upon the purchase or redemption of Term Bonds of any maturity, an amount equal to the principal amount of such Bonds shall be deducted from such mandatory redemption requirement thereafter to become due on such Bonds and any excess over the amount of such requirement shall be deducted from the future requirement for such Bonds as the City shall determine.

B. *Bond Reserve Account.* A Bond Reserve Account within the Sinking Fund is established. At the time of the delivery of any Bonds, there shall be deposited to the credit of the Bond Reserve Account an amount equal to the Reserve Requirement. The Bond Reserve Account shall be maintained in said amount. In the event of a withdrawal from the Bond Reserve Account resulting in the amount on deposit to the credit thereof being less than the required amount, the City covenants to replenish the Bond Reserve Account to the required amount at the rate of 1/60th of the Reserve Requirement each

month. In the event Parity Bonds are issued, the City will accumulate to the credit of the Bond Reserve Account the amount of the Reserve Requirement at the rate of such amount per month such that in not less than 60 months after delivery and with credits each month in the amount of not less than 1/60th of the difference between Reserve Requirement and the amount on deposit to the credit of this Account at the time of such delivery. Amounts to the credit of the Bond Reserve Account shall be used to pay principal of or interest on the Outstanding Bonds at any time when there are insufficient funds available within the Sinking Fund to pay the same.

*Credit Facility within the Bond Reserve Account.* The City, acting by and through the Utility Commission, may satisfy all or a portion of the Reserve Requirement in the Bond Reserve Account by causing to be so credited to the Bond Reserve Account a surety bond, a line of credit, an insurance policy or a letter of credit (a “*Credit Facility*”) in an amount which together with other moneys on deposit in such Bond Reserve Account is equal to the Reserve Requirement (or such lesser proportional amount prior to the date the full Reserve Requirement is met). In the event the Bond Reserve Account is funded with both moneys and a Credit Facility, any withdrawals from such Bond Reserve Account pursuant to the provisions of the Bond Ordinance shall be made first from such moneys (or the liquidation of investments made therewith) and second from such Credit Facility. The Credit Facility shall be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Bond Reserve Account and applied to the payment of the principal of or interest on the Outstanding Bonds, the Bonds and Parity Bonds for which payments cannot be made by amounts credited to the Sinking Fund. The insurer providing such surety bond, line of credit or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by any two of the three most widely used municipal ratings agencies (currently known as Standard & Poor’s Global Ratings, Fitch Ratings, and Moody’s Investors Service). The letter of credit issuer shall be a bank or trust company, acceptable to any municipal bond insurance company which has insured a series of Bonds or Parity Bonds, and which is rated not lower than the second highest rating category by any two such agencies, and the letter of credit itself shall be rated in the highest category of either such rating agency. The insurance policy, line of credit or surety bond must extend for the life of the Bonds and Parity Bonds and must be unconditional and irrevocable. If a disbursement is made pursuant to a Credit Facility provided pursuant to this paragraph, the City, acting by and through the Utility Commission, shall be obligated either (i) to reinstate the maximum limits of such Credit Facility, or (ii) to deposit into the Bond Reserve Account cash or securities in the amount of the disbursement made under such Credit Facility, or a combination of such alternatives, as shall provide that the amount credited equals the Reserve Requirement within a time period not longer than one (1) year. If a letter of credit is provided under the provisions of this paragraph, then not later than sixty (60) days prior to the expiration date of any said letter of credit, (a) the City, acting by and through the Utility Commission, shall obtain another letter of credit, or (b) the City, acting by and through the Utility Commission, shall draw upon the letter of credit in order to fund the Reserve Fund with cash, or (c) the City, acting by and through the Utility Commission, shall fully

fund the Bond Reserve Account with cash. The Utility Commission shall receive such opinions, including legal opinions, certificates and other documentation, as it shall deem appropriate, prior to receipt of any Credit Facility. If the issuer of a Credit Facility credited to the Bond Reserve Account shall cease to have a rating as described above in this, the City shall use reasonable efforts to replace such Credit Facility with one issued by an issuer having a rating so described, and shall pay, or commit to pay, any increased fees, expenses or interest in connection with such replacement or to deposit "available revenues" in the Bond Reserve Account in lieu of replacing such Credit Facility with another. "Available revenues" as used in this paragraph shall mean income and revenues of the System after provision has been made in any month for deposits in the Sinking Fund or other available cash from whatever source.

In the event a series of Outstanding Bonds, Bonds or Parity Bonds is insured by a municipal bond insurance company, such company may from time to time review the bank or trust company providing a letter of credit under the provisions of the Bond Ordinance and if, in such review, the company finds such bank or trust company to be unacceptable, then: (i) the City, acting by and through the Utility Commission, shall obtain another letter of credit within forty-five (45) days of a notice to such effect; or (ii) the City, acting by and through the Utility Commission, shall draw upon the letter of credit in order to fund the Bond Reserve Account with cash; or (iii) the City, acting by and through the Utility Commission, shall fund the Bond Reserve Account with cash over the next immediately following eleven (11) months in substantially equal monthly payments.

In the event the Bond Reserve Account has been funded with a Credit Facility and such instrument has been drawn upon, moneys available to repay such Credit Facility provider shall first be used to reinstate the Credit Facility to its original amount. Any interest or fees due to the Credit Facility provider, other than reinstatement, shall be subordinate to any amounts payable upon the Bonds or Parity Bonds.

In the event it is determined that a draw on the Credit Facility is necessary, a demand for payment thereon, in such form as may be provided by the reimbursement agreement between the Utility Commission and the provider of such Credit Facility, shall be given not less than three (3) days prior to the date on which funds are required.

In the event a Credit Facility is credited to the Bond Reserve Account resulting in the stated amount of such Credit Facility plus moneys and securities in the Bond Reserve Account to be in excess of the Reserve Requirement, such moneys and securities (less any costs of procuring the Credit Facility) in an amount not exceeding such excess may be transferred to the Renewals and Replacement Fund and pending expenditure shall be invested as permitted by the Bond Ordinance and as will not cause any of the Outstanding Bonds, Bonds or Parity Bonds to be arbitrage bonds as set forth in an opinion of counsel of national reputation in matters under Section 148 of the Code relating to arbitrage bonds.

C. *Operation and Maintenance Fund.* After making the prescribed monthly payments referred to in the preceding paragraphs (A) and (B), there shall next be set apart and paid out of the Water Revenue Fund into the Operation and Maintenance Fund an amount considered necessary and sufficient to pay the reasonable Operation and Maintenance Costs for the current month. In the event of a deficiency, further transfers may be made in like manner on any date to the extent necessary to pay the Operation and Maintenance Costs actually accrued and payable.

D. *Renewals and Replacement Fund.* After making the prescribed monthly payments into the several funds as prescribed in the preceding subparagraphs (A), (B) and (C), if there is a balance in the Water Revenue Fund in excess of the amount estimated to be in like manner transferred and paid into said special funds during the succeeding one month, there shall then be set apart and paid into the Renewals and Replacement Fund in each year not less than:

(1) a sum equal to 10% of the net operating profits (defined in this paragraph to mean gross revenues, excluding interest income, less current operating expenses including salaries, wages, cost of materials and supplies) of the System for the preceding fiscal year; or

(2) an amount equal to 1.25% of the gross book value of System property, plant and equipment at the end of the preceding fiscal year; or

(3) the sum of \$25,000;

whichever is greater, unless the current balance in the Renewals and Replacement Fund is greater than 1.25% of the gross book value of System property, plant and equipment as of the end of the preceding fiscal year, at which time deposits may cease until this test is no longer met. All accumulations in said fund shall be kept separate and apart from all other funds of the City and may be withdrawn solely and only for the purpose of paying the costs of renewals, replacements, maintenance and additions to the System, or at the option of the City, the fund may be used for the purpose of purchasing at market price any bonds which by their terms are payable from the Sinking Fund then outstanding, *provided*, that no such purchases of bonds shall be made by use of said fund to such extent as the balance remaining in such fund will be reduced to less than \$50,000. Said fund shall be regarded as a depreciation fund within the meaning of the Act.

E. *Water General Reserve Fund.* Whenever all specified and required transfer payments into the special funds hereinbefore provided have been made, any balance remaining shall be deposited each month into the Water General Reserve Fund, and moneys in said fund may be used for any lawful purpose related to the System.

#### RATE COVENANT

While the Bonds or any of them remain Outstanding Bonds as defined, the rates for all service rendered by the System to the City and to its citizens, corporations or other consumers,



shall be reasonable and just, taking into account and consideration the cost and value of the System and the cost of maintaining and operating the same, and the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of all bonds and the accruing interest on all such Bonds as may be Outstanding Bonds as defined. There shall be charged against all users of said System, including the City, such rates and amounts for water and water service (including fire hydrant rentals, if any) as shall be adequate to meet the requirements of the Bond Ordinance, including the funding of amounts to the Funds and Accounts described under "Flow of Funds," above. Compensation for services rendered to the City shall be charged against the City and payment for same from the corporate funds shall be apportioned as other income and revenues.

#### GENERAL COVENANTS

A. *Investments.* Moneys to the credit of the Water Fund prior to the monthly accounting and to the credit of the Operation and Maintenance Fund, the Renewals and Replacement Fund and the Water General Reserve Fund may be invested pursuant to any authorization granted to municipal corporations by Kentucky statute or court decision. Moneys to the credit of the Sinking Fund may be invested from time to time in (a) direct full faith and credit obligations of the United States of America, whether bonds, notes, bills or otherwise called (collectively referred to herein as "*Directs*"); (b) certificates of participation in a trust or trust receipts from a trust comprised solely of Directs; (c) shares in a money market or mutual fund comprised more than 95% at all times of Directs or agreements to repurchase such obligations; (d) obligations unconditionally guaranteed as to both principal and interest by the United States Government; (e) obligations which are tax-exempt under Section 103(a) of the Code but are not private activity bonds under Section 141(a) of the Code, if rated at the time of purchase "AA" or better by a nationally recognized ratings service for municipal bonds; (f) certificates of deposit or time deposits of any bank or trust company, *provided* such bank is insured by the Federal Deposit Insurance Corporation or a successor corporation to the Federal Deposit Insurance Corporation, and *provided further* that the principal of such deposits in excess of the insured amount is secured by a pledge of obligations as described in clauses (a), (b), (c) or (d) above in the full principal amount of such excess. Such investments must also be legal and proper investments for the City. Such investments may be sold from time to time as funds may be needed for the purpose for which the Accounts have been created. To the extent moneys in the Funds are held uninvested and on deposit in demand accounts, such amounts shall be added to the amount invested pursuant to clause (f) above, and the sum so derived subject to the limitations as set forth therein.

B. *Accounts Excesses.* Any amounts to the credit of the Funds in excess of the then current requirements therefor may be transferred by the City to such other Fund of the Water Fund as it may designate.

C. *Maintain System.* The City will maintain the System in good repair and working order, will operate the same efficiently and faithfully, and will punctually perform all duties with respect thereto required by the Constitution and laws of the Commonwealth of Kentucky and the United States.

D. *Rate Reductions.* The City further covenants and agrees that no schedule of rates and charges shall be reduced unless or until all payments into the special funds are current and there shall have been procured a statement by an independent engineer or firm of engineers approving such reduction in the schedule and stating that such revised schedule will produce revenues sufficient to provide for all expenses of operation, repair and maintenance of the System and leave a balance each year equal to at least 1.10 times the maximum amount of Principal Requirement and Interest Requirement in any succeeding Bond Year to pay, when due, all bonds and interest thereon for the payment of which such revenues have or shall have been pledged, charged or otherwise encumbered.

E. *Statutory Mortgage Lien; Enforcement Provisions; Receiver.* For the further protection of the owners of the Bonds a statutory mortgage lien upon the System is granted and created by Section 96.400 *et seq.* of the Kentucky Revised Statutes and shall take effect immediately upon the delivery of any Bonds. Any owner of the Bonds may protect the statutory mortgage lien hereby conferred and may enforce and compel performance by the City of all duties and obligations imposed or required by law or the Bond Ordinance in connection with the operation of the System, including the making and collecting of rates and segregation of the income and revenues. If there be any default in the payment of the principal of or interest on any of the Bonds then, upon the filing of suit by any owner of the Bonds, any court having jurisdiction of the action may appoint a receiver to administer the System on behalf of the City and the Utility Commission with power to charge and collect rates sufficient to provide for the payment of any bonds or obligations outstanding against the System, and for the payment of the operating expenses, and to apply the income and revenues in conformity with the Bond Ordinance and the provisions of said statute laws of Kentucky.

F. *Rules.* The Utility Commission will establish such rules and regulations for the control and operation of the System necessary for the efficient and economical operation thereof, and rates and charges shall be fixed and revised as may be necessary to provide funds sufficient for all purposes provided in the Bond Ordinance.

G. *Accounting.* The City will keep proper books and accounts (separate from all other records and accounts), in which complete entries shall be made of transactions relating to the System, and covenants that within 210 days following the close of each Fiscal Year it will cause the books and accounts of the System to be audited annually by independent certified public accountants. Each such audit, in addition to whatever matters may be thought proper by the accountants to be included therein, shall include the following:

1. A statement of the income and expenditures of the system for such Fiscal Year, and including credits to the various accounts.
2. A balance sheet as of the end of such Fiscal Year.
3. The accountant's comment regarding the manner in which the City has carried out the accounting requirements of the Bond Ordinance, and the accountant's recommendations for any changes or improvements in the operation of the System.

All expenses incurred in the making of the audit shall be regarded and paid as an Operation and Maintenance Cost.

H. *No Sale, Etc.* Except for the statutory mortgage lien, the City will not sell, lease, loan, mortgage, or dispose of or encumber the System (subject to the reserved right of the City to issue additional obligations); *provided, however*, that this covenant shall not prevent said City from disposing of any property which the City finds is no longer useful or profitable. The proceeds from the sale of any property shall be credited to the Renewals and Replacement Fund.

I. *Contract; Enforcement.* The provisions of the Bond Ordinance shall constitute a contract between the City and the holders and registered owners of the Bonds, and after the issuance of the Bonds, no changes, additions or alterations of any kind shall be made hereto, except as herein provided for amendments hereto.

J. *Insurance.* The City will carry insurance on the System of the kinds and in the amounts which are usually carried by private parties operating similar properties. Alternatively, the City shall self-insure or provide insurance by means of a self-insurance pool with other units of local government, *provided* that either private insurance is not available at a reasonable cost or the City or the pool shall have assets or shall have created a self-insurance reserve fund in an amount as shall be determined by the City to be not unreasonable in view of the risks insured.

#### PARITY BONDS

While any of the Bonds are Outstanding Bonds, the City will not issue any other bonds or obligations of any kind or nature having a pledge on the Revenues which is prior to the lien on the Revenues of the Bonds. No obligations or bonds of any kind shall be issued which are payable from the Revenues except upon compliance with one of the options (A) through (D) set out below.

A. Parity Bonds may be issued for the purpose of paying the cost of repairs, replacements, renewals, improvements and extensions to the System, for any lawful System purpose, or for refunding Outstanding Bonds upon compliance with the following conditions:

1. The Net Revenues of the System, as evidenced by the statement of an independent certified public accountant not in the regular employ of the City for twelve (12) consecutive months out of the preceding fifteen (15) months, given for the months ending in any one of the three (3) months prior to the month of the date of issuance of the proposed Parity Bonds or the Adjusted Net Revenues of the System for such period (as defined herein) must equal not less than 110% of Maximum Annual Debt Service in each Fiscal Year or in each Bond Year, as may be selected by the City in its discretion, for all Outstanding Bonds as computed immediately after the issuance of the proposed Parity Bonds; but only for those Fiscal Years or Bond Years, as may be applicable, in which the Outstanding Bonds immediately prior to any such issuance will continue to be Outstanding Bonds as provided herein.

2. Net Revenues may be adjusted to reflect any revision in the rates or charges being imposed at the time of the issuance of any additional Parity Bonds, and also to reflect any increase in such Revenues by reason of the extensions, improvements and betterments to the System, being paid through the issuance of such additional Parity Bonds, adjustments only being made if contracts for the construction or acquisition of such extensions and improvements have been or will be entered into prior to the issuance of the Parity Bonds. All such adjustments shall be based upon written certification by an independent consulting engineer or firm of consulting engineers, licensed in Kentucky and not employed by the City.

B. Parity Bonds may be issued to refund Outstanding Bonds if upon their issuance the principal and interest requirement for Outstanding Bonds will not be greater than such requirement for each such Fiscal Year calculated immediately prior to the issuance of such Parity Bonds.

C. Parity Bonds may be issued to refund Outstanding Bonds in order to avoid or remedy default in the payment of their principal or interest, but not earlier than three months prior to the due date of such principal or interest.

D. Bonds or any other obligations may be issued payable from the Revenues subordinate to the Outstanding Bonds. Such subordinate bonds shall be payable from or out of the Operation and Maintenance Fund, the Renewals and Replacement Fund, or the Water General Reserve Fund in accordance with good accounting practices.

E. Parity Bonds may be issued payable on such payment dates as the City shall determine.

#### APPLICATION OF PROCEEDS

The proceeds derived from the sale of the Bonds shall be used as follows:

A. Accrued interest (if any) shall be credited to the Sinking Fund.

B. The amount necessary from the proceeds of the Bonds, together with such money in the Sinking Fund, if any, shall be used to provide for the refunding of the Refunded Bonds. See the section herein captioned "PLAN OF FINANCE—Refunding of the Refunded Bonds."

C. Such amount, if any, as may be necessary to meet the Reserve Requirement shall be deposited to the credit of the Bond Reserve Account.

D. The remaining proceeds of the Bonds shall be deposited into the "Waterworks Construction Fund Account (2018) of the City of Owensboro" (the "Project Fund") and shall be held for the benefit of the City and for the benefit of the authorized registered owners of the Bonds as their interests may appear, and said funds

shall be withdrawn upon duly approved procedures for the hereinafter defined Project. The costs of issuance of the Bonds, accomplishing the refunding of the Refunded Bonds, all engineering, legal and financing services, the costs of surveys, designs, soundings, borings, rights-of-way, and all other necessary and incidental expenses, shall be deemed items of cost of construction of the Project. The moneys deposited into the Project Fund may be temporarily invested from time to time in lawful investments for City funds. All payments received as principal or interest derived from such investments will be credited to the Project Fund. Said Fund may be closed by action of the Utility Commission upon its being fully depleted.

#### CONTINUING DISCLOSURE

The Continuing Disclosure Undertaking is authorized. See the discussion under the heading "CONTINUING DISCLOSURE."

#### MANAGEMENT ORDINANCE

Pursuant to an ordinance adopted July 29, 1940, as amended, the management, control and operation of the System has been vested in the Utility Commission of the City; and so long as any of the Bonds remain outstanding, the management, control and operation of the System will continue to be vested in and carried out by the Utility Commission created, appointed and functioning in accordance with the provisions of said ordinance aforesaid.

#### TAX-EXEMPT BONDS

The City covenants in the Bond Ordinance not to take any action or omit to take any action which would cause the Bonds not to be Tax-exempt. See the discussion under the heading "TAX EXEMPTION" for a further description of the covenants made by the City and the Utility Commission.

#### PERTAINING TO THE BOND REGISTRAR

The City covenants with respect to the Bond Registrar (the "*Bond Registrar*"), and the Bond Registrar covenants and agrees as follows: (A) The City shall at all times retain a Bond Registrar with respect to the Bonds; it will maintain at the designated office(s) of such Bond Registrar a place or places where Bonds may be presented for payment, registration, transfer or exchange; and it will require that the Bond Registrar properly maintain the Bond Register and perform the other duties and obligations imposed upon it by the Bond Ordinance in a manner consistent with the standards, customs and practices of the municipal securities industry. (B) The City may remove the Bond Registrar at any time. In case at any time the Bond Registrar shall resign, shall be removed, shall become incapable of acting, or shall be adjudicated a bankrupt or insolvent, or if a receiver, liquidator, or conservator of the Bond Registrar or of the property thereof shall be appointed, or if any public officer shall take charge or control of the Bond Registrar or of the property or affairs thereof, the City covenants and agrees that it will thereupon appoint a successor Bond Registrar. The City shall give notice of any such

appointment made by it to each registered owner of any Bond within twenty days after such appointment in the same manner, or as nearly the same as may be practicable, as for a redemption of Bonds. Any Bond Registrar appointed under the provisions set out in the Bond Ordinance shall be a bank, trust company, or national banking association maintaining offices in Kentucky, Minnesota, Illinois or New York, and having capital and surplus and undivided profits in excess of \$100,000,000.

#### BOND ORDINANCE A CONTRACT

The provisions of the Bond Ordinance shall constitute a contract between the City and the holder or holders of the Bonds to be issued, and after the issuance of any of the Bonds no change, variation or alteration of any kind in the provisions of the Bond Ordinance shall be made in any manner except as therein provided, until such time as there are no Outstanding Bonds remaining.

#### AMENDMENT OF BOND ORDINANCE

The owners of 51% in principal amount of the Outstanding Bonds shall have the right from time to time to consent to and approve the adoption by the City of an ordinance or ordinances modifying or amending any of the terms or provisions contained in the Bond Ordinance; *provided, however*, that the Bond Ordinance may not be so modified or amended in such manner as to:

- (a) Make any change in the maturity of the Bonds or in the rate of interest borne by any of the Bonds.
- (b) Reduce the amount of the principal or redemption premiums on the Bonds or impose any conditions with respect to such payment.
- (c) Modify the terms of payment of principal of or interest on any of the Bonds or impose any conditions with respect to such payment.
- (d) Materially affect the right of the owners of less than all of the Bonds then outstanding.
- (e) Reduce the percentage of the principal amount of the Bonds the consent of the owners of which is required to effect a further amendment.

Notice of a proposed amendment shall be given by the Bond Registrar on behalf of the City by mailing the amendment notice by first class mail, postage prepaid, to each of the registered owners of the Bond or Bonds. Consent may be given by proxy in fractional shares of ownership of Bonds, in accordance with approved procedures of the Depository.

## PLAN OF FINANCE

### THE PROJECT

A portion of the Bond proceeds will be used to provide funds for the Project, which includes making capital improvements to the System, including, specifically, (a) construction of approximately 14,250 feet of new 36 inch finished water transmission main from the Cavin Plant to tie into the existing distribution system and approximately 10,100 feet of new 8 inch waste sludge lines from the Cavin Plant to OMU's existing sludge lagoons, (b) expansion of the capacity of the Cavin Plant by construction of two new 10 MGD treatment trains at the Cavin Plant including a new 2.5 million gallon clearwell, (c) miscellaneous improvements and modifications to the existing facilities at the Cavin Plant to accommodate the construction and operation of the two new 10 MGD treatment trains, and (d) miscellaneous improvements, repairs and replacements throughout the System. The City expects to complete the Project by the fall of 2020.

### REFUNDING OF THE REFUNDED BONDS

A portion of the Bond proceeds will be used to provide funds for the purposes of refunding the 2009 Bonds (the "*Refunded Bonds*") to provide debt service savings for the City.

Set forth below is a description of the Refunded Bonds:

MATURITY DATE (SEPTEMBER 15)	ORIGINAL PRINCIPAL AMOUNT	PREVIOUSLY REFUNDED PRINCIPAL AMOUNT	REFUNDED PRINCIPAL AMOUNT	EXPECTED REDEMPTION DATE	REDEMPTION PRICE
2019	\$ 505,000	\$ 160,000	\$ 345,000	9/27/2018	100.00%
2020	530,000	170,000	360,000	9/27/2018	100.00%
2021	560,000	175,000	385,000	9/27/2018	100.00%
2022	585,000	185,000	400,000	9/27/2018	100.00%
2023	615,000	195,000	420,000	9/27/2018	100.00%
2024	990,000	310,000	680,000	9/27/2018	100.00%
2025	1,040,000	330,000	710,000	9/27/2018	100.00%
2026	1,095,000	345,000	750,000	9/27/2018	100.00%
2027	1,150,000	360,000	790,000	9/27/2018	100.00%
2029 <sup>(1)</sup>	2,480,000	785,000	1,695,000	9/27/2018	100.00%
2031 <sup>(1)</sup>	2,740,000	865,000	1,875,000	9/27/2018	100.00%
2033 <sup>(1)</sup>	3,030,000	955,000	2,075,000	9/27/2018	100.00%
2035 <sup>(1)</sup>	<u>3,365,000</u>	<u>1,060,000</u>	<u>2,305,000</u>	9/27/2018	100.00%
TOTAL	\$18,685,000	\$5,895,000	\$12,790,000		

(1) Term Bonds

Certain proceeds received from the sale of the Bonds will be held in cash by the paying agent for the 2009 Bonds (the "*Prior Paying Agent*"), and said cash deposit will be sufficient to

pay the principal of and interest on the Refunded Bonds up to and including the redemption date thereof.

#### SOURCES AND USES OF FUNDS

The proceeds of the Bonds and the sources and uses of funds are estimated to be applied as follows:

ESTIMATED SOURCES OF FUNDS	
Par Amount of the Bonds	\$
Plus Original Issue Premium	
Less Original Issue Discount	
Total Sources	<u>\$</u>
ESTIMATED USES OF FUNDS	
Deposit to Project Fund	\$
Deposit with Prior Paying Agent	
Costs of Issuance <sup>(1)</sup>	
Total Uses	<u>\$</u>

(1) Includes Underwriter's Discount.

#### RISK FACTORS

The purchase of the Bonds involves certain investment risks. Accordingly, each prospective purchaser of the Bonds should make an independent evaluation of the entirety of the information presented in this Official Statement and its appendices and exhibits in order to make an informed investment decision. Certain of the investment risks are described below. The following statements, however, should not be considered a complete description of all risks to be considered in the decision to purchase the Bonds, nor should the order of the presentation of such risks be construed to reflect the relative importance of the various risks. There can be no assurance that other risk factors are not material or will not become material in the future.

#### CONSTRUCTION RISKS

There are potential risks that could affect the ability of the City to timely complete the Project. While preliminary costs have been projected by the City's consulting architects, not all of the construction contracts have been let by the City. No assurance can be given that the cost of completing the Project will not exceed available funds.

Completion of the Project involves many risks common to construction projects such as shortages or delays in the availability of materials and labor, work stoppages, labor disputes, contractual disputes with contractors or suppliers, weather interferences, construction accidents, delays in obtaining legal approvals, unforeseen engineering, archeological or environmental problems and unanticipated cost increases, any of which could give rise to significant delays or cost overruns.



## SYSTEM OPERATION AND MAINTENANCE EXPENSES AND SYSTEM RATES

The operation and maintenance expenses of the System may increase in the coming years. Actual operation and maintenance expenses may be greater or less than projected. Factors such as changes in technology, regulatory standards, increased costs of material, energy, labor and administration can substantially affect System expenses. Although the City has covenanted to prescribe, revise and collect rates and charges in amounts sufficient to pay debt service on the Bonds and other System obligations, there can be no assurance that such amounts will be collected. Increases in System rates could result in a decrease in demand for System usage.

## STATUTORY AND REGULATORY COMPLIANCE

Changes in the scope and standards for public agency water and wastewater systems, such as the System, may lead to increasingly stringent operating requirements and the imposition of administrative orders issued by Federal or State regulators. Future compliance with such requirements and orders can impose substantial additional costs on the City. In addition, claims against the System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from assets of the System or from other legally available sources. No assurance can be given that the cost of compliance with such existing or future laws, regulations and orders would not adversely affect the ability of the System to generate Net Revenues sufficient to pay debt service on the Bonds and other System obligations.

## RISKS RELATING TO THE WATER SUPPLY

The ability of the System to operate effectively can be affected by the water supply available to the City. If the water supply decreases significantly, whether by operation of mandatory supply restrictions, prohibitively high water costs, natural disasters or other physical calamities, including, but not limited to, earthquakes and tornadoes or otherwise, flow within the System will diminish and Net Revenues may be adversely affected.

## SECURITY OF THE SYSTEM

Damage to the System resulting from vandalism, sabotage, or acts of terrorism or cyber terrorism may adversely impact the operations and finances of the System. There can be no assurance that the City's security, emergency preparedness and response plans will be adequate to prevent or mitigate such damage, or that the costs of maintaining such security measures will not be greater than currently anticipated. The City has obtained appropriate insurance coverage, which may be used by the City, if other funds are not readily available and sufficient, to pay extraordinary and unexpected repair or replacement expenses of the System or liability claims related to the System.

## UTILITY COSTS

No assurance can be given that any future significant reduction or loss of power would not materially adversely affect the operations of the System. The operations of the System on a daily basis require a significant amount of electrical power and natural gas. Electricity is needed to run pumps, lights, computers, mechanical valves and other machinery. Prices for electricity or gas may increase, which could adversely affect the System's financial condition.

## IMPACT OF ECONOMIC CONDITIONS ON SYSTEM NET REVENUES

Major economic disruptions and recession could adversely affect the economic activity of the region in general, in particular resulting in decreased economic activity, increased unemployment and a reduction in residential and commercial construction. The City cannot predict the extent of the fiscal problems that will be encountered in any future economic downturn. Reduction in System users' ability to pay rates and charges, and reduction in the rate at which new customers are added to the System, can adversely impact Net Revenues.

## LOCAL ECONOMY

The financial health of the City is in part dependent on the strength of the local economy. Many factors affect the local economy, including rates of employment and economic growth and the level of residential and commercial development. It is not possible to predict to what extent any changes in economic conditions, demographic characteristics, population or commercial and industrial activity will occur and what impact such changes would have on the finances of the City.

## LOSS OR CHANGE OF BOND RATING

The Bonds have received a credit rating from Moody's Investors Service, New York, New York ("*Moody's*"). The rating can be changed or withdrawn at any time for reasons both under and outside the City's control. Any change, withdrawal or combination thereof could adversely affect the ability of investors to sell the Bonds or may affect the price at which they can be sold.

## SECONDARY MARKET FOR THE BONDS

No assurance can be given that a secondary market will develop for the purchase and sale of the Bonds or, if a secondary market exists, that such Bonds can be sold for any particular price. The Underwriter is not obligated to engage in secondary market trading or to repurchase any of the Bonds at the request of the owners thereof.

Prices of the Bonds as traded in the secondary market are subject to adjustment upward and downward in response to changes in the credit markets and other prevailing circumstances. No guarantee exists as to the future market value of the Bonds. Such market value could be substantially different from the original purchase price.

## CONTINUING DISCLOSURE

A failure by the City to comply with the Undertaking for continuing disclosure (see “CONTINUING DISCLOSURE” herein) will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with Rule 15c2-12 (the “*Rule 15c2-12*”) adopted by the Securities and Exchange Commission (the “*SEC*”) under the Securities Exchange Act of 1934, as amended (the “*Exchange Act*”), and may adversely affect the transferability and liquidity of the Bonds and their market price.

## SUITABILITY OF INVESTMENT

The interest rate borne by the Bonds is intended to compensate the investor for assuming the risk of investing in the Bonds. Furthermore, the tax-exempt feature of the Bonds is currently more valuable to high tax bracket investors than to investors that are in low tax brackets. As such, the value of the interest compensation to any particular investor will vary with individual tax rates and circumstances. Each prospective investor should carefully examine this Official Statement and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment for such investor.

## FUTURE CHANGES IN LAWS

Various state and federal laws, regulations and constitutional provisions apply to the City and to the Bonds. The City can give no assurance that there will not be a change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the City, or the taxing authority of the City. For example, many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by the government of the Commonwealth. Future actions of the Commonwealth may affect the overall financial conditions of the City, the taxable value of property within the City, and the ability of the City to levy property taxes or collect revenues for its ongoing operations.

## FACTORS RELATING TO TAX EXEMPTION

As discussed under “TAX EXEMPTION” herein, interest on the Bonds could become includible in gross income for purposes of federal income taxation, retroactive to the date the Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the Bond Resolution. Should such an event of taxability occur, the Bonds are not subject to any special redemption.

There are or may be pending in the Congress of the United States (“*Congress*”) legislative proposals relating to the federal tax treatment of interest on the Bonds, including some that carry retroactive effective dates, that, if enacted, could affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Bonds issued prior to enactment. Finally, reduction or elimination of

the tax-exempt status of obligations such as the Bonds could have an adverse effect on the City's ability to access the capital markets to finance future capital or operational needs by reducing market demand for such obligations or materially increasing borrowing costs of the City.

The tax-exempt bond office of the Internal Revenue Service (the "*Service*") is conducting audits of tax-exempt bonds, both compliance checks and full audits, with increasing frequency to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for Federal income tax purposes. It cannot be predicted whether the Service will commence any such audit. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bondholders may have no right to participate in such proceeding. The commencement of an audit with respect to any tax-exempt obligations of the City could adversely affect the market value and liquidity of the Bonds, regardless of the ultimate outcome.

#### BANKRUPTCY

The rights and remedies of the Bondholders may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against local governments. The various opinions of counsel to be delivered with respect to the Bonds will be similarly qualified.

### THE CITY AND THE COUNTY

#### LOCATION AND POPULATION

The City, which is the county seat of Daviess County (the "*County*"), is Kentucky's fourth largest city with an estimated population of approximately 57,605. Located on the bank of the Ohio River in northwestern Kentucky, the City is 32 miles southeast of Evansville, Indiana; 109 miles southwest of Louisville, Kentucky; 123 miles north of Nashville, Tennessee; 209 miles southeast of St. Louis, Missouri; and 209 miles southwest of Cincinnati, Ohio.

The County covers a total land area of 462 square miles in the Western Kentucky Coal Field Region. The Ohio River forms the northern boundary of the County and the Green River flows along part of the western border. The City's and County's population growth is indicated below:

	1970 CENSUS	1980 CENSUS	1990 CENSUS	2000 CENSUS	2010 CENSUS
The City	50,329	54,450	53,549	54,067	57,265
The County	79,486	85,949	87,189	91,545	96,656

#### GOVERNMENT

The City operates under a city manager form of government where an elected mayor and four elected city commissioners appoint a city manager. The County is part of the

Commonwealth's county fiscal court system and is represented by an elected judge/executive and three elected county commissioners.

## COMMERCIAL ACTIVITY

The City is a regional hub for industry, retail trade, health care, education, culture, and agriculture and falls within the Owensboro Metropolitan Statistical Area ("MSA"). The City's local economy is comprised of a diverse mix of industries and, as a result, maintains a relatively stable revenue base.

	NUMBER OF ESTABLISHMENTS	AVERAGE MONTHLY WORKERS
Natural Resources and Mining	36	371
Construction	255	1,866
Manufacturing	103	5,692
Trade, Transportation and Utilities	652	9,635
Information	20	426
Financial Activities	273	3,514
Professional and Business Services	371	3,655
Education and Health Services	687	8,810
Leisure and Hospitality	3,234	4,847
Other Services	387	1,283
Unclassified	8	8
Government*	87	8,215

Source: Bureau of Labor Statistics (BLS), Daviess County, Kentucky, 2016

\*Government includes Public Administration, Education and Health Services and Trade, Transportation and Utilities.

## EMPLOYMENT

The Kentucky Department for Employment Services, Labor Market Information and Labor Market Statistics LAUS (Local Area Unemployment Statistics) Program indicates the civilian labor force for the County to be 45,483 for December 2016, with employment of 43,556 and unemployment of 1,927, or 4.2% rate (Monthly Not Seasonally Adjusted Labor Force, Employment and Unemployment data in the County). The Bureau of Labor Statistics indicates in the preceding table that 32,178 people were employed by service providing establishments, while 7,929 people were reported to be employed by goods producing establishments, and 8,215 people were reported to be employed by non-private establishments through local, state and federal governments in primarily the public administration, education and health services and trade, transportation and utilities industries. The following table indicates recent unemployment rates for the County, the Commonwealth, and the United States as reported by the Kentucky Department for Employment Services.

## UNEMPLOYMENT RATES

	THE COUNTY	THE COMMONWEALTH	UNITED STATES
2013 Annual	6.8%	8.3%	7.4%
2014 Annual	5.7%	6.5%	6.2%
2015 Annual	4.6%	5.4%	5.3%
2016 Annual	4.2%	5.2%	4.7%
2017 Annual	3.6% <sup>(1)</sup>	3.8%	4.1%

Source: Bureau of Labor Statistics Data (<http://www.bls.gov>)

(1) The 2017 Annual figure for the County reflects the preliminary December 2017 figure, which is the most recent data available.

## LARGEST EMPLOYERS

The City serves as a major economic hub of Western Kentucky, attracting major manufacturing processors in industries such as aluminum, automobile parts, uniforms, paper, food and tobacco. Locally produced goods include automobile frames and parts, electronics, plastics, wire, spaghetti sauce and various tobacco, food and paper products. Biodiesel ethanol is locally produced from soybeans grown in the area and the City has emerged as an international leader in biotechnology research. A large and expanding mortgage processing firm and two natural gas transmission corporations are located in the City. The following is a list of the major employers in the City as of the City's 2018 fiscal year end:

COMPANY	PRINCIPAL PRODUCT OR SERVICE	NUMBER OF EMPLOYEES
Owensboro Health	Hospital	3,606
US Bank Home Mortgage	Mortgage Processing	1,950
Owensboro Public Schools	School System	767
Toyotetsu Mid-America	Automotive Parts	723
Wal-Mart	Retail	718
Glenmore Distilleries	Alcohol Distillery	444
Audobon Area Community Services	Nonprofit Community Services	441
The City	City Government	428
Owensboro Community and Technical College	Community College System	391
Unifirst	Uniform Distribution	386

Source: Greater Owensboro Economic Development Corporation

## PER CAPITA PERSONAL INCOME

The following table compares annual per capita personal income in the County and in the Commonwealth.

TRENDS IN PER CAPITA PERSONAL INCOME  
(\$ IN MILLIONS)

YEAR	PER CAPITA INCOME		CHANGE	
	THE COUNTY	THE COMMONWEALTH	THE COUNTY	THE COMMONWEALTH
2012	36,841	35,586	+0.63%	+3.18%
2013	37,109	35,596	+0.73	+0.03
2014	38,787	37,021	+4.52	+4.00
2015	39,669	38,504	+2.27	+4.01
2016	39,641	38,934	-0.07	+1.12

Source: U.S. Department of Commerce, Bureau of Economic Analysis (<http://www.bea.gov>)

## TRANSPORTATION

The City has direct access via highway, rail, river and air. The William H. Natcher Bridge provides a route to Interstate 64 in Indiana. An improved section of U.S. Highway 231 in southern Indiana and a recently expanded Owensboro bypass complete a four-lane link through Owensboro from Interstate 64 in Indiana to Interstate 65 in southern Kentucky. The Owensboro–Davies County Regional Airport serves access to the national air transportation system and in 2017 received a \$4.1 million Federal Aviation Administration infrastructure grant to construct an aircraft rescue and firefighting building.



## UTILITIES

The City has the following public utilities to supply industrial, business and residential needs.

*Natural gas* is distributed by Atmos Energy and is supplied by Texas Gas and Tennessee Gas.

*Electric power* is supplied to the City and surrounding areas by Owensboro Municipal Utilities’ (“OMU”) Electric System, Kentucky Utilities Company and Kenergy Corporation.

*Water* is supplied to both the City and the County by the System, as described herein.

*Sewage* treatment is provided by the Regional Water Resource Agency (RWRA) to the entire City and portions of the County. The City has separate sanitary sewer and storm sewer lines as well as a combined sewer system (which convey both sanitary and storm flows in the same pipes). Its two treatment plants have a combined capacity of 49 million gallons per day. Average dry daily flow treated is approximately 10 million gallons per day.

*Telecommunications* broadband and base band services are distributed locally by OMU, AT&T, Windstream, Time Warner and several smaller local exchange carriers. The City has several broadband technologies, including a SONET network, Digital Subscriber Line and Cable Modems.

## EDUCATION

Quality education is a priority and education facilities in the area abound. The Owensboro Public Schools and Daviess County Public Schools and parochial school systems provide elementary, middle and secondary school students with a quality education. The average student-teacher ratio for the public schools is 20-and 25-to-1.

Brescia University and Kentucky Wesleyan College are four-year education institutions offering Bachelor of Science and Arts degrees. The University of Louisville School of Nursing facilitates a BSN program locally in conjunction with Owensboro Health System. Owensboro Community and Technical College (“OCTC”) offers two-year Associate of Arts and Science degrees, several doctoral degree programs via telecommunications and vocational education. Graduate programs are offered through Brescia, Western Kentucky University and Murray State University. Western Kentucky University-Owensboro offers undergraduate and graduate degree programs on their newly expanded Owensboro Campus. These programs provide area residents with the opportunity to earn post-graduate degrees without leaving the city. Each year more than 1,500 students participate in graduate programs for credit hours. Another 500 students utilize short courses or adult education workshops each year.



## MEDICAL FACILITIES

The City has an excellent hospital that in recent years has been rated among the top five percent for clinical excellence: Owensboro Health. This organization serves eleven counties in Kentucky and southern Indiana. The \$385 million state-of-the-art hospital facility opened in June, 2013. Owensboro Health also leads two key initiatives for cancer research in the Owensboro region, and is accredited by the Commission on Cancer of the American College of Surgeons as a Comprehensive Cancer Center.



## ARTS, ENTERTAINMENT AND RECREATION

The City offers a wide range of recreational and cultural activities. The City has everything from fishing on a nearby lake to live performances of the Owensboro Symphony Orchestra, one of the finest in the Commonwealth. Municipal parks provide areas for



picnicking, golf, tennis, softball, football and relaxing. Water sport activities may be enjoyed on the Ohio River.

The City operates the only municipal ice arena in Kentucky, Edge Ice Center. The year-round facility features a 42,600 square foot arena and is the home to the Owensboro Youth Hockey Association and the Owensboro Figure Skating Club. During the summer months, the City maintains two swimming pools and three spray parks.



The spray park addition to Legion Park was an enhancement to a beautiful park located in the center of the City that already features basketball courts, a walking trail, playground equipment, and covered shelters. The City hosts many local, state, regional and national softball and baseball tournaments at the softball complex located at Jack C. Fisher Park. The new Smothers Park on the riverfront features an all-access Lazy-Dayz playground with a spray park, concessions, music and signature fountains.

Cultural activities play a major role in the everyday lives of City residents. Owensboro RiverPark Center, a performing arts and civic center, boasts a 1,500 seat multi-purpose auditorium, and experimental theatre, a riverfront plaza, an open-air courtyard and meeting/reception rooms. Each year the RiverPark Center hosts over 150 performance events and 800 civic events. Many cultural agencies are funded in part by the City. The City is also home to the Owensboro Museum of Fine Arts, the Owensboro Museum of Science and History, and the Bluegrass Music Hall of Fame & Museum (formerly known as the International Bluegrass Museum and previously located at the RiverPark Center), a \$15.3 million facility expected to be the worldwide destination for bluegrass music with a grand opening scheduled for October 18-20, 2018.

#### COMMUNITY ENHANCEMENTS

The City is participating with the Commonwealth in two tax increment financing (“TIF”) projects: the Gateway Commons TIF (Gateway TIF) and the Downtown Riverfront Revitalization TIF (Downtown TIF). For approved TIFs, the Commonwealth returns up to 80 percent of incremental tax revenues created by the development to developers to pay for public infrastructure costs. The Kentucky Economic Development Finance Authority approved a total of \$24.5 million for the Downtown TIF and \$20.5 million for the Gateway TIF in state tax incentive rebates over 20 years to cover public infrastructure costs. The Downtown TIF project will continue revitalization of downtown through public and private investment expected to reach \$142.5 million. The 200-acre Gateway Commons is a mixed-use development including retail, office, restaurant and residential uses. The City’s Department of Finance estimates the

project will support 2,200 jobs annually and generate \$3.1 billion in total economic impact over the next 20 years. Construction on the project began in the summer of 2017. Malco Theaters, Tuesday Morning, Hobby Lobby, Kirklands's and Shoe Show all announced plans to open stores in Gateway Commons in 2018, as well as a TownePlace Suites.

The City recently completed a \$99 million downtown redevelopment and revitalization project, partnering with Daviess County Fiscal Court in the development and financing of the project. A \$48 million convention and events center overlooking the Ohio River opened in January 2014. It is flanked by two new privately developed hotel projects with 270 total rooms at a total cost of over \$35 million and a third hotel project is in development. Other new construction in the area includes a corporate headquarters and multiple residential buildings on available riverfront property, with additional property available for future development.

The City is experiencing growth and increasing investment in the City's infrastructure by both public and private funding. The placemaking initiative launched by the City is expected to result in approximately \$120 million in publicly funded infrastructure and amenities for the revitalization of the City's riverfront. The Glenmore Distillery and other local distillery expansions have combined for a \$70 million investment in the City. U.S. Bank is in the process of a \$15.2 million expansion to its operations in the City. The distillery and U.S. Bank expansions are expected to create over 425 new jobs. Additionally, California-based Alorica Inc., a customer service company, announced plans to bring up to 840 jobs to downtown Owensboro. Alorica began operations in its new downtown building in July 2017 and has indicated that it plans to have 500 employees in the City by the end of 2018. Another 340 jobs are to be hired over the next two years. Metalsa Structural Products, a Mexican frame manufacturer, started at \$36.5 million expansion in the fall of 2017 and is preparing to add 113 jobs and begin producing metal frames for the new Jeep truck at the Owensboro plant.

## **THE SYSTEM**

### **ORGANIZATION AND MANAGEMENT**

The operation, management and control of the System is vested in the Utility Commission, which was established by ordinance of the City Board on July 29, 1940, as amended. The Utility Commission is composed of five citizens who are residents of the City and are appointed by the Mayor on a non-partisan basis to serve staggered terms of three years each. The Bond Ordinance covenants that, so long as any Bonds are outstanding, the management, control and operation of the System will continue to be vested in and carried out by the Utility Commission through OMU. The Utility Commission operates independently in managing the System on a day-to-day basis, and approval of the City must be obtained to issue bonds and to change rates charged for water service. There are 29 employees that are divided between the production and delivery departments for the System.

The present members of the Utility Commission and their terms of office are as follows:

NAME	TERM EXPIRES
Tony Cecil, Vice Chairman	January 2020
James A. Fulkerson, Chairman	January 2019
Ted Lolley, Secretary	January 2021
Dr. Tom Maddox	January 2021
Paul Martin	January 2020

Patrick D. Pace of Kamuf, Pace & Kamuf is counsel to the Utility Commission. The System operations are supervised by the following individuals:

*Kevin D. Frizzell, P.E., Interim General Manager.* Mr. Frizzell was named interim General Manager on February 12, 2018. The Utility Commission has indicated that the expectation is for Mr. Frizzell to remain in such position through the conclusion of the Project. After the Project concludes, it is expected that a search for a new General Manager will begin in due course. Mr. Frizzell, previously OMU's Director of Power Production, joined OMU in 1990 at the company's coal-fired generating station, the Elmer Smith Station ("ESS"), as the Technical Services Manager. In this role, he was primarily charged with environmental compliance and had a key leadership role in the \$150 million scrubber project completed in 1995. He has managed all of the plant's environmental projects since then, including the installation of NOx controls in the early 2000s. Mr. Frizzell was named Director of Power Production in January 2008 and charged with the management of OMU's largest asset, ESS and its 100-plus employees. In 2013, management of OMU's water production facilities was added to Mr. Frizzell's responsibilities. Mr. Frizzell, a licensed Professional Engineer in the Commonwealth, is an Ohio County native and a graduate of the University of Kentucky where he earned his Bachelor of Science Degree in chemical engineering in 1985. Mr. Frizzell worked as a permit reviewer for the Kentucky Department of Environmental Protection and a process engineer for MPD, Inc., prior to joining OMU.

*J. Lynn Holland, CPA, MBA, CGMA, Director Finance and Accounting.* Ms. Holland joined OMU in April 2013, after serving since December 2008 as a member and secretary of the Utility Commission. She is a Certified Public Accountant and a Chartered Global Management Accountant, and has earned an MBA from the University of Phoenix. Ms. Holland, previously a Certified School Financial Officer, and has earned a Bachelor of Science Degree in Accounting, an Associate of Science degree in Computer Programming and an Associate of Science degree in Business Administration from Brescia University. She has most recently served as Assistant Superintendent for Business Affairs with the Owensboro Public School System since 2002. Ms. Holland worked with Alexander and Co. CPAs from 1987 until 1989 before working with Kenergy from January 1989 through January 1997. In 1997, she began working for the Kentucky Department of Education as a Financial Liaison for 23 Western Kentucky school districts. She is a member of the AICPA (American Institute of Certified Public Accountants) and Kentucky Society of Certified Public Accountants.

*Brad Howton, Acting Director of Production.* Mr. Howton was named to his current position on February 12, 2018. Mr. Howton, OMU's Production Operations & Maintenance Manager, joined OMU in 2009 as the Plant Reliability Engineer. He was a part of the Production Technical Services group through 2014 serving in reliability and plant engineering roles. In 2015, Mr. Howton was named Production Maintenance Manager and in 2017 added Production Operations to his areas of responsibility. He is responsible for providing leadership for the mechanical maintenance, electrical and instrumentation, and operations groups for power generation at the ESS and for water treatment at Plant A and Cavin Plant. He is responsible for the safe and reliable operation and maintenance of these assets as well as overseeing the budget for these areas. Mr. Howton received his Bachelor of Science Degree majoring in Mechanical Engineering from the University of Kentucky. He came to OMU with fourteen years of engineering and management experience in the industrial environment with General Electric, Pratt & Whitney, Owens Corning, and Aleris.

*Tim Lyons, Director of Delivery.* Mr. Lyons was named to his current position as Director of Delivery in October 2013. Prior to this position he was the Director of Engineering & Operations. He joined OMU as Transmission and Distribution Engineering Manager in 2007. Mr. Lyons is responsible for directing the construction, operations, maintenance, and engineering of the electric and water OMU transmission and distribution system to provide safe, reliable energy & water to retail customers. He has over 20 years of experience in the electric utility business, beginning his career with Kentucky Utilities Company in 1993, as an Electrical Engineer. In 2000, he was promoted to the position of Team Leader of Line Construction and Maintenance where he managed KU line crews within western Kentucky. Mr. Lyons received his Bachelor of Science Degree majoring in Electrical Engineering from the University of Evansville. In addition, he graduated from the LGE-Leadership class in 2002. He currently serves as Chairman of the LGE/KU Transmission Stakeholder Planning Committee, serves on the Southeastern Reliability Corporation (SERC) Board of Directors, and is a graduate of Emergo Owensboro.

*Michael Moore, Director of Customer and Shared Services.* Mr. Moore was named to his current position as Director of Customer and Shared Service in August 2014. Prior to his appointment to this position, Mr. Moore was the Human Resource Manager at OMU, starting that role and his career with OMU in 2008. The Director of Customer and Shared Services role directs the internal and external service delivery for all utility support functions, including customer service, communications and public relations, procurement, information technology, human resources and safety. Mr. Moore is an Owensboro native and moved back to his hometown in 2007. He obtained his Bachelor of Science in Civil Engineering from Rose-Hulman Institute of Technology and MBA degree from Indiana University. Mr. Moore has over 15 years of experience in the energy and utility industries, beginning his career with General Electric in 1999 as part of their Human Resources Leadership Program.

*David Blank, Acting Director of Power Marketing.* Mr. Blank was named to his current position on June 22, 2018. As Acting Director of Power Marketing, he oversees the selling and risk mitigation of excess generation from the ESS into the wholesale power market, establishes agreements with counterparties and aligns OMU's interests with those of other Commonwealth municipal utilities. He began his career at OMU in 2011 as a Power Market Financial Analyst.

supporting the Director of Power Marketing. In 2014 he assumed the role of Manager of Risk and Special Projects, ensuring that the Power Marketing Department complied with all OMU Energy Risk Management policies. Having developed OMU's in-house dispatch model, he provided modeling support as a team member of the 2013 – 2018 Integrated Resource Plans, 2017 Unit 2 Shutdown Study and 2017-2018 Power Supply effort that ultimately recommended a power purchase agreement (PPA) for the years 2020-2026. Mr. Blank began his career at the Chicago Board Options Exchange, trading as an independent options market maker from 1991 – 1998. In 1998 he transitioned to trading options and securities as an off-floor trader until 2010. He obtained his Bachelor of Science degree in Finance from the Rochester Institute of Technology.

*Christopher Poynter, Superintendent of Telecommunications.* Mr. Poynter joined OMU in October 2013 as Superintendent of Telecommunications. In this role, he leads OMU's efforts to provide extremely reliable, fiber optic based, internet, voice, and data services to area businesses. He also leads the company's Fiber-To-The-Home initiative, working to provide area residences with affordable, ultrahigh speed internet access. Mr. Poynter has an extensive background in the cable and telecommunications industry with more than 20 years of progressive leadership experience including General Manager, Vice President of Customer Care, and Director of Technical Operations with organizations including Time Warner Cable, Comcast, Frontier Communications, Lightyear Communications, and Global Crossing Ltd. His leadership experience also includes military service as an enlisted soldier, non-commissioned officer, cadet, and commissioned officer in The United States Army National Guard. Mr. Poynter has an MBA in Telecommunications & Information Systems from the Rochester Institute of Technology, a Bachelor of Science in Business Administration from the University of Southern Mississippi, and an Associate Degree in Applied Science from Monroe Community College. Mr. Poynter is very active in the telecommunications industry and in the community. He is currently a Rotary Assistant Governor, Kentucky Colonel, Board member of The Cliff Hagan Boys & Girls Club, and a Board member of The Owensboro Rotary Foundation. He has served on numerous Boards in the past including The Midwest Chapter of The Cable & Telecommunications Association for Marketing, Greater Owensboro Chamber of Commerce, Spencer County Regional Chamber of Commerce, Owensboro Symphony Orchestra, and Owensboro Parks Department Advisory Board.

## SYSTEM DESCRIPTION

The original waterworks system in the City was started in 1878 by a private company and made use of the Ohio River as a supply source. In 1900, a referendum for a municipally owned water system supplied by wells received a favorable response. The wells in the area produced a clear water which was hard and high in iron content. In 1911, the City installed softening facilities in order to better compete with the private company. This plant, which reduced both the objectionable iron content and hardness, was probably the third such plant in the United States. In 1923, the private company ceased operations and the City assumed responsibility for providing water service to the entire community. The present System is wholly owned by the City and in conjunction with a municipally owned electric power plant is operated as OMU, which is governed by the Utility Commission. Day-to-day operations are managed by a general manager and supporting staff.

The City's water supply is drawn from the alluvium formation of the Quaternary System by 38 wells typically 100-140 feet deep. The alluvium formation is an excellent aquifer about 100 feet thick extending from 40 feet below the ground surface. As an aquifer, the alluvium is capable of yields of 750 gallons per minute for single wells. The water level in the aquifer is dependent to some degree upon the stage of the Ohio River; however, the minimum stage of the river is controlled by a series of 21 locks and dams. Normal pool elevation of the river at the City is about 358 feet above mean sea level (MSL), as controlled primarily by the Newburgh Locks and Dam located downstream. The elevation of the City is 390-400 MSL.

OMU currently maintains two water production and purification plants: the "Original Treatment Facility" (Plant A) which was built around 1904 and the "New Treatment Facility" (the Cavin Plant) which went on-line in October of 1994. The Original Treatment Facility has been significantly modernized and has the capacity to produce 18 MGD. The New Treatment Facility currently has the capacity to produce 10 MGD and is designed for expansion to a maximum output of 40 MGD. A portion of Bond proceeds will be used to expand the New Treatment Facility to 30 MGD. The 20 MGD addition, consisting of two new treatment trains, is the "Expanded Treatment Facility". After completion of the Project, the Original Treatment Facility will stop operation, and OMU's combined treatment plant capacity is anticipated to be 30 MGD.

Both Plant A and the Cavin Plant's processes consist of aeration, flash chemical mixing, flocculation, primary clarification, secondary clarification, filtration, chlorination and fluoridation. The process effectively removes iron and lowers the hardness to a recommended level.

Most of the wells are located in the vicinity of the Original Treatment Facility and eastwardly for about two miles along State Route 144. A new well field has been developed south of State Route 144 near the New Treatment Plant. Wells are maintained on a routine and regular basis, including rehabilitation and chemical treatment. Most of the 39 wells are 25 years old or younger, with the five newest wells installed in fiscal year 2015. Currently, OMU's combined water supply capacity is approximately 25 MGD and is expected to remain at 25 MGD for the first few years following completion of the Project.

At the present time, there are approximately 25,500 residential, commercial and public users in the City. The total water produced for the fiscal year ended May 31, 2018, was 607,152,142 cubic feet, and OMU purchased cubic feet for a total pumped and purchased of 608,134,495 cubic feet.

#### WHOLESALE WATER DISTRICTS

OMU currently supplies water on a wholesale basis to two water districts and one association located in Daviess County (the "*Districts*"). Because ground elevations in the Districts are generally higher than the OMU service area, the Districts are supplied through pumping stations that are owned and operated by the respective Districts.

*West District:* The West Daviess County Water District serves the west half of the County including the communities of Griffith, Stanley, Newman, Sorgho, West Louisville, St. Joseph, Curdsville, Delaware, Rome, Pettit, Tuck, Sutherland, Mosleyville, Panther, Handyville, Browns Valley, and Utica. The West District also supplies water to the Beech Grove Water Association and the North McLean County Water District.

*Southeast District:* The Southeast Daviess County Water District serves an area immediately east and south of Owensboro including the communities of Thruston, Ensor, Dermont, Oak Ridge, Philpot, Habit, and Masonville. The Southeast District also sells water to the City of Whitesville.

*East Association:* The East Daviess County Water Association serves the northeast portion of the County including the communities of Maceo, Yelvington, Spice Knob, Scythia, Gatewood, Knottsville, and St. Lawrence. The East Association also supplies water to a large portion of Hancock County, and the northwest portion of Ohio County.

#### SUMMARY OF WHOLESALE WATER DISTRICT CONTRACTS

Contracts for wholesale supply of water with each of the Districts OMU serves were dated May 14, 1992, and approved on May 28, 1992 (the “*Contracts*”). The Contracts for the West District and the Southeast District were originally in effect for 30 years from the date approved; however, those contracts have been amended to extend their termination dates to May 31, 2050. The Contract for the East Association, originally in effect for 50 years from the date approved, has now been extended to May 31, 2068.

The source of the water to the Districts includes all of OMU’s existing water supply, treatment, and transmission facilities and any future additions or improvements thereto. Except as provided in the Contracts, OMU agrees to furnish each of the Districts, and each District shall purchase from OMU, all of the Districts’ water requirements during the entire term of the Contracts.\* The Districts agree to limit the rate at which they take water from the System at each delivery point to not more than the amounts specified in the Contracts. These amounts may be modified by mutual agreement of each District and OMU. OMU shall own, operate, and maintain the water metering devices at the points of delivery. No billing adjustments shall be made unless a test shows that the metering is inaccurate by more than three percent slow or fast.

OMU and the Districts have agreed in the Contracts that the basis of charges to the Districts for water service is an allocation of the costs incurred by OMU in owning and operating the respective water facilities based upon use of availability of water as follows:

- (a) A portion of the fixed costs (the “*Fixed Costs*”) of the Original Treatment Facility shall be paid by each District in proportion to the actual peak water demand by

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\* See “THE SYSTEM—Summary of System Operations and Debt Service Coverage” and “—Water Usage” herein. Water revenues from the Districts totaled approximately \$2,344,208 and \$2,020,163 for Fiscal Years ended May 31, 2017, and May 31, 2016, respectively.

each District relative to the peak demand of the System during the Fiscal Year ending May 31, 1989.

(b) A portion of the Fixed Costs of the New Treatment Facility shall be paid by each District in proportion to each District's effective utilization of the capacity of the New Treatment Facility relative to the total capacity of the New Treatment Facility.

(c) A portion of the Fixed Costs of the Expanded Treatment Facility shall be paid by each District in proportion to each District's effective utilization of the capacity of the Expanded Treatment Facility relative to the total capacity of the Expanded Treatment Facility.

(d) A portion of the Fixed Costs of the Transmission Facilities shall be paid by each District in proportion to each District's peak water demand relative to the total OMU system peak of water demand.

(e) A portion of the combined variable expenses the ("*Variable Expenses*") of all OMU treatment facilities shall be paid by each District in proportion to water sales to each District, plus transmission losses, relative to total water produced and delivered to the Transmission Facilities.

In consideration for OMU's undertaking to supply water to the Districts, each District will make payments to OMU for such use as set forth in the Contracts. In summary, the payments by each District will consist of six separately determined elements consisting of the following:

- (a) the Fixed Costs associated with the Original Treatment Facility,
- (b) the Fixed Costs associated with the New Treatment Facility,
- (c) the Fixed Costs associated with the Expanded Treatment Facility,
- (d) the Fixed Costs associated with Transmission Facilities,
- (e) Variable Expenses, such as chemicals and electric power, and
- (f) Contract administration costs.

The total amount charged to each District shall be equal to the sum of the charges set forth by the Contracts but not less than each District's annual quantity times the rate billed to each District at the end of the first full Fiscal Year of operation of the Extended Treatment Facility.

OMU shall determine or estimate and calculate the total charges to be allocated to each District on or before March 16 of each year. Adjustments shall be made by OMU to reconcile any differences between the estimated revenues and expenses and the actual revenues and



expenses from the previous Fiscal Year. The total charges shall be divided by the total gallons of water estimated by OMU to be sold to each District during the following Fiscal Year and the result will be the proposed rate to be charged to each District.

The Districts will have 15 days to review and comment on the proposed rates before OMU may establish the actual rate to be charged to each District. The effective date, as to the Districts, of any increases above the rate floors shall be June 1 of each Fiscal Year following the calculation in March. This delay allows each District time to apply to the Kentucky Public Service Commission (the “*Service Commission*”) for a purchase water adjustment, so that the Districts can pass through the increased rates to their customers.

After the sale of the revenue bonds that are issued to fund the Fixed Costs for the Expanded Treatment Facility (said revenue bonds being the Bonds) and before the next annual rate calculation (on or before March 16), OMU has the authority to increase the Fixed Costs for the Expanded Treatment Facility to reflect inclusion of the Debt Service expense for the Expanded Treatment Facility in the amount and at the time necessary to ensure payment by each District of each District’s allocated share of the first payment of the Debt Service on the Expanded Treatment Facility. The effective date of this increase shall be at least 60 days after the increased Fixed Costs amount has been established by OMU. This delay allows each District time to apply to the Service Commission for a purchase water adjustment, so that the Districts can pass through the increased rates to their customers.

In the event OMU proposes to further expand the capacity of water supply, treatment or transmission facilities beyond the capacity provided by the existing Transmission Facilities and the New and Expanded Treatment Facilities, each District shall share the cost of such additional facilities in proportion to the anticipated and actual utilization of such facilities by each District. OMU may choose to expand the capacity of the water supply, treatment or transmission facilities at any time after the System Maximum Day Quantity reaches or exceeds 90% of the then existing system capacity; or if OMU determines, after consultation with the Districts, that prudent utility practice requires that any portion of the New Treatment Facility or the Expanded Treatment Facility, must be abandoned, or that production from either Treatment Facility must be reduced because of any risks associated with any settlement of, or other damage to, either Treatment Facility, and that the resulting lost treatment capacity should be replaced through the expansion of the Treatment Facilities.

## FINANCIAL STATEMENTS

The financial records of the City, including the System, are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Riney Hancock CPAs PSC, Owensboro, Kentucky (the “*Auditor*”). The audited financial statements of OMU for fiscal years ended May 31, 2016, and 2017 (the “*2017 Audit*”) and the draft audited financial statements for OMU for the System for fiscal years ended May 31, 2017, and 2018 (the “*2018 Draft Audit*”) are attached as APPENDIX A.

## SUMMARY OF SYSTEM OPERATIONS AND DEBT SERVICE COVERAGE

The summary set forth below is unaudited. Copies of the audited general purpose financials of the System for the years 2013-2017 are available upon request from the Director of Finance and Accounting. The revenues and expenses for 2018-2023 are estimated based on the 2018 Draft Audit and projections. In the table that follows, water usage is presented in cubic feet. A factor of 7.4805 may be used to convert cubic feet to gallons.

### SUMMARY OF REVENUES AND EXPENSES AND DEBT SERVICE COVERAGE Fiscal Years Ended May 31

	HISTORICAL					BUDGETED	2018 DRAFT AUDIT	PROJECTED <sup>(4)</sup>				
	2013	2014	2015	2016	2017	2018	2018	2019	2020	2021	2022	2023
<b>REVENUES:</b>												
Water Sales Revenues												
Wholesale	\$2,102,849	\$2,004,710	\$ 1,938,608	\$ 2,020,163	\$ 2,344,208	\$ 2,111,200	\$ 2,322,086	\$ 2,308,427	\$ 2,808,300	\$ 3,411,300	\$ 3,791,200	\$ 3,871,400
Residential <sup>(2)</sup>	3,596,626	3,331,432	3,782,632	4,190,006	4,118,555	4,539,500	4,095,625	4,735,742	5,635,259	5,605,709	5,605,698	5,605,649
Commercial <sup>(2)</sup>	3,392,550	3,285,868	3,540,692	3,838,455	3,882,440	4,176,000	4,003,980	4,421,961	5,289,716	5,310,834	5,332,059	5,353,382
Other <sup>(1)</sup>	<u>630,422</u>	<u>665,165</u>	<u>810,030</u>	<u>868,206</u>	<u>895,858</u>	<u>945,200</u>	<u>843,953</u>	<u>971,433</u>	<u>1,174,925</u>	<u>796,457</u>	<u>799,144</u>	<u>803,169</u>
Total Water Sales												
Revenues	\$9,722,447	\$9,287,175	\$10,071,962	\$10,916,830	\$11,241,061	\$11,771,900	\$11,265,644	\$12,437,563	\$14,908,200	\$15,124,300	\$15,528,101	\$15,579,600
Water Service												
Revenues	225,908	182,221	181,236	258,819	281,928	247,200	310,807	265,600	265,600	265,600	265,600	265,600
Other Revenues	<u>27,223</u>	<u>41,592</u>	<u>93,038</u>	<u>142,778</u>	<u>173,992</u>	<u>293,000</u>	<u>190,323</u>	<u>178,600</u>	<u>166,600</u>	<u>179,100</u>	<u>179,000</u>	<u>181,700</u>
Total Revenues	\$9,975,578	\$9,510,988	\$10,346,236	\$11,318,427	\$11,696,981	\$12,312,100	\$11,766,774	\$12,881,763	\$15,340,400	\$15,569,000	\$15,972,701	\$16,026,900
<b>OPERATING EXPENSES:</b>												
Production and Purification	\$2,664,555	\$2,750,733	\$ 2,666,738	\$2,687,840	\$ 3,537,744	\$ 3,492,000	\$ 3,793,470	\$ 4,005,200	\$ 3,923,800	\$ 4,518,900	\$ 4,560,700	\$ 4,641,300
Transmission and Distribution	951,011	862,382	922,390	989,454	1,318,956	1,404,400	1,331,834	1,449,200	1,461,200	1,509,900	1,567,600	1,612,300
Customer Service and Information	549,087	594,840	602,550	602,164	783,930	792,300	790,278	800,100	822,200	845,000	868,300	892,200
General and Administrative <sup>(3)</sup>	<u>2,356,066</u>	<u>2,363,823</u>	<u>1,992,607</u>	<u>2,478,448</u>	<u>1,819,627</u>	<u>1,888,600</u>	<u>1,516,342</u>	<u>1,777,300</u>	<u>1,868,400</u>	<u>1,924,400</u>	<u>1,982,200</u>	<u>2,041,600</u>
Total Operating Expenses	\$6,520,719	\$6,571,778	\$ 6,184,286	\$6,757,906	\$ 7,460,257	\$ 7,577,300	\$ 7,431,924	\$ 8,031,800	\$ 8,075,600	\$ 8,798,200	\$ 8,978,800	\$ 9,187,400
Net Revenues	\$3,454,859	\$2,939,210	\$ 4,161,950	\$4,560,521	\$ 4,236,724	\$ 4,734,800	\$ 4,334,850	\$ 4,849,963	\$ 7,264,800	\$ 6,770,800	\$ 6,993,901	\$ 6,839,500
Annual Debt Service	\$1,771,915	\$1,773,239	\$ 1,822,185	\$2,044,329	\$ 2,055,096	\$ 2,827,500	\$ 2,169,626	\$3,974,800	\$ 4,630,600	\$ 4,652,300	\$ 4,655,700	\$ 4,657,300
Annual Debt Service Coverage	1.95	1.66	2.28	2.23	2.06	1.67	2.00	1.22	1.57	1.46	1.50	1.47

(1) Other water sales revenues include ESS, Electric System, City, and Fire Protection.

(2) Rate increases in FY 2015 and FY 2016 account for the increase in Water Sales Revenues from Residential and Commercial customers.

(3) General and Administrative costs decreased in FY 2015 due to recording pension liability under GASB 68. The pension costs paid were more than the actuarial expenses for the year, resulting in reclassifying a portion of the expenses to Deferred Outflows.

(4) Assumptions are based on the projected debt service on the Bonds, the debt service savings produced by the refunding of the Refunded Bonds and a revised schedule of rates as set forth in "THE SYSTEM—Water Usage" and "—Water Charges", all as set forth in the Consulting Engineer's Report.

## 2018 DRAFT AUDITED FINANCIAL RESULTS

Shown below is a summary of revenues, expenditures and changes in net position of the System for the fiscal year ended May 31, 2018 (draft audit). See the 2018 Draft Audit attached as APPENDIX A. The audited financial statements for the System for said fiscal year are anticipated to be final and received by the Utility Commission on September 20, 2018, and will be posted to EMMA (as hereinafter defined) upon receipt by the Utility Commission.

### STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED MAY 31, 2018, DRAFT AUDIT

OPERATING REVENUES:	
Charges for services:	\$
Residential	
Commercial	
Water districts	
Fire protection	
The City	
Electric Light and Power System	
Service revenues	_____
Total operating revenues	_____
OPERATING EXPENSES:	
Production and purification	
Transmission and distribution	
Customer service and information	
General and administrative	
Depreciation	_____
Total operating expenses	_____
Operating income	_____
Nonoperating revenues (expenses):	
Interest and debt expense	
Interest income on investments	
Gain on sale of utility plant	
Net increase (decrease) in fair value of investments	
Deferred net change in fair value of investments	_____
Total nonoperating revenues (expenses)	_____
Income before contributions and transfers	
Capital contributions	
Transfers out-dividends to the City	_____
Change in net position	_____
Net position, beginning of year	_____
Net position, end of year	\$ _____

## TEN LARGEST WATER CUSTOMERS

The ten largest retail customers (excluding customers in the Districts) served by the System based on sales for fiscal year ended May 31, 2018, are set forth in the table below:

CUSTOMER	AMOUNT	USAGE (cubic feet)
Mizkan America, Inc.	\$1,003,896	71,405,900
Dart Polymers	292,588	20,547,500
Speciality Foods Group	176,205	12,453,000
The Glenmore Distillery	185,966	11,971,400
Owensboro Grain Company	122,969	7,240,900
Regional Water Resource Agency	94,488	7,145,200
City of Owensboro <sup>(1)</sup>	98,124	3,898,300
Housing Authority	64,325	3,665,500
Daviess County Fiscal Court	76,586	3,178,000
Swedish Match	71,968	3,036,700

Source: OMU.

(1) Includes OMU's Electric System. The City expects future City use to decline due to the shutdown of the ESS. [Quantify.]

## WATER SALES

The following table summarizes water sales from 2008 to present:

FISCAL YEAR	WATER SALES REVENUES	USAGE (cubic feet)
2018*	\$11,265,644	564,439,335
2017	11,241,061	556,910,127
2016	10,916,830	550,085,090
2015	10,071,962	562,650,680
2014	9,287,175	563,943,685
2013	9,722,447	572,369,703
2012	9,299,592	572,832,079
2011	8,726,995	568,044,500
2010	8,166,286	530,683,714
2009	7,765,126	538,897,806
2008	7,577,668	554,649,193

Source: OMU.

\* Unaudited numbers.

## WATER RETAIL CUSTOMERS

The following table summarizes retail customers of the system from 2008 to present:

FISCAL YEAR	RESIDENTIAL <sup>(1)</sup>	COMMERCIAL/ INDUSTRIAL/OTHER <sup>1</sup>	TOTAL
2018*	22,229	3,202	25,431
2017	22,228	3,201	25,429
2016	22,217	3,190	25,407
2015	22,167	3,183	25,350
2014	22,097	3,175	25,272
2013	23,286	1,896	25,182
2012	23,248	1,886	25,134
2011	23,188	1,862	25,050
2010	23,135	1,829	24,964
2009	23,125	1,804	24,929
2008	22,971	1,796	24,767

Source: OMU.

(1) In Fiscal Year 2014, OMU began using a new billing system, which resulted in the reclassification of water customers.

\* Unaudited numbers.

## WATER USAGE

The following table summarizes water usage (in cubic feet) for the System from 2008 to present:

FISCAL YEAR	WHOLESALE (cubic feet) <sup>(1)</sup>	% OF TOTAL PUMPED	RESIDENTIAL & COMMERCIAL (cubic feet)	% OF TOTAL PUMPED	TOTAL OMU PUMPED/PURCHASED (cubic feet) <sup>(2)</sup>	% CHANGE
2018*	192,786,334	31.7	349,975,501	57.5	608,134,495	+2.9
2017	190,073,495	32.2	341,365,532	57.8	590,953,522	+1.8
2016	182,776,700	31.5	341,929,190	58.9	580,254,472	-5.2
2015	179,773,200	29.4	346,967,580	56.7	611,862,278	+1.5
2014	176,755,721	29.3	357,274,677	59.2	603,092,861	-1.7
2013	179,930,481	29.3	364,766,609	59.5	613,415,332	+0.2
2012	181,819,841	29.7	378,830,954	61.9	612,240,668	+1.1
2011	181,089,081	29.9	377,336,607	62.3	605,488,533	+7.7
2010	163,770,280	29.1	356,245,788	63.4	562,179,333	-3.9
2009	172,224,202	29.5	355,009,802	60.7	584,740,800	-3.6
2008	174,807,949	28.8	366,413,218	60.4	606,810,800	+5.8

Source: OMU.

(1) Represents sales to the Districts.

(2) In Fiscal Year 2014, OMU began purchasing water from a wholesale district due to pressure issues in the area.

\* Unaudited numbers.

## WATER CHARGES

The following schedule presents charges applicable to all metered domestic, commercial and industrial customers, including rate increases effective as of October 1, 2018, and June 1, 2019:

### WATER SERVICE RATES (Effective October 1, 2018, and June 1, 2019)

#### Volume Charges

MONTHLY WATER USAGE	INSIDE CITY (\$/100 cu. ft.) (Effective 10/1/18)	INSIDE CITY (\$/100 cu. ft.) (Effective 6/1/19)
First 40,000 cubic feet	\$1.87	\$2.09
Next 460,000 cubic feet	1.65	1.85
Over 500,000 cubic feet	1.55	1.74

MONTHLY WATER USAGE	OUTSIDE CITY (\$/100 cu. ft.) (Effective 10/1/18)	OUTSIDE CITY (\$/100 cu. ft.) (Effective 6/1/19)
First 40,000 cubic feet	\$2.81	\$3.14
Next 460,000 cubic feet	2.48	2.77
Over 500,000 cubic feet	2.33	2.60

#### Customer Service Charge

METER SIZE (INCHES)	INSIDE CITY* (\$/bill) (Effective 10/1/18)	INSIDE CITY* (\$/bill) (Effective 6/1/19)
5/8" and 3/4"	\$ 8.40	\$ 9.40
1"	14.30	16.00
1 1/4"	28.60	32.00
1 1/2"	47.80	53.50
2"	76.30	85.50
3"	143.30	160.50
4"	229.20	256.70
6"	458.30	513.30
8"	859.30	962.40
10"	1,623.20	1,818.00
12"	3,532.80	3,956.70

\*Outside City Rates are approximately 1.5x Inside City Rates.

**CURRENT SPECIAL RATES**  
(Effective October 1, 2018)

1. Owensboro Municipal Utilities Electric Generating Plants—The rate as determined under the above schedules.
2. Southeast Daviess Water District  
The rate as determined under the provisions of the Agreement between the Utility Commission and the Southeast Daviess County Water District dated May 14, 1992, and approved by the Board by Ordinance 32-92, as amended by Amendment to Agreement Dated May 14, 1992, dated December 1, 2008 and approved by the Board by Ordinance 45-2008, as amended by Amendment No. 2 to Agreement Dated May 14, 1992, dated March 1, 2014 and approved by the Board by Ordinance 16-2014, and as amended by Amendment No. 3 to Agreement Dated May 14, 1992, dated June 1, 2018.
3. East Daviess County Water Association  
The rate as determined under the provisions of the Agreement between the Utility Commission and the East Daviess County Water Association dated May 14, 1992, and approved by the Board by Ordinance 31-92, as amended by Amendment No. 1 to Agreement Dated May 14, 1992, dated March 1, 2014 and approved by the Board by Ordinance 16-2014, and as amended by Amendment No. 2 to Agreement Dated May 14, 1992, dated June 1, 2018.
4. West Daviess County Water District  
The rate as determined under the provisions of the Agreement between the Utility Commission and the West Daviess County Water District dated May 14, 1992, and approved by the Board by Ordinance 33-92, as amended by Amendment to Agreement Dated May 14, 1992, dated December 1, 2008 and approved by the Board by Ordinance 46-2008, as amended by Amendment No. 2 to Agreement Dated May 14, 1992, dated March 1, 2014 and approved by the Board by Ordinance 16-2014, and as amended by Amendment No. 3 to Agreement Dated May 14, 1992, dated June 1, 2018.

5. Fire Protection District

**MONTHLY CHARGE**

CONNECTION SIZE	INSIDE CITY LIMITS (EFFECTIVE 10/1/18)	INSIDE CITY LIMITS (EFFECTIVE 6/1/19)	OUTSIDE CITY LIMITS (EFFECTIVE 10/1/18)	OUTSIDE CITY LIMITS (EFFECTIVE 6/1/19)
2"	\$ 25.30	\$ 28.30	\$ 38.20	\$ 42.80
3"	36.60	41.00	54.10	60.60
4"	44.50	49.80	66.70	74.70
6"	65.20	73.00	97.00	108.60
8"	90.60	101.50	136.70	153.10
10"	108.00	121.00	162.10	181.60
12"	146.30	163.90	219.20	245.50

**TAPPING FEES**

5/8" and 3/4" tap	Charged at average cost of installation, including labor, material and overhead, established annually.
1" tap and larger	Charged at actual cost of installation, including labor, material and overhead.

**CAPITAL IMPROVEMENT PROGRAM**

The System capital improvements are paid from the Renewals and Replacement Fund. The Renewals and Replacement Fund is funded by transfers from the Water Revenue Fund per the Bond Ordinance, as described under "SUMMARY OF CERTAIN PROVISIONS OF THE BOND ORDINANCE." Payments for routine capital improvements have historically required no additional cash funding, other than the required transfers from the Water Fund.

Major capital improvements are paid by the issuance of bonds by the City, such as the Project, which is funded with certain proceeds of the Bonds. The City does not currently anticipate issuing any other System debt in 2018 or 2019. See "MISCELLANEOUS—Future Debt" herein.



## DEBT SERVICE REQUIREMENTS

The following table sets forth the estimated debt service on all of the Outstanding Bonds payable from Revenues of the System following the issuance of the Bonds and the refunding of the Refunded Bonds.

FISCAL YEAR ENDED MAY 31	OUTSTANDING BONDS <sup>(1)</sup>	THE BONDS		TOTAL REQUIREMENTS ALL OUTSTANDING BONDS
		PRINCIPAL	INTEREST	
2019	\$ 308,822.50	\$	\$	\$
2020	1,181,795.00			
2021	1,189,488.75			
2022	1,186,070.00			
2023	1,186,563.75			
2024	1,190,795.00			
2025	956,345.00			
2026	960,354.38			
2027	955,623.76			
2028	955,465.01			
2029	964,074.38			
2030	961,277.50			
2031	957,871.25			
2032	958,427.50			
2033	962,840.00			
2034	956,790.00			
2035	955,365.00			
2036	963,327.50			
2037	2,219,627.50			
2038	2,221,842.50			
2039	2,219,785.00			
2040	2,218,862.50			
2041	2,223,600.00			
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
	\$31,024,640.04	\$	\$	\$

(1) Includes the Series 2014 Bonds, Series 2015 and Series 2016 Bonds. Excludes the September 15, 2018, payments in the aggregate amount of \$1,540,906.88.

## RETIREMENT PLANS

### INTRODUCTION

The City maintains two pension plans which are funded and administered by the City: the City Employees' Pension Fund ("*CEPF*") and the Police and Firefighters' Retirement Fund ("*PFRF*"). The City also participates in the state-wide County Employees' Retirement System ("*CERS*," or the "*Pension Plan*"), a cost-sharing multiple-employer defined benefit pension plan administered by Kentucky Retirement Systems, for its full-time employees, as well as employees of the City's component units. For more information regarding CEPF, PFRF and CERS (the portion pertaining to the City's employees who are not employees of the System) see the City's Comprehensive Annual Financial Report for fiscal year ended June 30, 2017. The System, being a component unit of the City, contributes to CERS. The System prepares independent financial statements apart from the City's financial statements. The System makes certain contributions to CERS on behalf of its employees, as further described in this section. The operation of CERS, including the contributions to be made to CERS, the benefits provided by CERS, and the actuarial assumptions and methods employed in generating the liabilities and contributions of CERS, are governed by the Kentucky Revised Statutes, as amended. The authority to establish and amend benefit provisions lies with the Board of Trustees of the Kentucky Retirement Systems.

The following summarizes certain provisions of CERS and the funded status of CERS, as more completely described in Note 6 to the 2017 Audit for the System attached hereto as APPENDIX A.

### COUNTY EMPLOYEES RETIREMENT SYSTEM

The System contributes to CERS, which is a cost-sharing multiple employer defined benefit pension plan administered by Kentucky Retirement Systems that covers all regular full-time members employed in nonhazardous positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in CERS.

CERS provides for retirement, disability, and death benefits to system members through its pension fund (the "*Pension Account*"). Retirement benefits may be extended to beneficiaries of members under certain circumstances. CERS also provides for retiree medical benefits through its insurance fund (the "*Insurance Account*").

CERS issues a publicly available financial report that includes financial statements and required supplementary information which may be viewed at [www.kyret.ky.gov](http://www.kyret.ky.gov).

See Note 6 to the 2017 Audit for the System for additional information on the CERS' actuarial methods and assumptions, including information regarding the Discount Rate and the sensitivity of the Net Pension Liability to changes in the Discount Rate.

### *Contributions*

Both employers and employees contribute to CERS. At present, members who began participating in CERS prior to September 1, 2008, are required to contribute 5% of their annual creditable compensation to the Pension Account. For members who began participating in CERS on or after September 1, 2008, the contribution rate is 6%, of which 1% is contributed to the Insurance Account. The System's actuarially determined contribution rate as of May 31, 2018, was 19.18% of annual creditable compensation, of which 14.48% and 4.70% was contributed to the Pension Account and Insurance Account within CERS, respectively. Contributions to the Pension Account by the System were \$642,130 for the fiscal year ended May 31, 2018 (said amount representing 18% of total System expenditures).

For the fiscal years ended May 31, 2015 through May 31, 2018, the System contributed the following amounts to CERS:

FISCAL YEAR ENDED MAY 31	CERS CONTRIBUTIONS
2015	\$500,154
2016	488,839
2017	545,771
2018*	642,130

Source: The audited financial statements of the System for the fiscal years ended May 31, 2015, through May 31, 2017. The 2018 Draft Audit for fiscal years ended May 31, 2017, and 2018.

\* Unaudited amounts.

### *Measures of Financial Position*

The System's proportion of the net pension liability (the "*Net Pension Liability*"), and net other post retirement employee benefits (OPEB) as described in the 2018 Draft Audit, of CERS was based on a projection of the System's long-term share of contributions relative to the projected contributions of all participating entities, actuarially determined. A separate report listing the System's total pension liability and OPEB relating to CERS is not provided to the System. The System reported a Net Pension Liability and Net OPEB for its proportionate share of the Net Liabilities as follows:

FISCAL YEAR ENDED MAY 31	CERS LIABILITY
2015	\$4,101,776
2016	5,199,116
2017	6,095,910
2018*	9,630,092 <sup>(1)</sup>

\* Unaudited amounts.

(1) Reflects \$2,461,933 of OPEB Liability.

See Note 6 to the 2017 Audit for the System, and the related required supplementary information disclosures, for a description of CERS, the System's funding policy, information on the assumptions and methods used by the Actuary, and the financial reporting information required by the New GASB Standards.

#### *Ramifications for Delinquencies in Contributions to CERS*

If the System became delinquent in making required contributions to CERS, the System could be held liable in court for the amount of the delinquent contributions plus interest. In addition, the amount owed by the System to CERS could be deducted from other monies owed to the System from any department or agency of the Commonwealth. If the System is delinquent in the payment of contributions, CERS is authorized to suspend payments to CERS members deriving their pension based on time served for the System until the delinquent contributions, with interest, have been paid to CERS.

#### **CONTINUING DISCLOSURE**

The Utility Commission will enter into a Continuing Disclosure Undertaking (the "*Undertaking*") for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the "*MSRB*") through its Electronic Municipal Market Access system ("*EMMA*") pursuant to the requirements of Section (b)(5) of Rule 15c2-12. The form of the Undertaking is attached hereto as APPENDIX C, which sets forth the information to be provided on an annual basis, the events which will be noticed on an occurrence basis and a summary of other terms of the Undertaking, including termination, amendment and remedies. Such annual information will be provided by not later than 210 days after the end of each of the Utility Commission's fiscal years (presently, each May 31), commencing with the fiscal year ended May 31, 2018. The Undertaking will be made by the Utility Commission in order to assist the Underwriter in complying with Rule 15c2-12.

The Utility Commission believes that it has complied in all material respects with its previous undertakings under Rule 15c2-12 (the "*Prior Undertakings*") during the last five years. In the last five years, the outstanding obligations consist of the City's Currently Outstanding Bonds (the "*Water Revenue Bonds*"). The City's electric debt consisted of Electric Light and Power System Revenue Bonds, Series 1991-B, Electric Light and Power System Revenue Bonds, Series 2002-A, Electric Light and Power System Revenue Bonds, Series 2010-A, 2010-B and 2010-C, Electric Light and Power System Revenue Bonds, Series 2013-A and 2013-B and Light and Power System Revenue Bonds, Series 2017 (the "*Electric Revenue Bonds*," together with the Water Revenue Bonds, the "*Prior Obligations*"). The Utility Commission did not file certain material event notices in connection with the rating changes of the issuer and bond insurers on its Prior Obligations. The Utility Commission believes that information was disseminated or available through other sources. The operating data filed for the City's Electric Revenue Bonds for fiscal year ended 2013 was missing the Average Electric Rate table. The missing operating data was provided in the fiscal year ended 2014 filing. The Utility Commission has taken steps to ensure compliance with the Undertaking and the Prior

Undertakings and now requires that the audited financial statements be posted on EMMA within 30 days of them becoming available, typically in September of each year.

A failure by the Utility Commission to comply with the Undertaking will not constitute an event of default under the Bond Ordinance and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See “APPENDIX C—FORM OF CONTINUING DISCLOSURE UNDERTAKING.” A failure by the Utility Commission to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

### **NO LITIGATION**

There is no litigation pending or threatened which, in the opinion of counsel to the City, would have a material adverse effect on the operations or financial condition of the System. There is not now pending against the City any litigation restraining or enjoining the issuance or delivery of the Bonds, questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued or questioning or affecting the obligations of the City under the Bond Ordinance

### **CERTAIN LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale of the Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois (“*Chapman and Cutler*”), Bond Counsel, who has been retained by, and acts as, Bond Counsel to the City. Chapman and Cutler has also been retained by the City to serve as Disclosure Counsel to the City with respect to the Bonds. Although as Disclosure Counsel to the City, Chapman and Cutler has assisted the City with certain disclosure matters, Chapman and Cutler has not undertaken to independently verify the accuracy, completeness or fairness of any of the statements contained in this Official Statement or other offering material related to the Bonds and does not guarantee the accuracy, completeness or fairness of such information. Chapman and Cutler’s engagement as Disclosure Counsel was undertaken solely at the request and for the benefit of the City, to assist it in discharging its responsibility with respect to this Official Statement, and not for the benefit of any other person (including any person purchasing Bonds from the Underwriter), and did not include any obligation to establish or confirm factual matters, forecasts, projections, estimates or any other financial or economic information in connection therewith. Further, Chapman and Cutler makes no representation as to the suitability of the Bonds for investment by any investor. Certain legal matters will be passed upon by the City by its counsel.

### **TAX EXEMPTION**

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United

States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The City and the Utility Commission (the Utility Commission's covenants referred to in this "TAX EXEMPTION" section being set forth in the "Tax Exemption Certificate and Agreement" executed in connection with the issuance of the Bonds) have covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the City's and the Utility Commission's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing adjusted current earnings, which is used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the City and the Utility Commission with respect to certain material facts within the City's and the Utility Commission's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Internal Revenue Code of 1986, as amended (the "*Code*"), includes provisions for an alternative minimum tax ("*AMT*") for corporations in addition to the regular corporate tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("*AMTI*"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax-exempt interest, including interest on the Bonds. The AMT for corporations is repealed for taxable years beginning after December 31, 2017.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price for original issue discount (as further discussed below) and market discount purposes (the "*OID Issue Price*") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public (excluding bond houses and brokers and similar persons or organizations acting in the capacity of underwriters,

placement agents or wholesalers). The OID Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

If the OID Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the OID Issue Price of each such maturity, if any, of the Bonds (the “*OID Bonds*”) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the OID Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the City complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the OID Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond’s stated redemption price at maturity or, in the case of an OID Bond, its OID Issue Price plus accreted original issue discount (the “*Revised Issue Price*”), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct

amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in Congress legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Service has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the City as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

Bond Counsel is also of the opinion that the Bonds are exempt from Commonwealth ad valorem taxation and interest on the Bonds is exempt from present Commonwealth income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

#### **INDEPENDENT AUDITOR**

The general purpose financial statements of OMU for the Fiscal Years ended May 31, 2016, and 2017, included in this Official Statement as APPENDIX A have been audited by the Auditor, as stated in their report appearing in APPENDIX A of this Official Statement. The Utility Commission has not requested the Auditor to update information contained in the 2017 Audit or



the 2018 Draft Audit nor has the Utility Commission requested that the Auditor consent to the use of the 2017 Audit or the 2018 Draft Audit in this Official Statement. Other than as expressly set forth in this Official Statement, the financial information contained in the 2017 Audit and the 2018 Draft Audit has not been updated since the respective dates of the 2017 Audit and the 2018 Draft Audit. The inclusion of the 2017 Audit and the 2018 Draft Audit in this Official Statement in and of itself is not intended to demonstrate the fiscal condition of the Utility Commission since the respective dates of the 2017 Audit and the 2018 Draft Audit. Specific questions or inquiries relating to the financial information of the Utility Commission since the respective dates of the 2017 Audit and the 2018 Draft Audit should be directed to Ms. J. Lynn Holland, Director of Finance and Accounting of OMU.

## **MISCELLANEOUS**

### **BOND RATING**

Moody's is expected to assign the Bonds a rating of "\_\_\_\_". This rating reflects only the views of Moody's and any explanation of the significance of such rating may only be obtained therefrom. Certain information concerning the Bonds and the City not included in this Official Statement was furnished to Moody's by the City. There is no assurance that the rating will be maintained for any given period of time or that such rating may not be changed by Moody's if, in such rating agency's judgment, circumstances so warrant. Any downward change in or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

Except as may be required by the Undertaking described below under the heading "CONTINUING DISCLOSURE," neither the City nor the Underwriter undertakes responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of the rating or to oppose any such revision or withdrawal.

### **FUTURE DEBT**

Except for the Bonds, the City does not currently anticipate issuing any System debt in 2018 or 2019.

### **DEFAULT RECORD**

The City has no record of default and has met its debt repayment obligations promptly.

### **FINANCIAL ADVISOR**

Stifel, Nicolaus & Company, Incorporated, St. Louis, Missouri, is employed as Financial Advisor to the City to render certain professional services, including advising the City on a plan of financing in connection with the sale of the Bonds. Stifel, Nicolaus & Company, Incorporated, in its capacity as Financial Advisor, has read and supervised the compilation of this Official Statement. Under the terms of its engagement, the Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume

responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement, other than this section.

The Financial Advisor's duties, responsibilities and fees in connection with this issuance arise solely from the services for which it is engaged to perform as financial advisor on the Bonds. Stifel's compensation for serving as the Financial Advisor on the Bonds is conditional on the successful closing of the Bonds.

#### UNDERWRITING

\_\_\_\_\_ (the "*Underwriter*") has agreed, subject to certain conditions, to purchase the Bonds from the City at a purchase price equal to \$\_\_\_\_\_ (which is equal to the aggregate principal amount of the Bonds, plus original issue premium of \$\_\_\_\_\_, less original issue discount of \$\_\_\_\_\_, less an underwriting discount of \$\_\_\_\_\_). The Bonds may be offered and sold to certain dealers (including dealers depositing such Bonds into investment trusts, accounts or funds) and others at prices different than the initial public offering price. After the initial public offering, the public offering price of the Bonds may be changed from time to time by the Underwriter.

#### OTHER MATTERS

All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Simultaneously with the delivery of the Bonds, the Director of Finance and Accounting of OMU, acting on behalf of the City, will furnish to the Underwriter a certificate which shall state, among other things, that to the best knowledge and belief of such officer, this Official Statement (and any amendment or supplement hereto) as of the date of sale and as of the date of delivery of the Bonds does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading in any material respect.

Information set forth in this Official Statement has been furnished or reviewed by certain officials of the City, certified public accountants, and other sources, as referred to herein, which are believed to be reliable. Any statements made in this Official Statement involving matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized.

The form of this Official Statement, and its distribution and use by the Underwriter, has been approved by the City. Neither the City nor any of its officers, directors or employees, in either their official or personal capacities, has made any warranties, representations or guarantees

regarding the financial condition of the City or the City's ability to make payments required of it; and further, neither the City nor its officers, directors or employees assumes any duties, responsibilities or obligations in relation to the issuance of the Bonds other than those either expressly or by fair implication imposed on the City by the Bond Ordinance.

#### ADDITIONAL INFORMATION

Additional information regarding the City or the Bonds may be obtained from J. Lynn Holland, Director of Finance and Accounting at P.O. Box 806, Owensboro, Kentucky 42302 (270-926-3200).

CITY UTILITY COMMISSION OF THE CITY OF  
OWENSBORO, KENTUCKY

By: \_\_\_\_\_  
Interim General Manager  
Owensboro Municipal Utilities

September \_\_, 2018

## **APPENDIX A**

**AUDITED FINANCIAL STATEMENTS FOR OMU FOR FISCAL YEARS  
ENDED MAY 31, 2016, AND 2017 AND DRAFT AUDITED FINANCIAL STATEMENTS  
FOR THE SYSTEM FOR FISCAL YEARS ENDED MAY 31, 2017, AND 2018**

**APPENDIX B**

**FORM OF BOND COUNSEL OPINION**

[TO BE PROVIDED.]

## APPENDIX C

### FORM OF CONTINUING DISCLOSURE UNDERTAKING FOR THE PURPOSE OF PROVIDING CONTINUING DISCLOSURE INFORMATION UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by the City Utility Commission of the City of Owensboro, Kentucky (the “*Utility Commission*”) in connection with the issuance of its \$\_\_\_\_\_ Water Revenue Refunding and Improvement Bonds, Series 2018 (the “*Bonds*”). The Bonds are being issued pursuant to an ordinance (the “*Ordinance*”) adopted by the Board of Commissioners of the City of Owensboro, Daviess County, Kentucky (the “*City*”) on the 21<sup>st</sup> day of August, 2018, and a Bond Order executed by designated officers of the City and the Utility Commission on the 12<sup>th</sup> day of September, 2018.

In consideration of the issuance of the Bonds by the City and the purchase of such Bonds by the beneficial owners thereof, the Utility Commission covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Utility Commission as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Utility Commission represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds. The City is not an obligated person as defined in Rule 15c 2-12, and has not assumed any responsibilities under this Agreement.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

*Annual Financial Information* means the financial information and operating data described in *Exhibit I*.

*Annual Financial Information Disclosure* means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

*Audited Financial Statements* means the audited financial statements of the Utility Commission prepared pursuant to the standards and as described in *Exhibit I*.

*Commonwealth* means the Commonwealth of Kentucky.

*Dissemination Agent* means any agent designated as such in writing by the Utility Commission and which has filed with the Utility Commission a written acceptance of such designation, and such agent's successors and assigns.

*EMMA* means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*MSRB* means the Municipal Securities Rulemaking Board.

*Participating Underwriter* means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

*Reportable Event* means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

*Reportable Events Disclosure* means dissemination of a notice of a Reportable Event as set forth in Section 5.

*Rule* means Rule 15c2-12 adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

*SEC* means the Securities and Exchange Commission.

*Undertaking* means the obligations of the Utility Commission pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds as set forth in *Exhibit III*. The Final Official Statement relating to the Bonds is dated \_\_\_\_\_, 2018 (the "*Final Official Statement*"). The Utility Commission will include the CUSIP Number in all disclosures described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the Utility Commission hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Utility Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Utility

Commission will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the Utility Commission hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Utility Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Ordinance.

6. CONSEQUENCES OF FAILURE OF THE UTILITY COMMISSION TO PROVIDE INFORMATION. The Utility Commission shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Utility Commission to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Utility Commission to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Agreement in the event of any failure of the Utility Commission to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Utility Commission by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the SEC, a change in law, or a change in the identity, nature, or status of the Utility Commission, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and



(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Utility Commission (such as the Bond Counsel).

In the event that the Utility Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Utility Commission shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OF UNDERTAKING. The Undertaking of the Utility Commission shall be terminated hereunder if the Utility Commission shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Ordinance. The Utility Commission shall give notice to EMMA in a timely manner if this Section is applicable.

9. FUTURE CHANGES TO THE RULE. As set forth in Section 1 of this Agreement, the Utility Commission has executed and delivered this Agreement solely and only to assist the Participating Underwriters in complying with the requirements of the Rule. Therefore, notwithstanding anything in this Agreement to the contrary, in the event the Utility Commission, the MSRB or other regulatory authority shall approve or require changes to the requirements of the Rule, the Utility Commission shall be permitted, but shall not be required, to unilaterally modify the covenants in this Agreement, without complying with the requirements of Section 7 of this Agreement, in order to comply with, or conform to, such changes. In the event of any such modification of this Agreement, the Utility Commission shall file a copy of this Agreement, as revised, on EMMA in a timely manner.

10. DISSEMINATION AGENT. The Utility Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

11. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Utility Commission from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the Utility Commission chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the Utility Commission shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

12. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Utility Commission, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. RECORDKEEPING. The Utility Commission shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. ASSIGNMENT. The Utility Commission shall not transfer its obligations under the Ordinance unless the transferee agrees to assume all obligations of the Utility Commission under this Agreement or to execute an Undertaking under the Rule.

15. GOVERNING LAW. This Agreement shall be governed by the laws of the Commonwealth.

CITY UTILITY COMMISSION OF THE  
CITY OF OWENSBORO, KENTUCKY

By:

Kevin D. Frizzell, Interim General  
Manager  
Owensboro Municipal Utilities

Address:

2070 Tamarack Road  
Owensboro, Kentucky 42301

Date: \_\_\_\_\_, 2018

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

*“Annual Financial Information”* means financial information and operating data of the type contained in the Official Statement under the following captions:

- The historical information appearing under the heading “Summary of System Operations and Debt Service Coverage”
- “Ten Largest Water Customers”
- “Water Sales”
- “Water Retail Customers”
- “Water Usage”
- “Water Charges”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the SEC. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the SEC. The Utility Commission shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 210 days after the last day of the Utility Commission’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (*i.e.*, as subject to the pronouncements of the Governmental Standards Accounting Board and subject to any express requirements of Commonwealth law). Audited Financial Statements will be submitted to EMMA within 30 days after availability to Utility Commission.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Utility Commission will disseminate a notice of such change as required by Section 4.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. 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 status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City\*
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City 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 City, 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 City.

EXHIBIT III

CUSIP NUMBERS

(BASE NUMBER IS 691106)

YEAR	SUFFIX

## **APPENDIX D**

### **NOTICE OF BOND SALE AND BID FORM**

## CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING  
CONTINUING DISCLOSURE INFORMATION  
UNDER SECTION (b)(5) OF RULE 15c2-12

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by the City Utility Commission of the City of Owensboro, Kentucky (the “*Utility Commission*”) in connection with the issuance of its \$\_\_\_\_\_ Water Revenue Refunding and Improvement Bonds, Series 2018 (the “*Bonds*”). The Bonds are being issued pursuant to an ordinance (the “*Ordinance*”) adopted by the Board of Commissioners of the City of Owensboro, Daviess County, Kentucky (the “*City*”) on the 21<sup>st</sup> day of August, 2018, and a Bond Order executed by designated officers of the City and the Utility Commission on the \_\_\_\_ day of September, 2018.

In consideration of the issuance of the Bonds by the City and the purchase of such Bonds by the beneficial owners thereof, the Utility Commission covenants and agrees as follows:

1. PURPOSE OF THIS AGREEMENT. This Agreement is executed and delivered by the Utility Commission as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Utility Commission represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds. The City is not an obligated person as defined in Rule 15c 2-12, and has not assumed any responsibilities under this Agreement.

2. DEFINITIONS. The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

*Annual Financial Information* means the financial information and operating data described in *Exhibit I*.

*Annual Financial Information Disclosure* means the dissemination of disclosure concerning Annual Financial Information and the dissemination of the Audited Financial Statements as set forth in Section 4.

*Audited Financial Statements* means the audited financial statements of the Utility Commission prepared pursuant to the standards and as described in *Exhibit I*.

*Commonwealth* means the Commonwealth of Kentucky.

*Dissemination Agent* means any agent designated as such in writing by the Utility Commission and which has filed with the Utility Commission a written acceptance of such designation, and such agent’s successors and assigns.



*EMMA* means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

*Exchange Act* means the Securities Exchange Act of 1934, as amended.

*MSRB* means the Municipal Securities Rulemaking Board.

*Participating Underwriter* means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

*Reportable Event* means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit II*.

*Reportable Events Disclosure* means dissemination of a notice of a Reportable Event as set forth in Section 5.

*Rule* means Rule 15c2-12 adopted by the SEC under the Exchange Act, as the same may be amended from time to time.

*SEC* means the Securities and Exchange Commission.

*Undertaking* means the obligations of the Utility Commission pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds as set forth in *Exhibit III*. The Final Official Statement relating to the Bonds is dated \_\_\_\_\_, 2018 (the “*Final Official Statement*”). The Utility Commission will include the CUSIP Number in all disclosures described in Sections 4 and 5 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE. Subject to Section 8 of this Agreement, the Utility Commission hereby covenants that it will disseminate its Annual Financial Information and its Audited Financial Statements (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Utility Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Utility Commission will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. REPORTABLE EVENTS DISCLOSURE. Subject to Section 8 of this Agreement, the Utility Commission hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Utility Commission at the time of delivery of such information. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Ordinance.

6. CONSEQUENCES OF FAILURE OF THE UTILITY COMMISSION TO PROVIDE INFORMATION. The Utility Commission shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure when the same is due hereunder.

In the event of a failure of the Utility Commission to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Utility Commission to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Ordinance, and the sole remedy under this Agreement in the event of any failure of the Utility Commission to comply with this Agreement shall be an action to compel performance.

7. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Utility Commission by resolution authorizing such amendment or waiver, may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the SEC, a change in law, or a change in the identity, nature, or status of the Utility Commission, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Utility Commission (such as the Bond Counsel).

In the event that the Utility Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Utility Commission shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

8. TERMINATION OF UNDERTAKING. The Undertaking of the Utility Commission shall be terminated hereunder if the Utility Commission shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Ordinance. The Utility Commission shall give notice to EMMA in a timely manner if this Section is applicable.

9. FUTURE CHANGES TO THE RULE. As set forth in Section 1 of this Agreement, the Utility Commission has executed and delivered this Agreement solely and only to assist the Participating Underwriters in complying with the requirements of the Rule. Therefore, notwithstanding anything in this Agreement to the contrary, in the event the Utility Commission, the MSRB or other regulatory authority shall approve or require changes to the requirements of the Rule, the Utility Commission shall be permitted, but shall not be required, to unilaterally modify the covenants in this Agreement, without complying with the requirements of Section 7 of this Agreement, in order to comply with, or conform to, such changes. In the event of any such modification of this Agreement, the Utility Commission shall file a copy of this Agreement, as revised, on EMMA in a timely manner.

10. DISSEMINATION AGENT. The Utility Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

11. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Utility Commission from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the Utility Commission chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the Utility Commission shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event.

12. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Utility Commission, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. RECORDKEEPING. The Utility Commission shall maintain records of all Annual Financial Information Disclosure and Reportable Events Disclosure, including the content of

such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. ASSIGNMENT. The Utility Commission shall not transfer its obligations under the Ordinance unless the transferee agrees to assume all obligations of the Utility Commission under this Agreement or to execute an Undertaking under the Rule.

15. GOVERNING LAW. This Agreement shall be governed by the laws of the Commonwealth.

CITY UTILITY COMMISSION OF THE  
CITY OF OWENSBORO, KENTUCKY

By: \_\_\_\_\_  
Kevin D. Frizzell, Interim General Manager  
Owensboro Municipal Utilities

Address:

2070 Tamarack Road  
Owensboro, Kentucky 42301

Date: \_\_\_\_\_, 2018

## EXHIBIT I

### ANNUAL FINANCIAL INFORMATION AND TIMING AND AUDITED FINANCIAL STATEMENTS

*“Annual Financial Information”* means financial information and operating data of the type contained in the Official Statement under the following captions:

- The historical information appearing under the heading “Summary of System Operations and Debt Service Coverage”
- “Ten Largest Water Customers”
- “Water Sales”
- “Water Retail Customers”
- “Water Usage”
- “Water Charges”

All or a portion of the Annual Financial Information and the Audited Financial Statements as set forth below may be included by reference to other documents which have been submitted to EMMA or filed with the SEC. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the SEC. The Utility Commission shall clearly identify each such item of information included by reference.

Annual Financial Information exclusive of Audited Financial Statements will be submitted to EMMA by 210 days after the last day of the Utility Commission’s fiscal year. Audited Financial Statements as described below should be filed at the same time as the Annual Financial Information. If Audited Financial Statements are not available when the Annual Financial Information is filed, unaudited financial statements shall be included.

Audited Financial Statements will be prepared according to Generally Accepted Accounting Principles as applicable to governmental units (*i.e.*, as subject to the pronouncements of the Governmental Standards Accounting Board and subject to any express requirements of Commonwealth law). Audited Financial Statements will be submitted to EMMA within 30 days after availability to Utility Commission.

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Utility Commission will disseminate a notice of such change as required by Section 4.

## EXHIBIT II

### EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. 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 status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the City\*
13. The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

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\* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City 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 City, 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 City.

EXHIBIT III

CUSIP NUMBERS

(BASE NUMBER IS 691106)

YEAR	SUFFIX