
CITY OF OWENSBORO, KENTUCKY

ELECTRIC LIGHT AND POWER SYSTEM REFUNDING REVENUE BONDS

ELECTRIC LIGHT AND POWER SYSTEM
REVENUE BOND SUPPLEMENTAL ORDINANCE

ORDINANCE NO. 32-2019

Introduced to the Board of Commissioners
of the City of Owensboro on the 15th
day of October, 2019.

Adopted by the Board of Commissioners
of the City of Owensboro on the
5th day of November, 2019.

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**ELECTRIC LIGHT AND POWER SYSTEM REFUNDING REVENUE BOND
SUPPLEMENTAL ORDINANCE**

ORDINANCE NO. 32-2019

A SUPPLEMENTAL ORDINANCE providing for the authorization and issuance of Electric Light and Power System Refunding Revenue Bonds, in one or more series, in the aggregate principal amount of not to exceed \$80,000,000, of the City of Owensboro, Kentucky, for the purpose of refunding certain outstanding revenue bonds of said City; authorizing the sale of said bonds to the purchaser thereof identified herein; providing for the security and payment of said bonds and interest thereon from the available income and revenues of the municipal electric light and power system of said City; providing for the defeasance of certain revenue bonds of the City and providing for certain other matters in connection therewith.

* * * *

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 Section 96.520 *et seq.* of the Kentucky Revised Statutes, which by reference includes the provisions of Sections 96.360 to 96.510, inclusive, and Section 82.082 of the Kentucky Revised Statutes (collectively, the “Act”) to own and operate on a revenue producing basis in accordance with the provisions of the Act, as supplemented by other provisions of Kentucky law, and the City for many years last past has owned and operated, its electric light and power system (the “*Electric Light and Power System*”) in accordance with the Act.

B. The management and operation of the Electric Light and Power System is controlled by a utility commission (the “*Utility Commission*”) created by ordinance adopted July 29, 1940, as amended, and functioning under the provisions of Section 96.530 of the Kentucky Revised Statutes for the assurance of the citizens of the City and the holders of revenue bonds heretofore and hereafter issued of an efficient management and control of the Electric Light and Power System.

C. The City has heretofore issued its Electric Light and Power System Revenue Bonds payable from and secured by the income and revenues of the Electric Light and Power System

and each series of such bonds currently outstanding is set forth and described and defined as follows:

| SERIES | DATED | DEFINED HEREIN AS |
|---|-------------------|-------------------|
| 1991-B | December 6, 1991 | “1991-B Bonds” |
| 2002-A (Taxable) | February 1, 2002 | “2002-A Bonds” |
| 2010-A (Taxable) | November 18, 2010 | “2010-A Bonds” |
| 2010-B (Taxable Build America Bonds) | November 18, 2010 | “2010-B Bonds” |
| 2013-A (Taxable) | June 25, 2013 | “2013-A Bonds” |
| 2013-B | June 25, 2013 | “2013-B Bonds” |
| 2017 | August 31, 2017 | “2017 Bonds” |

which bonds are all authorized pursuant to Ordinance Number 73-85 of the City, adopted on October 16, 1985 (the “1985 Ordinance”) and the further ordinances of the City supplemental thereto (the “1985 Supplemental Ordinances”), and which bonds have the final maturities in the years as follows:

| SERIES | AUTHORIZED BY 1985 SUPPLEMENTAL | | FINAL MATURITY |
|--------|------------------------------------|-------------------|----------------|
| | ORDINANCE | AS ADOPTED ON | |
| 1991-B | 65-91 | November 19, 1991 | 2020 |
| 2002-A | 3-02 | January 22, 2002 | 2020 |
| 2010-A | 51-2010 | October 19, 2010 | 2022 |
| 2010-B | 51-2010 | October 19, 2010 | 2025 |
| 2013-A | 19-2013 | August 1, 2013 | 2022 |
| 2013-B | 19-2013 | August 1, 2013 | 2027 |

(which 1985 Supplemental Ordinances as so enumerated may each be referred to as by reference to the series of bonds so authorized as in the “1991-B Ordinance” for the 1991-B Bonds, and so

on); except that the 2017 Bonds were authorized pursuant to the 2002 Ordinance (as hereinafter defined) and Ordinance number 19-2017 supplemental thereto, adopted on August 1, 2017 (the “2017 Ordinance”), such bonds having a final maturity in the year 2037; and which bonds were outstanding, as of September 1, 2019, in the aggregate principal amount or compound accreted value amount as follows:

| SERIES | PRINCIPAL AMOUNT OR COMPOUND ACCRETED VALUE |
|--------|--|
| 1991-B | \$ 15,725,000 |
| 2002-A | 3,550,000 |
| 2010-A | 7,070,000 |
| 2010-B | 31,425,000 |
| 2013-A | 8,875,000 |
| 2013-B | 40,940,000 |
| 2017 | 49,345,000 |
| TOTAL | \$156,930,000 |

D. The 1991-B Bonds, 2002-A Bonds, 2010-A Bonds, 2010-B Bonds, 2013-A Bonds, 2013-B Bonds and 2017 Bonds currently outstanding and unpaid as described above (collectively, the “*Currently Outstanding Bonds*”) are all current as to the payment of both principal and interest and for the security for and payment of which all required sinking funds and reserves are being maintained.

E. Ordinance No. 3-02 of the City, including the Basic Ordinance Terms and Provisions included as Appendix A thereto, adopted by the Board on January 22, 2002 (the “2002 Ordinance”), contained prospective amendments to the 1985 Ordinance and provided that when such amendments became effective, the 1985 Ordinance would no longer apply to the Currently Outstanding Bonds issued pursuant to the 1985 Supplemental Ordinances (the “1985 *Currently Outstanding Bonds*”) and that the 2002 Ordinance would supersede the 1985 Ordinance as the basic ordinance providing the general terms and conditions of the 1985 Currently Outstanding Bonds and any other Bonds to be issued and outstanding as provided in said basic ordinance (the 2002 Ordinance, including such Basic Ordinance Terms and Provisions, being the “*Basic Ordinance*”).

F. Section 50 of the 1985 Ordinance provided that amendments of the type contained in the 2002 Ordinance could only become effective by the City convening a meeting of the holders of all Outstanding Bonds to be held in the City or in the City of Louisville, Kentucky, at which (i) the holders of not less than seventy percent (70%) of the total of the aggregate principal amount of all Current Interest Bonds and the aggregate applicable Compounded Amount of all Deferred-Current Interest Bonds and Deferred Interest Bonds (as all such terms were defined in the 1985 Ordinance) entitled to vote must be present in person or by proxy in order to constitute a quorum for the transaction of business and (ii) the modifications and amendments contained in the 2002 Ordinance (the “2002 *Amendments*”) must be approved by a resolution duly adopted by the affirmative vote, in person or by proxy, of the holders of sixty percent (60%) or more of the total of the aggregate principal amount of all Current Interest Bonds and the aggregate applicable

Compounded Amount of all Deferred-Current Interest Bonds and Deferred Interest Bonds then Outstanding.

G. Each 1985 Supplemental Ordinance adopted by the City from and after the 2002 Ordinance (the “*2002 Amendatory Supplemental Ordinances*”), provided as an element of the contract between the City and the owners of all Bonds issued thereunder, that the holders of Bonds authorized by the 2002 Amendatory Supplemental Ordinances (i) consent to the terms of the 2002 Ordinance superseding the 1985 Ordinance and becoming the Basic Ordinance and further consent to all of the terms and provisions of the 2002 Ordinance as effective without reference to or regard of the 1985 Ordinance to govern the operation of the Electric Light and Power System and (ii) grant an irrevocable proxy in favor of the Utility Commission to appear and vote as to all matters at such meeting of Bondholders so as to permit the provisions of the 2002 Ordinance to supersede the 1985 Ordinance as the Basic Ordinance.

H. As a result of the foregoing, the owners of all 1985 Currently Outstanding Bonds other than the 1991-B Bonds have consented to the terms of the 2002 Ordinance superseding the 1985 Ordinance and becoming the Basic Ordinance and have granted an irrevocable proxy in favor of the Utility Commission to appear and vote at a meeting of Bondholders, whenever held, for the purpose of amending the 1985 Ordinance and all 1985 Supplemental Ordinances so as to permit the provisions of the 2002 Ordinance to supersede the 1985 Ordinance as the Basic Ordinance.

I. Pursuant to Section 18(b) of Ordinance Number 19-2013 and Section 18(b) of Ordinance Number 25-2016 adopted by the City Commissioners on October 18, 2016, the City authorized the Utility Commission to call and hold such meeting of Bondholders and take all actions necessary to bring into effect the 2002 Ordinance as the Basic Ordinance.

J. By resolution adopted on May 4, 2017, the Utility Commission determined that the holders of not less than seventy percent (70%) of the 1985 Currently Outstanding Bonds on such date had consented to the terms of the 2002 Ordinance superseding the 1985 Ordinance as the Basic Ordinance, and called a meeting of Bondholders for June 15, 2017 (the “*Bondholders’ Meeting*”).

K. As evidenced by an Affidavit of Mailing, executed by the Secretary of the Utility Commission and heretofore filed with the City Clerk (the “*Affidavit of Mailing*”), notice of the Bondholders’ Meeting was given by the Utility Commission in the manner required by the 1985 Ordinance and the 2002 Amendatory Supplemental Ordinances and at the Bondholders’ Meeting, the Utility Commission, as designated proxy holder, adopted a resolution (the “*Bondholders’ Resolution*”) voting the proxies of the holders of all of the outstanding Current Interest Bonds in the aggregate principal amount of \$146,435,000, representing approximately 77.50% of the total of the aggregate principal amount of all Current Interest Bonds and the aggregate applicable Compounded Amount of all Deferred-Current Interest Bonds and Deferred Interest Bonds, in accordance with the provisions of the 1985 Ordinance, in favor of approving the terms of the 2002 Ordinance superseding the 1985 Ordinance and becoming the Basic Ordinance and approving all of the terms and provisions of the 2002 Amendments and the 2002

Ordinance as effective without reference to or regard of the 1985 Ordinance to govern the operation of the Electric Light and Power System.

L. A record of the proceedings of the Bondholders' Meeting certified by the Secretary of the Utility Commission acting as secretary of the Bondholders' Meeting, including an executed copy of the Bondholders' Resolution and the Affidavit of Mailing, has been filed in the records of the City Clerk of the City.

M. The 1991-B Bonds are more particularly described as follows:

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, 1991-B SERIES

Original Principal Amount: \$10,070,000
Dated: December 6, 1991
Originally Due Serially: January 1, 2005 to 2020, inclusive
Amount Outstanding: \$15,725,000.00
Due January 1 and Described as follows:

| YEAR | ORIGINAL PRINCIPAL AMOUNT (\$) | ORIGINAL PRINCIPAL AMOUNT (\$) | YIELD (%) |
|------|-----------------------------------|--------------------------------------|-----------|
| 2020 | 2,310,631.50 | 15,725,000 | 6.95 |

which bonds are not subject to redemption prior to maturity.

N. The 2010-A Bonds are more particularly described as follows:

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2010-A SERIES

Original Principal Amount: \$10,070,000
Dated: November 18, 2010
Originally Due Serially: January 1, 2021 and 2022
Amount Outstanding: \$7,070,000

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2021 | 1,915,000 | 4.88 |
| 2022 | 5,155,000 | 5.03 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Commission, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption, in accordance with the provisions of the 2010-A Ordinance.

O. The 2010-B Bonds are more particularly described as follows:

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2010-B SERIES
(BUILD AMERICA BONDS-DIRECT PAYMENT)

Original Principal Amount: \$31,425,000

Dated: November 18, 2010

Originally Due Serially: January 1, 2021 through 2025

Amount Outstanding: \$31,425,000

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2021 | 4,395,000 | 4.88 |
| 2022 | 4,530,000 | 5.03 |
| 2023 | 7,250,000 | 5.18 |
| 2024 | 7,495,000 | 5.38 |
| 2025 | 7,755,000 | 5.58 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Commission, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption, in accordance with the provisions of the 2010-B Ordinance.

P. The 2013-A Bonds are more particularly described as follows:

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2013-A SERIES

Original Principal Amount: \$8,875,000

Dated: June 25, 2013

Originally Due Serially: January 1, 2021 and 2022

Amount Outstanding: \$8,875,000

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2021 | 4,880,000 | 3.40 |
| 2022 | 3,995,000 | 3.65 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Commission, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption, in accordance with the provisions of the 2013-A Ordinance.

Q. The 2013-B Bonds are more particularly described as follows:

ELECTRIC LIGHT AND POWER SYSTEM REFUNDING REVENUE BONDS, TAX-EXEMPT
2013-B SERIES

Original Principal Amount: \$77,100,000

Dated: June 25, 2013

Originally Due Serially: January 1, 2022 through 2027

Amount Outstanding: \$40,940,000

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2022 | 600,000 | 3.00 |
| 2023 | 2,125,000 | 3.25 |
| 2023 | 4,795,000 | 5.00 |
| 2024 | 7,300,000 | 5.00 |
| 2025 | 2,655,000 | 3.75 |
| 2025 | 5,085,000 | 5.00 |
| 2026 | 5,310,000 | 4.00 |
| 2026 | 7,130,000 | 5.00 |
| 2027 | 5,940,000 | 4.00 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Commission, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption, in accordance with the provisions of the 2013-B Ordinance.

R. In order to provide for the proper operation of the Electric Light and Power System, and also to provide for electric light and power system rates, fees and charges which are reasonable and favorable to the residents of the City and other users of the Electric Light and Power System, the Utility Commission and the Board of Commissioners of the City have determined that it is advisable to defease or refund, as applicable, all or a portion of the 1991-B Bonds, the 2010-A Bonds, the 2010-B Bonds, the 2013-A Bonds and the 2013-B Bonds (collectively, the “*Prior Bonds*”) to restructure the debt service burden of the Electric Light and Power System or to realize certain debt service savings on said Bonds thereby reducing the debt service burden of the Electric Light and Power System and deposit in escrow sufficient funds to retire said obligations and interest thereon when due at maturity or upon earlier redemption.

S. Pursuant to the provisions of the Act, and other applicable law, the City is authorized to defease all or a portion of the Prior Bonds and issue revenue bonds for the purpose of providing funds for the defeasance or refunding of all or a portion of the Prior Bonds, either by paying the Prior Bonds as the same become due or upon redemption prior to maturity (the “*Refunding*”).

T. The Utility Commission has reported that it is necessary at this time to defease all or a portion of the Prior Bonds and to issue additional revenue bonds of the City in order to finance a portion of the costs of the Refunding and has found, determined, and reported that the Board of Commissioners should provide for the aforesaid Refunding through the issuance under the applicable provisions of the Applicable Ordinances of one or more series of revenue bonds of the City secured by the available income and revenues of the Electric Light and Power System in the aggregate principal amount of not to exceed \$80,000,000.

U. The Utility Commission has presented to this Board of Commissioners a proposed Bond Purchase Agreement by BofA Securities, Inc., New York, New York, as manager, and designated associates, if any (the “*Purchasers*”), to purchase the revenue bonds hereinafter authorized at the prices hereinafter provided.

V. Due to certain restrictions concerning the tax-exempt status of interest on a portion of the revenue bonds as contained in the Internal Revenue Code of 1986, as amended (the “*Code*”), covenants must be made for those series of revenue bonds, if any, which are to be tax-exempt, and it may be necessary, or desirable, to issue one or more or all series of the revenue bonds as hereinafter authorized on a taxable basis (*i.e.*, not “tax-exempt” as provided in the Code).

W. In and by the Applicable Ordinances, the right and privilege were reserved by the City under conditions and restrictions therein set out of issuing additional bonds from time to time, payable from the available income and revenues of the Electric Light and Power System and ranking on a parity with the Currently Outstanding Bonds, which conditions and restrictions are found to exist and prevail currently so as to permit the issuance of such additional bonds, in one or more series (each, a “*Series*”), in the aggregate principal amount of not to exceed \$80,000,000 as hereinafter authorized.

X. It appears to the Board of Commissioners that it is lawful, feasible, and proper at this time to authorize and issue under the Basic Ordinance, as supplemented by this Ordinance, one or more Series of revenue bonds of the City secured by the available income and revenues of the Electric Light and Power System in the aggregate principal amount of not to exceed \$80,000,000 and entitled (but with such specific designations as set forth in a Bond Order) “*Electric Light and Power System Refunding Revenue Bonds, [Taxable][Tax-Exempt] 2019-__ Series*” to provide for the Refunding (collectively, the “*2019 Bonds*”).

Y. The Board of Commissioners has determined that it is desirable and in the best interests of the City that certain officers of the City and the Utility Commission be authorized to defease all or a portion of the Prior Bonds and sell one or more Series of revenue bonds from time to time and accordingly, it is necessary that said officers be so authorized with certain and delegated limitations as hereinafter set forth.

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.

Act
Affidavit of Mailing
Applicable Ordinances
Basic Ordinance
Bondholders' Meeting
Bondholders' Resolution
City
Code
Currently Outstanding Bonds
Electric Light and Power System
Prior Bonds
Purchasers
Refunding
Series
Utility Commission
1985 Currently Outstanding Bonds
1985 Ordinance
1985 Supplemental Ordinances
1991-B Bonds
1991-B Ordinance
2002 Amendatory Supplemental Ordinances
2002 Amendments
2002 Ordinance
2002-A Bonds
2002-A Ordinance
2010-A Bonds
2010-A Ordinance
2010-B Bonds
2010-B Ordinance
2013-A Bonds
2013-A Ordinance
2013-B Bonds
2013-B Ordinance
2017 Bonds
2017 Ordinance
2019 Bonds

B. The following words and terms are defined as set forth in the preambles or below.

“Basic Ordinance” means the 2002 Ordinance, including the Basic Ordinance Terms and Conditions set forth as Appendix A attached thereto and incorporated therein by reference (all of which 2002 Ordinance and Appendix A thereto are attached hereto as *Appendix A* to this Ordinance).

“Bond Insurer” means any person other than the City guaranteeing or agreeing to pay principal of or interest or redemption premium on Outstanding 2019 Bonds, as may be specified in a Bond Order for the related Series of 2019 Bonds.

“Bond Order” means a Bond Order substantially in the form attached hereto as *Appendix B* to this Ordinance, made a part hereof by this reference, as authorized to be executed by the Designated Officials and by which the final terms of each Series of the 2019 Bonds will be established.

“Bond Registrar” means U.S. Bank National Association, including its successors by merger, consolidation, or otherwise, with offices currently located in the City of Louisville, Kentucky, or any other bank or trust company appointed by the City pursuant to this Ordinance.

“Business Day” means any day other than a day on which banks in the City of New York, New York, the City of Chicago, Illinois, or the city in which the Bond Registrar maintains the office designated for the purpose, are required or authorized to close.

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

“Designated Officials” has the meaning as ascribed thereto in Section 11 hereof.

“Escrow Agreement” means the Escrow Deposit Agreement by and between the City and the Escrow Holder as authorized as part of the Refunding and substantially in the form attached hereto as *Appendix C* to this Ordinance, made a part hereof by this reference.

“Escrow Holder” means U.S. Bank National Association, with offices located in the City of Louisville, Kentucky, a bank having trust powers, or a successor thereto or a successor designated as Escrow Holder hereunder.

“Financial Advisor” means Stifel, Nicolaus & Company, Incorporated, duly appointed financial advisor to the Utility Commission for sale of the 2019 Bonds.

“Fiscal Year” means the twelve month period beginning June 1, and ending May 31, or as otherwise provided by the Utility Commission.

“Ordinance” means this Ordinance No. 32-2019, a Supplemental Ordinance to the Basic Ordinance.

“Ordinance Amendment Effective Date” means July 6, 2017 the date upon which the 2002 Ordinance became the Basic Ordinance by virtue of the amendment to the 1985 Ordinance and the 1985 Supplemental Ordinances as described in the preambles to this Ordinance and Section 2 hereof, which Ordinance Amendment Effective Date has occurred prior to the date of adoption of this Ordinance.

“Record Date” is defined in Section 5A hereof.

“Refunded Bonds” means those of the outstanding 1991-B Bonds, 2010-A Bonds, 2010-B Bonds, 2013-A Bonds and 2013-B Bonds selected for refunding pursuant to the related Bond Order.

“Stated Maturity” means, with respect to any 2019 Bond, the date specified in such 2019 Bond as the fixed date on which the principal of such 2019 Bond or such interest is due and payable, whether by maturity or otherwise.

“Tax-exempt” means, with respect to all or a portion of the 2019 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, but as taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

“Term Bonds” means 2019 Bonds subject to mandatory redemption by operation of the Sinking Fund and designated as Term Bonds in the related Bond Order.

“2019 Bonds” means all the City’s bonds as authorized by this Ordinance more explicitly described in Sections 5 and after of this Ordinance.

C. Capitalized terms used herein but not defined in this Ordinance shall have the meanings ascribed thereto in the Basic Ordinance.

D. 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 Hereto and Basic Ordinance. The City 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. As described in the preambles to this Ordinance, the City hereby finds further and declares that all necessary and appropriate actions have been taken by the City and the Utility Commission to authorize and permit the provisions of the 2002 Ordinance to supersede the 1985 Ordinance as the Basic Ordinance, and to provide for all of the terms and provisions thereof to become effective, and for the 2002 Ordinance to govern the operation of the Electric Light and Power System. From and after the Ordinance Amendment Effective Date, the 1985 Ordinance has ceased to apply to the 1985 Currently Outstanding Bonds, and the 2002 Ordinance has become the Basic Ordinance providing the general terms and conditions for Bonds, including the 2017 Bonds and the 2019 Bonds authorized and to be issued hereunder. The City hereby makes reference to the 2002 Ordinance as the Basic Ordinance and incorporates the terms and provisions thereof and all references herein to the Basic Ordinance shall refer to the 2002 Ordinance.

Section 3. Authority; Determination to Issue 2019 Bonds. The authority for this Ordinance is the Act and the Basic Ordinance. It is necessary and in the best interests of the City to defease the Refunded Bonds and to issue the 2019 Bonds to provide for the Refunding to restructure the debt service burden of the Electric Light and Power System or achieve debt service savings; and it is hereby found and determined that such defeasance and such issuance are for a proper public purpose, are in the public interest, and are authorized by the Act.

Section 4. Applicable Ordinances to Constitute Contract. In consideration of the purchase and acceptance of any and all of the 2019 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Applicable Ordinances shall be deemed to be and shall constitute a contract between the City, for itself and for and on behalf of the Utility Commission, and the holders from time to time of the Bonds; and the pledge made in the Applicable Ordinances and the covenants and agreements therein and herein set forth to be performed on behalf of the City and the Utility Commission shall be for the equal benefit, protection and security of the owners of any and all of the Bonds, all of which, regardless of the time or times of their issuance and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by the Basic Ordinance.

Section 5. Bond Details. There shall be issued and sold the 2019 Bonds, in one or more Series, in the aggregate principal amount of not to exceed \$80,000,000. Each Series of the 2019 Bonds shall be designated as provided in the related Bond Order. Each Series of the 2019 Bonds shall be dated as stated in the related Bond Order for such Series, but not earlier than November 1, 2019 and not later than the date of issuance (the “*Dated Date*”), shall bear the date of authentication thereof, and shall be in fully registered book-entry form (as more particularly described below and defined as “*Book Entry Form*”). Each Series of the 2019 Bonds shall be issued as Tax-exempt or taxable to the extent advisable under applicable law and as provided in the related Bond Order for such Series.

The 2019 Bonds shall be in denominations of \$5,000 or integral multiples thereof (but no single 2019 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 2019 Bonds shall mature or be subject to redemption pursuant to Sinking Fund Installments on January 1 of such years, not earlier than the year 2020 and not later than the year 2028, and in such principal amounts, as shall be set forth in the related Bond Order. Each 2019 Bond shall bear interest, at a rate not to exceed 5.00% per annum, from the later of its Dated Date or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of such 2019 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 January 1 and July 1 of each year, commencing on July 1, 2020 or such other date within one year of issuance, as provided in the related Bond Order. Interest on each 2019 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 2019 Bond is registered at the close of business on the applicable Record Date, and mailed to the registered owner of the 2019 Bond as shown in the Bond Register 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 for the 2019 Bonds shall be the 15th day of the month preceding any regular interest payment date or a redemption on the first day of any month and the 15th day preceding any other interest payment date which may be occasioned by a redemption of 2019 Bonds on a day other than the first day of any month. The principal of or redemption price due on the 2019 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 and locality.

The *total* Debt Service on all series of the 2019 Bonds shall not exceed (i) the amount of \$16,000,000 in any year (said years ending on and including January 1) and (ii) the applicable amounts as provided for the issuance of Additional Bonds under the Basic Ordinance.

Section 6. Book Entry Form. The 2019 Bonds shall be initially issued in the form of a separate single fully registered bond for each of the maturities of each Series of the 2019 Bonds. Upon initial issuance, the ownership of each such 2019 Bond shall be registered in the Bond Register in such name as may be provided by the Depository (the “*Book Entry Owner*”) and, accordingly in Book Entry Form as provided herein. Except as otherwise expressly provided, all of the Outstanding 2019 Bonds from time to time shall be registered in the Bond Register in the name of the Book Entry Owner. 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 2019 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 2019 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 2019 Bonds registered in the Bond Register in the name of the Book Entry Owner, 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 such 2019 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 2019 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 Book Entry Owner, or any Depository Participant with respect to any ownership interest in the 2019 Bonds, (b) the delivery to any Depository Participant or any other person, other than a registered owner of a 2019 Bond as shown in the Bond Register or as otherwise expressly provided in the Representations Letter, of any notice with respect to such 2019 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 2019 Bond as shown in the Bond Register, of any amount with respect to principal or redemption price of or interest on such 2019 Bonds. No person other than a registered owner of a 2019 Bond as shown in the Bond Register shall receive a bond certificate with respect to such 2019 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 2019 Bonds either that they be able to obtain certificated 2019 Bonds or that another depository is preferable, the City shall notify the Depository and the Depository shall notify the Depository Participants, and the 2019 Bonds shall no longer be restricted to being registered in the Bond Register to the Book Entry Owner. Alternatively, at such time, the City may determine that the 2019 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 2019 Bonds shall be registered in whatever name or names registered owners of 2019 Bonds transferring or exchanging 2019 Bonds shall designate, in accordance with the provisions hereof.

Section 7. Execution; Authentication. The 2019 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 such 2019 Bond shall cease to be such officer before the delivery of such 2019 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 2019 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 2019 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 2019 Bond shall be conclusive evidence that such 2019 Bond has been authenticated and delivered under this Ordinance. The certificate of authentication on any 2019 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 2019 Bonds issued hereunder.

Section 8. Redemption. The 2019 Bonds may be subject to redemption prior to maturity, as provided in the related Bond Order, as follows:

A. *Mandatory Redemption.* If so provided in the related Bond Order, 2019 Bonds of any Series may be subject to mandatory redemption by operation of the Debt Service Account to satisfy the Sinking Fund Installments for such 2019 Bonds, which Sinking Fund Installments shall be as provided in the related Bond Order.

B. *Optional Redemption.* The 2019 Bonds of any Series 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 related Bond Order, and if in part, of such Series and in such order of maturities as shall be selected by the Utility Commission, and if less than an entire maturity of a Series, as applicable to any mandatory redemption requirement and Sinking Fund Installment or at final maturity

as the Utility Commission shall select, in integral multiples of \$5,000, selected by lot by the Bond Registrar or on a pro-rata basis as hereinafter provided. The redemption price shall be expressed (i) as a percentage of the principal amount being redeemed, not to exceed one hundred percent (100%) plus accrued interest to the date fixed for redemption and (ii) in the case of 2019 Bonds issued on a taxable basis, such redemption price may also be expressed as a formula designed to compensate the owner of the 2019 Bond to be redeemed based upon prevailing market conditions on the date fixed for such redemption, commonly known as a “*make whole*” redemption premium. Any 2019 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 requirements and Sinking Fund Installments for same as determined by the City through its Utility Commission.

C. *Non-Callable.* Notwithstanding any other provision of this Ordinance, the related Bond Order may provide for some portion or all of any Series of the 2019 Bonds to be non-callable.

D. *Conditional Redemption.* With respect to an optional redemption of any 2019 Bond or 2019 Bonds, unless moneys sufficient to pay the redemption price of and interest on the 2019 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 through its Utility Commission, 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 through its Utility Commission shall not redeem such 2019 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 2019 Bonds will not be redeemed.

E. *Procedures.* The Bond Registrar shall proceed to redeem 2019 Bonds subject to mandatory redemption pursuant to a Sinking Fund Installment without further order or direction from the City whatsoever. For an optional redemption, the City through its Utility Commission 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 Series and maturities and principal amounts of 2019 Bonds to be redeemed. For purposes of any redemption of less than all of the 2019 Bonds, such redemption shall be accomplished in the manner as set forth in the related Bond Order which shall either be by lot or on a pro-rata basis each described as follows:

(i) *By Lot.* The particular 2019 Bonds or portions of 2019 Bonds to be redeemed may be selected by lot prior to the redemption date by the Bond Registrar for the 2019 Bonds of such Series and 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 2019 Bonds or portions thereof so that any \$5,000 2019 Bond or \$5,000 portion of a 2019 Bond shall be as likely to be called for redemption as any other such \$5,000 2019 Bond or \$5,000 portion. The Bond Registrar shall promptly notify the City and the Utility

Commission in writing of the 2019 Bonds or portions of 2019 Bonds selected for redemption and, in the case of any 2019 Bond selected for partial redemption, the principal amount thereof to be redeemed.

(ii) *Pro-Rata Redemption.* Any redemption of less than all of the 2019 Bonds (issued on a taxable basis) may be on a pro-rata basis among the holders (or while the 2019 Bonds are in book-entry form among the beneficial owners as reflected in the records of the Depository) of the outstanding 2019 Bonds by application of a fraction the numerator of which is the principal amount of 2019 Bonds held by the holder (or beneficial owner) and the denominator of which is the principal amount of all the 2019 Bonds then outstanding; *provided, however*, that if for a holder of 2019 Bonds the pro-rata redemption shall not result in a denomination of \$5,000 or an integral multiple thereof (the “*Uneven Amount*”), then the amount to be redeemed allocable to such Uneven Amount shall be as determined by the City through the Utility Commission by direction to the Bond Registrar in any commercially reasonable manner, which may include allocating such additional redemptions by rounding to the nearest denomination of \$5,000 or by lot, or both. If the 2019 Bonds are held in Book Entry Form at the time of such redemption, the Bond Registrar will instruct the Depository to instruct its Participants to select the specific 2019 Bonds for redemption in accordance with such pro-rata requirement, and neither the City nor the Bond Registrar shall have any responsibility to insure that the Depository or its Participants properly select such 2019 Bonds for redemption.

F. *Notice.* Unless waived by the registered owner of 2019 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 prior to the date fixed for redemption to each registered owner of the 2019 Bond or 2019 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 2019 Bonds to be redeemed and at least the information as follows:

- (i) the redemption date;
- (ii) the redemption price;
- (iii) if less than all of the outstanding 2019 Bonds of a particular Series and maturity are to be redeemed, the identification (and, in the case of partial redemption of 2019 Bonds within such maturity, the respective principal amounts) of the 2019 Bonds to be redeemed;
- (iv) a statement that on the redemption date the redemption price will become due and payable upon each such 2019 Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and

(v) the place where such 2019 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.

G. *2019 Bonds to become Due.* Official notice of redemption having been given as described, the 2019 Bonds or portions of such 2019 Bonds so to be redeemed shall, subject to the provision for conditional redemption as stated in paragraph D 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 2019 Bonds or portions of 2019 Bonds shall cease to bear interest.

H. *Failure with respect to Notice.* Neither the failure to mail such redemption notice, nor any defect in any notice so mailed, to any particular registered owner of a 2019 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 2019 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.

I. *Waiver.* Such notice may be waived in writing by a registered owner of a 2019 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 2019 Bonds are held in Book Entry Form, notice may be given for such Series as provided in the Letter of Representations, and the giving of such notice shall constitute a waiver by the Depository and the Book Entry Owner, as registered owner, of the foregoing notice. Upon surrender of such 2019 Bonds for redemption in accordance with said notice, such 2019 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.

J. *Surrender.* Upon surrender for any partial redemption of any 2019 Bond, there shall be prepared for the registered owner a new 2019 Bond or 2019 Bonds of like Series and tenor, of authorized denominations, of the same maturity, and bearing the same rate of interest in the amount of the unpaid principal. If any 2019 Bond or portion of such 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 such 2019 Bond or portion of 2019 Bond so called for redemption. All 2019 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 2019 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 2019 Bonds being redeemed with the proceeds of such check or other transfer. As part of their respective duties hereunder, the Bond Registrar shall prepare and forward to

the City a statement as to notice given with respect to each redemption together with copies of the notices as mailed and published.

Section 9. Registration of 2019 Bonds; Persons Treated as Holders. The City shall cause books (the “*Bond Register*”) for the registration and for the transfer of the 2019 Bonds as provided in this Ordinance to be kept at the designated corporate trust office of the Bond Registrar, which is hereby constituted and appointed the registrar of the City for the 2019 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 2019 Bonds. Subject to the provisions of this Ordinance relating to the 2019 Bonds in Book Entry Form, any 2019 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 2019 Bond at the designated corporate trust office of the Bond Registrar, 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 2019 Bond or 2019 Bonds of like Series and 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 2019 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 2019 Bonds or to transfer or exchange any 2019 Bond all or a portion of which has been called for redemption. The execution by the City of any fully registered 2019 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 2019 Bonds of each Series and maturity authenticated by the Bond Registrar shall not at any one time exceed the authorized principal amount of the 2019 Bonds for such Series and maturity less the amount of such 2019 Bonds which have been paid. The person in whose name any 2019 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 2019 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 2019 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 2019 Bonds except in the case of the issuance of a 2019 Bond or 2019 Bonds for the unredeemed portion of a 2019 Bond surrendered for redemption.

Section 10. Form of 2019 Bond. The 2019 Bonds shall be in substantially the form hereinafter set forth with necessary and appropriate variations, omissions and insertions as permitted or required by this Ordinance; *provided, however,* that if the text of the 2019 Bonds is to be printed in its entirety on the front side of the 2019 Bonds, 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 2019 BOND - FRONT SIDE]

REGISTERED
No. _____

REGISTERED
\$ _____

UNITED STATES OF AMERICA
COMMONWEALTH OF KENTUCKY
COUNTY OF DAVIESS
CITY OF OWENSBORO
ELECTRIC LIGHT AND POWER SYSTEM REFUNDING REVENUE BOND
[TAXABLE] [TAX-EXEMPT] [2019-__] SERIES

See Reverse Side for
Additional Provisions.

INTEREST MATURITY DATED
RATE: ____% DATE: January 1, 20__ DATE: _____, 2019 CUSIP ____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: _____ DOLLARS

The City of Owensboro, in 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 to the Registered Owner identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Sum set forth above and to pay interest (computed on the basis of a 360-day year of twelve 30-day months) on such Principal Sum from the later of Dated Date of this Bond or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum set forth above on January 1 and July 1 of each year commencing July 1, 2020, until said Principal Sum is paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be and become applicable hereto. Both principal of and premium (if any) on this Bond are payable in lawful money of the United States of America at the office of U.S. Bank National Association so maintained for the purpose in Louisville, Kentucky, as bond registrar and paying agent (the “Bond Registrar”). Payment of the installments of interest shall be made to the Registered Owner hereof on the registration books of the City maintained by the Bond Registrar at the close of business on the applicable record date (the “Record Date”). The Record Date shall be the 15th day of the month preceding any regular interest payment date or a redemption on the first 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 first 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.

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, recited, and declared that all acts, conditions and things required to be done, exist, happen, and be performed precedent to and in the issuance of this Bond and the series of which it is one have been done, have existed, have happened, and have been performed in regular form and manner as required by law; 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 electric light and power system of the City has been pledged to and will be set aside into said special fund by the City for the prompt payment of the principal of and interest on all bonds which by their terms and by the 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 duly authorized manual or facsimile signature of its Mayor and attested by the duly authorized manual or 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.

[SEAL]

Mayor

ATTEST:

By _____
City Clerk

[FORM OF CERTIFICATE OF AUTHENTICATION]

CERTIFICATE OF AUTHENTICATION

Date of Authentication: _____, _____

This Bond is one of the Bonds described in the within-mentioned Ordinance and is one of the Electric Light and Power System Refunding Revenue Bonds, [Taxable] [Tax-Exempt] 2019-__ Series, of the City of Owensboro, Daviess County, Kentucky.

U.S. BANK NATIONAL ASSOCIATION,
as Bond Registrar

By _____
Authorized Signatory

[FORM OF 2019 BOND - REVERSE SIDE]

CITY OF OWENSBORO, KENTUCKY
ELECTRIC LIGHT AND POWER SYSTEM REFUNDING REVENUE BOND,
[TAXABLE] [TAX-EXEMPT] 2019-__ SERIES

This Bond is one of a duly authorized series of bonds aggregating \$_____ in original principal amount (the “Bonds”) and has been issued by the City pursuant to Ordinance No. 3-02, including the Basic Ordinance Terms and Provisions included as Appendix A thereto, adopted on January 22, 2002, as supplemented and amended, including by Ordinance No. __-2019 adopted on November 5, 2019 (collectively, the “Ordinance”), for the purpose of refunding certain outstanding revenue bonds of said City; and this Bond has been issued under and in full compliance with the Constitution and Statutes of the Commonwealth of Kentucky, and particularly Sections 96.520 *et seq.* of the Kentucky Revised Statutes, which by reference includes Sections 96.360 to 96.510, inclusive, of the Kentucky Revised Statutes, and including also Section 82.082 of the Kentucky Revised Statutes.

This Bond and the series of Bonds of which it forms a part, together with additional bonds ranking on a parity therewith heretofore issued and outstanding and as may be hereafter issued and outstanding under the conditions and restrictions set forth in the Ordinance, are secured by a statutory mortgage lien as provided and authorized by Sections 96.400 and 96.520 of the Kentucky Revised Statutes and are payable only from and secured by an exclusive pledge of the gross income and revenues to be derived from the operation of the municipal electric light and power system of the City, which shall be sufficient to pay the interest on said bonds as and when the same becomes due and payable and accomplish retirement of said Bonds at or before maturity, and which shall be set aside as a special fund for that purpose and identified as the “Electric Light and Power System Bond and Interest Redemption Fund”. ***This Bond and the series of which it forms a part do not constitute an indebtedness of the City of Owensboro within the meaning of any constitutional or statutory provisions or limitations. The City covenants that it will fix such rates for the services and facilities of said municipal electric light and power system and collect and account for income and revenues therefrom so that, there will remain a balance of such income and revenues sufficient to promptly pay the interest on and principal of the series of Bonds of which this Bond is one and all other bonds which by their terms are payable from said income and revenues and from said special fund and also pay the costs of operation and maintenance of said system.***

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 and the rights of the holders of the Bonds, and to all of the provisions of which the holder hereof by the acceptance of this Bond assents.

This Bond is exempt from general Kentucky ad valorem property taxes, and interest on this Bond is exempt from the income tax imposed under Chapter 141 of the Kentucky Revised Statutes.

[This Bond and the Bonds of the Series of which it forms a part are subject to redemption by Sinking Fund Installment or at the option of the City through its Utility Commission at the times, in the amounts, at the places, and upon the notice and further terms as are set forth for same in the Ordinance.]

This Bond is transferable by the registered Holder hereof in person or by his attorney duly authorized in writing at the designated 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. Upon such transfer a new bond or bonds of authorized denominations of the same series and maturity and for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Bonds are issued in fully registered form. This Bond may be exchanged at the designated corporate trust office of the Bond Registrar for a like aggregate principal amount of Bonds of the same series and maturity and interest rate of other authorized denominations upon the terms set forth in the Ordinance.

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.

(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 _____
_____ as 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. Sale of Bonds; Bond Order.

A. The Mayor acting in concert with the General Manager of the Utility Commission (the “*Designated Officials*”) are hereby authorized to proceed, without any further authorization or direction whatsoever from the Board of Commissioners of the City or from the Utility Commission, to sell and deliver the 2019 Bonds, all at one time or in several sales, upon the terms as prescribed in this Ordinance. Reference is hereby made to the limitations set forth above of this Ordinance. The 2019 Bonds shall be sold and delivered to the Purchasers pursuant to one or more Bond Purchase Agreements (as hereinafter defined). The conditions to sale of the 2019 Bonds are as follows:

(i) With respect to each Series, the purchase price of the 2019 Bonds payable to the Purchasers under the (related) Bond Purchase Agreement shall not be less than 98.0% of par value of the principal amount of such Series, plus accrued interest (if any).

(ii) The 2019 Bonds may be issued in one or more Series as determined by the Designated Officials upon the advice of the Financial Advisor or the Purchasers, or both.

(iii) With respect to each Series, the sale shall be made upon the advice (in the form of a written certificate or report) of the Financial Advisor or the Purchasers, or both, that (a) the net interest cost rate on such Series of the 2019 Bonds, calculated in accordance with customary market practice, does not exceed 4.00% and (b) the terms of such Series are fair and reasonable in view of current conditions in the bond markets.

(iv) If a municipal bond insurance policy is to be procured for the 2019 Bonds, then the Purchasers shall certify, in form as provided by Bond Counsel, as to facts to enable the premium paid for such policy to be treated under the Code as interest paid on the 2019 Bonds issued on a Tax-exempt basis.

(v) The applicable terms of the Basic Ordinance for the issuance of the 2019 Bonds shall have been met for each Series.

B. Inasmuch as the aggregate principal amount of each Series of the 2019 Bonds or two or more Series of 2019 Bonds consolidated for purposes of sale will be in excess of \$10,000,000 and a private sale thereof is permitted by the provisions of Section 96.520 of the Kentucky Revised Statutes, the sale of the 2019 Bonds to the Purchasers is hereby in all respects authorized and approved.

C. Nothing in this Section 11 shall require the Designated Officials to sell all or a portion of the 2019 Bonds if in their judgment, aided by the Financial Advisor or the Purchasers, or both, 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 all or a portion of the 2019 Bonds in any event so long as the limitations set forth in this Ordinance and the conditions of this Section 11 shall have been met. *The authority to sell the 2019 Bonds pursuant to any Bond Order as herein provided shall expire on May 5, 2020.*

D. Upon the sale of the 2019 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, one or more Bond Orders, Preliminary Official Statements, Official Statements, Bond Purchase Agreements, Escrow Agreement, and closing documents. The Designated Officials in cooperation with the Financial Advisor, the Purchasers, Bond Counsel, and Utility Commission and City officers and staff are hereby authorized and directed to prepare a Preliminary Official Statement, an Official Statement and a bond purchase agreement (each a “*Bond Purchase Agreement*”) for each series of the 2019 Bonds; such documents to be generally in form and substance as previously delivered by the City in connection with the Series 2017 Bonds, but subject to such modifications, additions, deletions or other textual or numerical information as such officials shall determine to be appropriate to accurately reflect the terms and provisions of the Basic Ordinance, the terms of the 2019 Bonds, the financial condition and operations of the Electric Light and Power System and the operations of the Utility Commission and the City, their determination to be conclusive as to approval of such statements and authorization to deliver same pursuant to the authority of this Ordinance. The first of such Preliminary Official Statements and such Bond Purchase Agreements, prior to actual delivery to prospective ultimate purchasers of 2019 Bonds (i.e. the customers of the Purchasers) shall be delivered to each Commissioner of both the Utility Commission and the Board of Commissioners. Upon the sale of the 2019 Bonds, the Designated Officials shall prepare a Bond Order for such related Series, which shall include the pertinent details of sale as provided herein, and such shall be entered into the records of the City.

Section 12. Application of Proceeds and Additional Amounts .

The proceeds, including accrued interest, if any, of any Series of the 2019 Bonds, along with such additional, lawfully available funds contributed by the Utility Commission as may be necessary to effectuate the transactions contemplated herein, including, specifically, amounts in the Debt Service Account and the Debt Service Reserve Account and any Generally Available Moneys (the “*Available Amounts*”), shall be applied simultaneously with the delivery of the related Series of the 2019 Bonds, as follows:

(i) There shall be deposited into the Debt Service Account in the Sinking Fund the amount of accrued interest, if any, to provide for interest on such Series of the 2019 Bonds on the first interest payment date of the 2019 Bonds.

(ii) There shall be deposited the amount necessary from the proceeds of the 2019 Bonds, together with the Available Amounts and such money in the Sinking Fund allocable to the Prior Bonds to be defeased or refunded as may be advisable for the purpose, to be used to provide for the Refunding, and the payment of such expenses as may be designated, pursuant to the provisions of an Escrow Agreement with the Escrow Holder as is designated, all in accordance with the provisions of the Escrow Agreement, substantially in the form attached as *Appendix C* to this Ordinance, made a part hereof by this reference, and hereby approved; the officers appearing signatory to such Escrow Agreement are hereby authorized and directed to execute same, their execution to constitute conclusive proof of action in accordance with this Ordinance, and approval of

all completions or revisions necessary or appropriate to effect the defeasance and the Refunding, including the funding of the Escrow Account established under the Escrow Agreement and purchase of the Government Obligations (as defined in the Escrow Agreement) to be held under the Escrow Agreement. The Prior Bonds selected for defeasance and refunding shall be paid upon redemption prior to maturity as provided in the Escrow Agreement. The Financial Advisor, the Escrow Holder and any bidding agent be and the same are each hereby authorized to act as agent for the City in the purchase of the Defeasance Obligations described and set forth in the Escrow Agreement.

(iii) There shall be deposited into the Debt Service Reserve Account in the Sinking Fund the amount, if any, required so that the amount on deposit in such account shall be not less than the Debt Service Reserve Account Requirement calculated immediately after the issuance of such Series of the 2019 Bonds.

(iv) There is hereby created a special fund designated as the “Series 2019-___ Costs of Issuance Fund” into which there shall be initially credited an amount necessary to pay the costs of issuance of the related Series of the 2019 Bonds in accordance with a certificate executed by an Authorized Officer of the City. Such costs of issuance shall include without limitation rating agency fees, initial Bond Registrar fees, financial advisor fees, legal fees and expenses, printing and publication costs and similar costs and expenses. When all costs of issuance have been paid, the Utility Commission shall transfer any moneys remaining to the credit of such Costs of Issuance Fund to the Debt Service Account in the Sinking Fund.

Section 13. Effect of the Refunding. Upon the delivery of the 2019 Bonds and the deposit in the special escrow fund of the amount referred to in Section 12(i) of this Ordinance, it is hereby represented and declared that in accordance with Section A37 of the Basic Ordinance Terms and Provisions attached to and made part of the 2002 Ordinance, the Refunded Bonds shall be deemed to have been paid and to be no longer outstanding and the pledge of Revenues and other moneys and securities pledged under the Basic Ordinance and all covenants, agreements and other obligations of the City to the holders of such Refunded Bonds shall thereupon cease, terminate and become void and shall be discharged and satisfied.

Section 14. Continuing Disclosure. The Mayor and the General Manager of the Utility Commission or the Director of Finance of the Utility Commission are hereby authorized, empowered and directed to execute and deliver the Continuing Disclosure Undertaking (the “*Continuing Disclosure Undertaking*”) substantially in the form attached hereto as *Appendix D* to this Ordinance, made a part hereof by this reference, and hereby approved. The officers signatory to such Continuing Disclosure Undertaking are hereby authorized and directed to execute same, their execution to constitute conclusive proof of action in accordance with this Ordinance, and approval of all completions or revisions necessary or appropriate to such Continuing Disclosure 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 2019 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 15. 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 Electric Light and Power 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 Electric Light and Power 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 16. Tax-exempt Bonds. An authorized officer of the Utility Commission is hereby authorized to prepare or cause the preparation of a "Tax Exemption Certificate and Agreement" (the "TECA"), which will be applicable to any of the 2019 Bonds issued on a Tax-exempt basis. The TECA shall be substantially in the form executed and delivered in connection with the issuance on a Tax-exempt basis of other Currently Outstanding Bonds, subject to modifications as approved by Bond Counsel. The TECA is authorized and approved, and all the final terms thereof are made the covenants and representations of the City and the Utility Commission. An authorized officer of the Utility Commission is hereby authorized to prepare and execute the TECA and any other related tax documents or certificates including one or more IRS Form 8038-G. The Mayor is hereby authorized, empowered and directed to execute the TECA.

Section 17. Parties Bound. All of the covenants, undertakings and agreements expressed in the Applicable Ordinances on behalf of said City shall be binding upon said City, its Board of Commissioners and the Utility Commission, it being recognized that the management and operation of the Electric Light and Power System is presently controlled and so long as any of the Bonds are Outstanding will continue to be controlled by a utility commission functioning under the provisions of Section 96.530 of Kentucky Revised Statutes.

Section 18. Rights and Duties of Bond Registrar.

A. If requested by the Bond Registrar, and upon approval as to form by the Utility Commission, any Authorized Officer may execute a standard form of agreement between the City and the Bond Registrar with respect to the obligations and duties of the Bond Registrar hereunder. In addition to the terms of such agreement and subject to modification thereby, the Bond Registrar by acceptance of duties hereunder agrees: (i) to act as bond registrar, paying agent, authenticating agent, and transfer agent as provided herein; (ii) to maintain a list of 2019 Bondholders as set forth herein and to furnish such list to the City upon request, but otherwise to keep such list confidential to the extent permitted by law; (iii) to cancel and/or destroy 2019 Bonds which have been paid at maturity or upon redemption or submitted for exchange or transfer; (iv) to furnish the Utility Commission at least annually a certificate with respect to 2019 Bonds cancelled and/or destroyed; and (v) to furnish the Utility Commission at least annually an

audit confirmation of 2019 Bonds paid, 2019 Bonds Outstanding and payments made with respect to interest on the 2019 Bonds.

B. The City covenants with respect to the Bond Registrar and the Bond Registrar respectively further covenants and agrees as follows:

(i) The City shall at all times retain a Bond Registrar with respect to the 2019 Bonds; it will maintain at the designated office(s) of such Bond Registrar a place or places where 2019 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.

(ii) 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 2019 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 2019 Bond so authenticated but with respect to all the 2019 Bonds. Any Bond Registrar shall be the agent of the City 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 2019 Bonds.

(iii) The City, acting through the Utility Commission, may remove the Bond Registrar at any time.

C. 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 2019 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 2019 Bonds. Any Bond Registrar appointed under the provisions of this Section 18 shall be a bank, trust company, or national banking association having capital and surplus and undivided profits in excess of \$50,000,000.

Section 19. Bond Insurance. In the event the payment of principal of and interest on the 2019 Bonds is insured pursuant to a municipal bond insurance policy (a "*Municipal Bond Insurance Policy*") issued by a Bond Insurer and as long as such Municipal Bond Insurance Policy shall be in full force and effect, the City and the Bond Registrar agree to comply with such usual and reasonable provisions regarding presentment and payment of the 2019 Bonds, subrogation of the rights of the 2019 Bondholders to the Bond Insurer when holding 2019 Bonds, amendment hereof, or other terms, as approved pursuant to the related Bond Order.

Section 20. Severability. That 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 21. Superseder; Effective Date. All ordinances, resolutions and orders, or parts thereof in conflict herewith are, to the extent of such conflict, hereby superseded; 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: October 15, 2019

ADOPTED: November 5, 2019

COMMISSIONERS:

AYES: _____

NAYS: _____

ABSENT: _____

APPROVED: November 5, 2019

Mayor

ATTEST:

City Clerk

[illegible]

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. 32-2019, finally adopted by the Board of Commissioners of the City on November 5, 2019, and entitled:

A SUPPLEMENTAL ORDINANCE providing for the authorization and issuance of Electric Light and Power System Refunding Revenue Bonds, in one or more series, in the aggregate principal amount of not to exceed \$80,000,000, of the City of Owensboro, Kentucky, for the purpose of refunding certain outstanding revenue bonds of said City; authorizing the sale of said bonds to the purchaser thereof identified herein; providing for the security and payment of said bonds and interest thereon from the available income and revenues of the municipal electric light and power system of said City; providing for the defeasance of certain revenue bonds of the City and providing for certain other matters in connection therewith.

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 day of November, 2019.

City Clerk

[SEAL]

CITY OF OWENSBORO, KENTUCKY

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS

ELECTRIC LIGHT AND POWER SYSTEM

REVENUE BOND ORDINANCE

BASIC ORDINANCE APPENDIX A
TO ORDINANCE NO. 3-02

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ELECTRIC LIGHT AND POWER SYSTEM REVENUE BOND ORDINANCE

APPENDIX A TO ORDINANCE NO. 3-02

BASIC ORDINANCE TERMS AND PROVISIONS

* * *

This Appendix is a part of and incorporated by reference into the Ordinance No. 3-02. Once effective, as provided in such Ordinance, this Appendix is inclusive within such Ordinance and becomes a part thereof and may be referred to as a part thereof with the phrase "this Ordinance" or the or this "Basic Ordinance."

Section A1. A. 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.

"Account" means an account within a Fund.

"Accountant's Certificate" shall mean a certificate signed by an independent certified public accountant or a firm of independent certified public accountants selected by the Commission on behalf of the City, who may be the accountant or firm of accountants who regularly audit the books of the Electric Light and Power System or of the City.

"Accrued Aggregate Debt Service" shall mean, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (a) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (b) Principal Installments due and unpaid and that portion of the Principal Installment for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

"Act" shall mean the Constitution and laws of the Commonwealth of Kentucky, including particularly Section 96.520 *et seq.* of the Kentucky Revised Statutes, which by reference includes the provisions of Sections 96.360 to 96.510, inclusive, of the Kentucky Revised Statutes, and including also Section 82.082 of the Kentucky Revised Statutes, as hereinafter amended and supplemented.

"*Additional Bonds*" shall mean Bonds issued under and pursuant to Section A6 of this Ordinance.

"*Additional Project*" shall mean (a) one or more major renewals or replacements of the Electric Light and Power System, or major additions or improvements thereto, or new facilities providing for additional services, such as telecommunications facilities or other energy-related facilities, such as gas, to the fullest extent permitted the City or the Commission by the Act; or any expansion of the Electric Light and Power System by the construction, acquisition or installation of additional generating, transmission, transformation or distribution facility or facilities related thereto, or the interest of the City or the Commission in any one or more of the foregoing items to be constructed, acquired or installed pursuant to a joint venture or other cooperative agreement; (b) any mine, well, pipeline, plant, structure or other facility or any rights or interest therein for the development, production, manufacture, transportation, storage, fabrication or processing of fossil or nuclear fuel of any kind or any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the City's generating plants, or the interest of the City in any one or more of the foregoing items to be constructed or otherwise acquired pursuant to a joint venture or other cooperative agreement; (c) where the City or the Commission will acquire electric power supply or transmission capability under arrangements (including, without limitation, a joint venture or other cooperative agreement) whereby the City or the Commission purchases rights to receive, or leases or otherwise acquires rights to or an interest in facilities, or the production of facilities to enable it to receive an electric power supply or transmission capability, the City's or the Commission's rights and interests under such arrangements or agreements; (d) where the City or the Commission will purchase the rights to receive a power supply or transmission capacity by making a prepayment of capital costs associated with power supply or transmission capacity, such rights of the City or the Commission to such power supply or transmission capacity; (e) any additions, repairs, renewals and replacements, improvements, expansions or corrections of any damage or loss to the Electric Light and Power System (or any part thereof) advisable to keep the Electric Light and Power System (or any part thereof) in good operating condition or to prevent a loss of Revenues therefrom to the extent that the cost thereof cannot reasonably be paid from available moneys in the Depreciation Fund or from insurance proceeds or to comply with the requirements of any governmental agency having jurisdiction over the Electric Light and Power System; (f) in connection with the planning and development of power resources or the determination of the feasibility thereof, the acquisition of land or water supplies or rights with respect thereto and preliminary and developmental work, including engineering, legal and financial studies and applications for permits, licenses and approvals; or any one or more of the foregoing; together, in each of the cases mentioned in (a) through (e) above, with all rights, interests, facilities, land, rights in land, structures, inventories of supplies, materials, equipment of every kind related or incidental thereto or necessary or desirable to carry out such Additional Project.

"*Authorized Officer*" of the City shall mean the Mayor, City Clerk, Director of Finance, City Manager or City Attorney or any officer or employee of the City or the

Commission authorized to perform specific acts or duties required under this Ordinance by ordinance or resolution duly adopted by the Board of Commissioners.

"Board of Commissioners" shall mean the Board of Commissioners of the City or their successors as the governing body of the City.

"Bond" or *"Bonds"* shall mean any bond or bonds, as the case may be, issued under and pursuant to the Basic Ordinance and a Supplemental Ordinance, if applicable, but not including Subordinated Bonds.

"Bondholder" or *"Holder of Bonds"* or *"holder of Bonds"* shall mean any person who shall be the registered owner of any Bond or Bonds.

"Bond Insurance Policy" means any municipal bond new issue insurance policy insuring and guaranteeing the payment of the principal of and interest on a Series of Bonds or certain maturities thereof as may be provided in the Supplemental Ordinance authorizing such Series.

"Bond Insurer" means an issuer of a Bond Insurance Policy.

"Bond Register" shall mean the registration books of the City kept by the Bond Registrar as designated for any Series to evidence the registration and transfer of the Bonds.

"Bond Registrar" shall mean any Person appointed by the City pursuant to this Ordinance or a Supplemental Ordinance to perform the duties of Bond Registrar for a Series.

"City" shall mean the City of Owensboro, Kentucky, a municipal corporation organized and existing under the laws of the Commonwealth of Kentucky.

"Code and Regulations" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated or proposed pursuant thereto as the same may be in effect from time to time.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys of recognized standing in the area of law to which the opinion relates, who may be counsel to the Commission or the City.

"Commercial Operation Date" shall mean with respect to any Additional Project, the date such Additional Project is capable of fulfilling the purposes for which it was acquired, constructed or installed, as evidenced by a certificate of the Commission Engineer.

"Commission" shall mean the City Utility Commission of the City established and functioning pursuant to Section 96.530 of the Kentucky Revised Statutes and

pursuant to an ordinance adopted by the City on July 29, 1940, as amended, providing for the management, control and operation of the Electric Light and Power System.

"Commission Engineer" means an engineer licensed to practice in this Commonwealth, who may be an employee of the Commission.

"Construction Fund" shall mean the Electric Light and Power System Construction Fund of the Electric Light and Power System, as provided for and defined in this Ordinance.

"Consulting Engineer" shall mean an independent engineer or engineering firm or corporation at the time retained by the Commission pursuant to this Ordinance to perform the acts and carry out the duties provided for such Consulting Engineer in this Ordinance.

"Cost of Acquisition and Construction" shall mean, with respect to any Additional Project, all costs of planning, designing, acquiring, constructing, financing and placing in operation, or decommissioning and disposal of, each of such Projects, including obtaining governmental approvals, certificates, permits and licenses with respect thereto, heretofore or hereafter paid or incurred by the City or the Commission, and which shall include, but not be limited to:

(a) funds required for initial working capital and operating reserves in such amounts as may be reasonably determined to be necessary or appropriate by the Commission, on the advice of the Commission Engineer, during construction of the facilities or for the placing of the facilities in operation, including all amounts required by this Ordinance to be paid into the Operation and Maintenance Fund from the proceeds of the Bonds;

(b) funds required for the acquisition of initial fuel inventory for any Additional Project and working capital therefor;

(c) training and testing costs, preliminary investigation and development costs, engineering fees, contractors' fees, labor costs, the costs of materials, obtaining permits, licenses and approvals, costs of real property, insurance premiums, legal and financing costs, administrative and general costs, and other costs properly allocable to the acquisition and construction of any Additional Project and placing the same in operation;

(d) costs associated with the acquisition of electric power supply or transmission capability under arrangements whereby the City or the Commission purchases rights to receive or leases or otherwise acquires rights to facilities to enable it to receive an electric power supply or transmission capability;

(e) all costs relating to injury and damage claims arising out of construction of the any Additional Project;

(f) funds required for the payment of all Federal, state and local taxes legally required to be paid in connection with the acquisition and construction of any Additional Project;

(g) costs and expenses incurred in the issuance and sale of Bonds for any Additional Project, including discounts to the underwriters or other purchasers thereof, if any;

(h) amounts, if any, required by this Ordinance to be paid from the proceeds of Bonds into any Fund or Account; and

(i) all other costs incurred by the City or the Commission in connection with, and properly allocable to, the acquisition and construction of any Additional Project.

"Current Funds" means United States federal funds which are immediately available in the hands of the payee at the place of payment.

"Debt Service" for any period shall mean, as of any date of calculation and with respect to any Series, an amount equal to the sum of (a) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Sinking Fund from Bond proceeds and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest and Principal Installments for such Series shall be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

"Debt Service Account" shall mean the Debt Service Account in the Sinking Fund of the Electric Light and Power System, as provided for and defined in this Ordinance.

"Debt Service Reserve Account" shall mean the Debt Service Reserve Account in the Sinking Fund of the Electric Light and Power System, as provided for and defined in this Ordinance.

"Debt Service Reserve Account Requirement" shall mean, as of any date of calculation, one-half Maximum Annual Debt Service.

"Defeasance Government Obligations" means Government Obligations which are not subject to redemption other than at the option of the holder thereof.

"Defeasance Obligations" means (1) Defeasance Government Obligations and (2) obligations of any state or territory of the United States or any political subdivision thereof which obligations are rated at the time of purchase in the highest rating category by each of the Rating Agencies and which obligations meet the following requirements: (a) the obligations are not subject to redemption or the escrow agent or trustee therefor has been given irrevocable instructions by the issuer thereof to call such obligations for redemption; (b) the obligations are secured by cash or Defeasance Government Obligations that may be applied only to interest, principal, and premium payments of such obligations; (c) the principal of and interest on the Defeasance Government Obligations (plus any cash in the escrow or trust fund) are sufficient to meet the liabilities of the obligations; (d) the Defeasance Government Obligations serving as security for such obligations are held by an escrow agent or trustee; and (e) the Defeasance Government Obligations are not available to satisfy any other claims, including those against such escrow agent or trustee, in each case being also Investment Securities.

"Depreciation Fund" shall mean the Depreciation Fund of the Electric Light and Power System, as provided for and defined in this Ordinance.

"Depreciation Requirement" shall mean, for any Fiscal Year such amount as is adequate and proper, within the discretion of the Commission, to provide available moneys for the stated purposes of such fund.

"Electric Light and Power System" shall mean the municipal electric light and power system, and any further system or service permitted by the Act as a part thereof, owned and operated by the City and existing at the time of enactment of this Ordinance by which the City serves the needs of the City and its inhabitants and others, together with all additions, expansions, improvements, renewals and replacements thereto hereafter made or acquired by the City.

"Escrow Holder" shall mean a bank, trust company, or national banking association appointed by the City to act as Escrow Holder under this Ordinance; *provided, however*, that such bank, trust company, or national banking association shall have a capital stock surplus aggregating at least \$10,000,000.

"Estimated Additional Investment Income" shall mean, for any particular Fiscal Year, the amount of investment income the Consulting Engineer estimates will be earned during such Fiscal Year from amounts held or reserved or reasonably expected to be available in any fund or account held under this Ordinance to pay Bonds of any Series.

"Event of Default" shall have the meaning given to such term in this Ordinance.

"Facilities Charge Fund" shall mean the Facilities Charge Fund of the Electric Light and Power System, as provided for and defined in this Ordinance.

"Fiscal Year" shall mean the twelve month period beginning June 1, and ending May 31, or as otherwise provided by the Commission.

"Fund" means a fund created or maintained hereunder.

"Government Obligations" means (1) any direct obligations of or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United States of America and (2) certificates of ownership of the principal of or interest on obligations of the type described in clause (1) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian; (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; in each case being also Investment Securities.

"Investment Securities" shall mean any and all lawful investments for the City; provided, however, contracts of the City or Commission to hedge against future energy price increases shall not be deemed Investment Securities, but rather shall be a contractual cost of energy payable as Operation and Maintenance Expenses.

"Kentucky Utilities Company Contract" shall mean the agreement by and between the City, the Commission and Kentucky Utilities Company, dated September 30, 1960, as modified and supplemented by the agreements dated November 20, 1968, May 9, 1969, November 5, 1969, September 20, 1976, July 27, 1978, September 17, 1984, October 15, 1985, June 1, 1988, and October 3, 1991, and, further, by letter agreement dated May 1, 1998, and as the same may from time to time be further modified and supplemented.

"Kentucky Utilities Company" shall mean Kentucky Utilities Company, a corporation organized and existing under the laws of the Commonwealth of Kentucky, its successors and lawful assigns.

"Maximum Annual Debt Service" shall mean, as of any date of computation, the highest amount of Debt Service in any of the then current or any future Fiscal Years.

"Net Revenues" for any period shall mean the Revenues during such period less the amounts paid from the Revenue Fund into the Operation and Maintenance Fund during such period.

"Operation and Maintenance Expenses" shall mean (a) the expenses for operation and maintenance of the Electric Light and Power System, and ordinary repairs, replacements and reconstruction of the Electric Light and Power System not constituting a unit of property (as generally prescribed by the Federal Energy Regulatory Commission), including all costs of producing and delivering electric power and energy from the Electric Light and Power System and payments into reserves in the Operation and Maintenance Fund for items of Operation and Maintenance Expenses, the payment of

which is not immediately required, and shall include, without limiting the generality of the foregoing, fuel costs, costs of transmission service, generating capacity, reserve service and scheduled, emergency, economy or other interchange service, all other costs of purchased power, rents, administrative and general expenses, engineering expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums, and any taxes or payments in lieu of taxes, (b) any other current expenses or obligations required to be paid under the provisions of this Ordinance or by law, all to the extent properly allocable to the Electric Light and Power System, and (c) the fees and expenses of any Bond Registrar, depository, escrow agent or holder or other fiduciary for Bonds or in connection with the administration of the Electric Light and Power System. Operation and Maintenance Expenses shall not include any costs or expenses for new construction or any allowance for depreciation.

"Operation and Maintenance Fund" shall mean the Operation and Maintenance Fund of the Electric Light and Power System, as provided for and defined in this Ordinance.

"Ordinance" shall mean this Electric Light and Power System Revenue Bond Ordinance as from time to time amended or supplemented by Supplemental Ordinances in accordance with the terms hereof.

"Outstanding" or *"outstanding"*, when used with reference to Bonds, shall mean, as of any date, Bonds theretofore or thereupon being issued and delivered under this Ordinance except:

- (a) Bonds cancelled at or prior to such date;
- (b) Bonds (or portions of Bonds) for any payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under this Ordinance and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), *provided* that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given properly with respect to such Bonds;
- (c) Bonds in lieu of or in substitution for which other Bonds shall have been issued and delivered pursuant to the sections hereof or of a Supplemental Ordinance relating to the transfer or replacement of Bonds, including Section A8 hereof; and
- (d) Bonds deemed to have been paid as provided in this Ordinance relating to defeasance.

"Principal Installment" shall mean, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the principal amount

(including in such amount the amount of any interest which accrues and is unpaid to a date certain in a manner so as not to be included in interest accruing for any period as provided in clause (a) of the definition of Debt Service) of such Series due on a future certain date for which no Sinking Fund Installments have been established or (b) the unsatisfied balance of any Sinking Fund Installments due on a future certain date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to the said unsatisfied balance of such Sinking Fund Installments, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

"Redemption Price" shall mean, with respect to any Bond, the principal amount plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Ordinance.

"Refunding Bonds" shall mean all Bonds, whether issued in one or more Series, issued and delivered on original issuance pursuant to Section A7 of this Ordinance, and any Bonds thereafter issued and delivered in lieu of or in substitution for such Bonds.

"Registered Owner" or *"registered owner"* means and may be used interchangeably with Bondholder.

"Reserve and Contingency Fund" shall mean the Reserve and Contingency Fund of the Electric Light and Power System.

"Revenue Fund" shall mean the Electric Revenue Fund provided of the Electric Light and Power System, as provided for and defined in this Ordinance.

"Revenues" shall mean (a) all revenues and income, derived or to be derived from or attributable to the ownership and operation of the Electric Light and Power System, including all Revenues attributable to any Additional Project received or to be received under any contract for the sale of power, energy, transmission or other service from the Electric Light and Power System or any part thereof or any contractual arrangement with respect to the use of the Electric Light and Power System or any part thereof or the services, output or capacity thereof, (b) the proceeds of any insurance covering business interruption loss relating to the Electric Light and Power System, and (c) interest received or to be received on any moneys or securities (other than in the Construction Fund) held pursuant to this Ordinance and required to be paid into the Revenue Fund or the Sinking Fund.

"Series" shall mean all of the Bonds issued and delivered on original issuance and identified pursuant to the Basic Ordinance or any Supplemental Ordinance authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, regardless of

variations in maturity, interest rate, Sinking Fund Installments, redemption terms or other provisions.

"*Sinking Fund*" shall mean the Electric Light and Power System Bond and Interest Redemption Fund of the Electric Light and Power System, as provided for and defined in this Ordinance.

"*Sinking Fund Installment*" shall mean an amount so designated which is established for Term Bonds of a Series pursuant to the Basic Ordinance or any Supplemental Ordinance; *provided, however, that subject to another requirement as may be provided in a Supplemental Ordinance for a Series of Bonds, if Term Bonds are redeemed pursuant to optional redemption or purchases by the Commission, the Sinking Fund Installments or amounts due at maturity for such Term Bonds shall be reduced to give effect to such redemptions or purchases in any manner as the Commission may determine.*

"*Subordinate Bonds*" shall mean bonds or any other obligation payable from the Subordinated Bonds Fund.

"*Subordinated Bonds Fund*" shall mean the Subordinated Bonds Fund of the Electric Light and Power System, as provided for and defined in this Ordinance.

"*Supplemental Ordinance*" shall mean any ordinance supplemental to or amendatory of this Ordinance.

"*Term Bonds*" means the Bonds of a Series which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

Section A2. Authority for this Ordinance. This Electric Light and Power System Revenue Bond Ordinance is enacted pursuant to the provisions of the Act.

Section A3. Ordinance to Constitute Contract. In consideration of the purchase and acceptance of any and all of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Ordinance shall be deemed to be and shall constitute a contract between the City, for itself and for and on behalf of the Commission, and the Holders from time to time of the Bonds; and the pledge made in this Ordinance and the covenants and agreements therein set forth to be performed on behalf of the City and the Commission shall be for the equal benefit, protection and security of the holders of any and all of the Bonds, all of which, regardless of the time or times of their issuance and delivery or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or permitted by this Ordinance.

Section A4. Authorization of Bonds.

A. The City is hereby authorized to issue from time to time as hereinafter provided Bonds of the City to be designated as "Electric Light and Power System Revenue Bonds". The

aggregate principal amount of the Bonds which may be executed and delivered under this Ordinance is not limited except as may hereafter be provided in this Ordinance or as may be limited by law.

B. The Bonds may, if and when authorized by the City pursuant to this Ordinance and one or more Supplemental Ordinances, if applicable, be issued in one or more Series, and the designation thereof, in addition to the name "Electric Light and Power System Revenue Bonds", shall include such further appropriate particular designation added to or incorporated in such title for the Bonds of any particular Series as the City may determine. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

C. Nothing in this Ordinance shall be deemed to preclude or prevent the consolidation into a single Series for purposes of issuance and sale of Bonds otherwise permitted by this Ordinance to be issued at the same time in two or more separate Series, *provided* that solely for the purpose of satisfying the requirements of Section A5, Section A6, or Section A7 hereof, as the case may be, the Bonds otherwise permitted by this Ordinance to be issued as a separate Series shall be considered separately as if such Bonds were to be issued as a separate Series. In the event that separate Series are combined for purposes of issuance and sale, they may be issued under a single Supplemental Ordinance notwithstanding any other provision of this Ordinance.

Section A5. General Provisions for Issuance of Bonds.

A. Bonds of each Series shall be authorized by this Ordinance or a Supplemental Ordinance which shall, among other provisions, specify:

1. The authorized principal amount, designation and Series of such Bonds;
2. The purposes for which such Series of Bonds is being issued which shall be (a) one of the purposes specified in Section A6, or (b) the refunding of Bonds as provided in Section A7;
3. The date, and the maturity date or dates, of the Bonds of such Series;
4. The interest rate or rates of the Bonds of such Series and the interest payment dates therefor;
5. The denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series;
6. The Redemption Price or Prices, if applicable, and the redemption terms for the Bonds of such Series;
7. The amount and due date of each Sinking Fund Installment for Bonds of such Series;

8. If so determined by the City, provisions for the sale of the Bonds of such Series;

9. The amount, if any, to be deposited from the proceeds of such Series of Bonds into the Construction Fund;

10. The amount (or the method of determining the amount), if any, to be deposited from the proceeds of such Series of Bonds in the Debt Service Account in the Sinking Fund and provisions for the application thereof to the payment of all or a portion of the interest on such Series of Bonds or any other Series of Bonds;

11. The amount, if any, to be deposited from the proceeds of such Series of Bonds into the Debt Service Reserve Account in the Sinking Fund;

12. The amount, if any, to be deposited from proceeds of such Series of Bonds into any other Fund or Account; and

13. The form of the Bonds of such Series.

B. On or prior to the issuance of each Series of Bonds, the City shall deposit into the Debt Service Reserve Account in the Sinking Fund, from Bond proceeds or otherwise, the amount, if any, necessary so that the amount in such Account shall equal the Debt Service Reserve Account Requirement calculated immediately after the issuance of such Series of Bonds.

C. Except in the case of Refunding Bonds which meet the requirements of Subsection B.4(A) of Section A7, the City shall not issue any Series of Bonds if it is in default in the performance of any of the covenants, conditions, agreements or provisions contained in this Ordinance.

Section A6. Additional Bonds.

A. One or more Series of Additional Bonds may be issued for the purpose of paying all or a portion of the Cost of Acquisition and Construction of any Additional Project provided that before any such Series may be so issued, there shall have been procured and filed with the Secretary of the Commission and the City Clerk:

1. A certificate of the Consulting Engineer estimating the following amounts for each of the three Fiscal Years immediately following the Fiscal Year in which the Consulting Engineer estimates the Commercial Operation Date of the Additional Project being financed with the proceeds of such Series of Additional Bonds will occur:

(a) The Revenues (assuming the Commercial Operation Date of any uncompleted Additional Project will occur on the Commercial Operation Date then estimated by the Consulting Engineer for such Additional Project);

(b) The amounts to be paid from the Revenue Fund into the Operation and Maintenance Fund (assuming the Commercial Operation Date of any uncompleted Additional Project will occur as provided in clause (a) above);

(c) the Net Revenues calculated by deducting the amount specified in clause (b) from clause (a);

(d) the Estimated Additional Investment Income; and

2. The amounts required to be deposited, for the current and each future Fiscal Year, into the Sinking Fund to pay the principal of and interest and Sinking Fund Installments on any Bonds not theretofore issued and not then being issued which the Consulting Engineer estimates will be required to be issued to complete the Cost of Acquisition and Construction of the Additional Project being financed with the proceeds of such Series of Additional Bonds and all Additional Projects for which Bonds are to be issued (all such Bonds estimated to be required to be issued are called in this Section the "unissued Bonds"). Such certificate shall also set forth the assumptions used by the Consulting Engineer in preparing such projections and estimates and shall state that, in the opinion of said Consulting Engineer, such assumptions are reasonable.

3. A certificate of an Authorized Officer of the City setting forth the following:

(a) The average of the sum of the amounts specified pursuant to clauses (c) and (d) of paragraph 1(a) of this Section A6.A for all three Fiscal Years specified therein;

(b) The maximum amount required to be deposited into the Sinking Fund for the current or any future Fiscal Year to pay the principal of and interest and Sinking Fund Installments on all Bonds to be Outstanding immediately after the issuance of such Series of Additional Bonds and all unissued Bonds (in determining such maximum amount, said Authorized Officer of the City will use, as to the unissued Bonds, the projected debt service requirements on such unissued Bonds contained in the certificate of the Consulting Engineer furnished pursuant to paragraph 1 above);

and showing that the amount determined pursuant to clause (a) is not less than 1.1 times the amount determined pursuant to clause (b); but only for those Fiscal Years in which the Bonds of all Series Outstanding immediately prior to the date of issuance of such Series of Additional Bonds are to remain Outstanding.

B. If and to the extent necessary as shown in the certificate of the Consulting Engineer referred to hereinafter, one or more Series of Additional Bonds may be issued upon original issuance at any time or from time to time for the purpose of providing additional funds for the payment of the Cost of Acquisition and Construction of any Additional Project with respect to which the certificates referred to in Section A6.A were filed in connection with the issuance of

the initial Series of Additional Bonds issued to pay the Cost of Acquisition and Construction of such Additional Project, in an aggregate principal amount for all Series of such Bonds that will provide the City with funds equal, as nearly as practicable, to the completion requirement for such Additional Project, as set forth in a certificate of the Consulting Engineer. Such completion requirement shall be an amount which, together with all other funds of the City available or estimated to be available for such Additional Project (as stated in a certificate of any Authorized Officer of the City) is, as nearly as practicable, necessary and sufficient, in the opinion of the Consulting Engineer, to complete the payment of the Cost of Acquisition and Construction of such Additional Project.

C. Notwithstanding any other provision of this Ordinance, the provisions of Section A6.A.1 and 2 shall not apply to any Series of Additional Bonds all of the proceeds of which are to be applied to pay the Cost of Acquisition and Construction of an Additional Project described in clause (e) or clause (f) of the definition of Additional Project in Section A1.

D. The proceeds, including accrued interest, of the Additional Bonds of each Series shall be applied simultaneously with the delivery of such Bonds, as provided in the Supplemental Ordinance authorizing such Series.

Section A7. Refunding Bonds.

A. One or more Series of Refunding Bonds may be issued at any time to refund all but not less than all outstanding Bonds of one or more Series or one or more maturities within a Series. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the funds and accounts under this Ordinance required by the provisions of the Supplemental Ordinance authorizing such Bonds.

B. Refunding Bonds of each Series shall be issued only upon receipt by the Escrow Holder of:

1. Irrevocable instructions to the Escrow Holder, satisfactory to it, to give due notice of redemption, on a redemption date or dates specified in such instructions, of any of the refunded Bonds to be redeemed;
2. Irrevocable instructions to the Escrow Holder, satisfactory to it, to mail or otherwise provide any defeasance notice provided for in Section A37.B hereof to the Holders of the Bonds being refunded;
3. Either (a) Current Funds in an amount sufficient to effect payment at the applicable Redemption Price of the refunded Bonds to be redeemed and of the principal amount of refunded Bonds not to be redeemed, together with accrued interest on such Bonds to the redemption date or maturity date, as the case may be, which moneys shall be held by the Escrow Holder in a separate account irrevocably in trust for and assigned to the respective Holders of the Bonds to be refunded, or (b) Defeasance Obligations or Otherwise Permitted Defeasance Obligations (defined in Section A37) in such principal

amounts, of such maturities, bearing such interest and otherwise having such terms and qualifications and any moneys, as shall be necessary to comply with the provisions of Section A37.B hereof, which Defeasance Obligations or Otherwise Permitted Defeasance Obligations (defined in Section A37) and Current Funds shall be held in trust by the Escrow Holder and used only as provided in said subsection B; and

4. Either of the following:

(a) A certificate of an Authorized Officer of the City setting forth (1) the aggregate amount to be deposited into the Debt Service Account in the Sinking Fund for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series then Outstanding (A) with respect to the Bonds of all Series Outstanding immediately prior to the date of issuance of such Refunding Bonds, and (B) with respect to the Bonds of all Series to be Outstanding immediately thereafter, and (2) that the aggregate amount to be deposited into the Debt Service Account in the Sinking Fund set forth for each Fiscal Year pursuant to (B) above is no greater than that set forth for such Fiscal Year pursuant to (A) above; or

(b) The certificate of the Consulting Engineer and the certificate of the Authorized Officer of the City required by Section A6.A.1 and 2 of this Ordinance evidencing that such Series of Refunding Bonds meets the test provided for in such section assuming, for all purposes of said section, that such Series of Refunding Bonds is a Series of Additional Bonds, *with, however,* the following modifications to said subsection A6.A.1: for purposes of clause (a) of such subsection A6.A.1: the test years shall be the three Fiscal Years immediately succeeding the Fiscal Year in which such Series of Refunding Bonds will be issued and the reference to "the Additional Project being financed with the proceeds of such Series of Additional Bonds" shall be deleted.

C. The proceeds, including accrued interest, of the Refunding Bonds of each Series shall be applied simultaneously with the delivery of such Bonds for the purposes of making deposits in such funds and accounts under this Ordinance as shall be provided by the Supplemental Ordinance authorizing such Series of Refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided in said Supplemental Ordinance.

D. Any balance of the proceeds of the Refunding Bonds not needed for the purposes provided in this Section A7 or in the Supplemental Ordinance authorizing such Bonds may be used by the City, to the extent necessary, to pay any expenses incurred in connection with the issuance of such Bonds and, thereafter, any remaining balance not so needed by the City shall be used for any lawful purpose under the Act, giving effect to any covenants and representations made with respect to any Series of Bonds in a Supplemental Ordinance and related certificates.

Section A8. Medium of Payment. The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Section A9: Bonds Mutilated, Destroyed, Stolen or Lost. If any Bond becomes mutilated or is lost, stolen or destroyed, the City may execute and deliver a new Bond of like date of issue, maturity date, principal amount and interest rate per annum as the Bond so mutilated, lost, stolen or destroyed, *provided that* (a) in the case of such mutilated Bond, such Bond is first surrendered to the City, (b) in the case of any such lost, stolen or destroyed Bond, there is first furnished evidence of such loss, theft or destruction satisfactory to the City together with indemnity satisfactory to the City, (c) all other reasonable requirements of the City are complied with, and (d) expenses in connection with such transaction are paid by the Holder. Any Bond surrendered for exchange shall be cancelled. Any such new Bonds issued pursuant to this Section A9 in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the City, whether or not the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this Ordinance, in any moneys or securities held by the City for the benefit of the Bondholders.

Section A10. Construction Fund.

A. There has been heretofore created and established and there is in this Ordinance continued and maintained a special fund designated as the "Electric Light and Power System Construction Fund" to be used and disbursed on orders of the Commission in the manner hereinafter provided to pay the Cost of Acquisition and Construction of any Additional Project.

B. If for any reason the amount, if any, deposited into the Debt Service Account in the Sinking Fund to pay interest on a Series of Bonds under the provisions of this Ordinance or the Supplemental Ordinance pursuant to which such Series of Bonds were issued, becomes insufficient to pay the interest on such Bonds prior to and during the construction of an Additional Project being financed with the proceeds of such Bonds, moneys shall be withdrawn from the Construction Fund on orders of the Commission and set aside and deposited in the Sinking Fund and applied to the payment of such interest on such Bonds.

C. Pending expenditure, the amounts deposited in the Construction Fund shall be deposited in a bank or banks and each such deposit, to the extent it causes the aggregate deposits by the City in such bank to be in excess of the amount covered by Federal Deposit Insurance Corporation, shall be secured by a pledge of Investment Securities having a market value exclusive of accrued interest equivalent to such deposit.

D. If the Commission finds at any time that any portion of the funds on deposit in the Construction Fund are not needed currently for expenditure, such portion may, upon order of the Commission, be invested and reinvested in Investment Securities having a maturity date or being redeemable at the option of the holder within the time the Commission estimates that such funds shall be expended. All income from any investment of moneys in the Construction Fund shall be paid into said Fund.

E. Any surplus remaining in the Construction Fund after accomplishing and paying the Cost of Acquisition and Construction to be disbursed therefrom (such fact to be evidenced by a certificate of the Commission Engineer) may be used and disbursed upon order of the

Commission used for any lawful purpose under the Act, giving effect to any covenants and representations made with respect to any Series of Bonds in a Supplemental Ordinance and related certificates.

Section A11. Disbursements from Construction Fund. All disbursements of funds in the Construction Fund as permitted and provided by the prior section hereof shall be predicated upon certification by the Commission Engineer to the effect that the respective amounts of such disbursements are due and payable for the Cost of the Acquisition and Construction of Additional Project in accordance with the approved plans and specifications.

Section A12. Application of Revenues. From and after the effective date hereof, the Revenues of the Electric Light and Power System of the City shall continue to be set aside into a separate and special fund heretofore created and established and by this Ordinance continued and maintained and designated as the "Electric Revenue Fund" promptly after the receipt thereof; *provided, however*, there shall be a separate record and accounting kept of all such Revenues thus received under the Kentucky Utilities Company Contract. *All sums thus set apart into the Revenue Fund shall be apportioned and set aside in the order of and as provided in the following Sections.*

Section A13. Sinking Fund.

A. There is by this Ordinance continued and maintained a special fund designated as the "Electric Light and Power System Bond and Interest Redemption Fund" and within said fund there is continued and maintained two separate accounts known as the "Debt Service Account" and the "Debt Service Reserve Account" (renamed herein from Interest Reserve Account). There shall be first set aside into the Debt Service Account in the Sinking Fund each month from the Revenues of the Electric Light and Power System such portion of the Revenues as will be sufficient to pay when due the interest on the Bonds then Outstanding and to accomplish retirement of such Bonds at or before maturity. Such payments into the Sinking Fund shall be made in monthly installments on the first day of each month prior to making any other application in such month of amounts in the Revenue Fund. It is hereby determined that commencing with the date of issuance of any Bonds hereunder the respective amounts to be paid into the Debt Service Account in the Sinking Fund each month for the account of the Bonds shall be the amount, if any, required so that the balance in the Debt Service Account shall equal the Accrued Aggregate Debt Service; *provided that*, for the purposes of computing the amount to be deposited into the Debt Service Account there shall be excluded the amount, if any, set aside in the Debt Service Account from the proceeds of Bonds for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with this Ordinance or any Supplemental Ordinance authorizing a Series of Additional Bonds to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month.

B. The Commission, on behalf of the City, shall pay out of the Debt Service Account in the Sinking Fund to the Bond Registrar (1) on or before each interest payment date for any of the Bonds, the amount required for the interest payable on such date; (2) on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date; and (3) on or before any redemption date for any of the Bonds, the amount required for

the payment of interest on the Bonds then to be redeemed. Such amounts shall be applied to the redemption or payment of the Bonds and the interest becoming due thereon by the Bond Registrar on and after the due dates thereof. The Commission, on behalf of the City, shall also pay out of the Debt Service Account in the Sinking Fund the accrued interest included in the purchase price of Bonds purchased for retirement.

C. Amounts deposited in the Debt Service Account in the Sinking Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may, if so directed by the Commission, be applied, on or prior to the 60th day preceding the due date of such Sinking Fund Installment, to (1) the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established, or (2) the redemption at the applicable sinking fund Redemption Price of such Bonds, if then redeemable by their terms. After the 60th day but on or prior to the 40th day preceding the due date of such Sinking Fund Installment, any amounts then on deposit in the Debt Service Account in the Sinking Fund (exclusive of amounts, if any, in the Debt Service Account which were deposited therein from the proceeds of Bonds) may, if so directed by the Commission, be applied to the purchase of Bonds of the Series and maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of such Bonds from the unsatisfied balance of such Sinking Fund Installment. All purchases of any Bonds pursuant to this subsection C shall be made at prices not exceeding the applicable sinking fund Redemption Price of such Bonds plus accrued interest. The applicable sinking fund Redemption Price (or principal amount of maturing Bonds) of any Bonds so purchased or redeemed shall be deemed to constitute part of the Fund until such Sinking Fund Installment date, for the purpose of calculating the amount in the Debt Service Account. As soon as practicable after the 40th day preceding the due date of any such Sinking Fund Installment, the City shall proceed to call for redemption, by giving due and proper notice, on such due date Bonds of the Series and maturity for which such Sinking Fund Installment was established (except in the case of Bonds maturing on a Sinking Fund Installment date) in such amount as shall be necessary to complete the retirement of such Bonds from the unsatisfied balance of such Sinking Fund Installment. The City shall pay out of the Debt Service Account in the Sinking Fund to the Bond Registrar, on or before such redemption date (or maturity date), the amount required for the redemption of the Bonds so called for redemption (or for the payment of such Bonds then maturing), and such amount shall be applied by the Bond Registrar to such redemption (or payment). All expenses in connection with the purchase or redemption of Bonds shall be paid by the Commission on behalf of the City from the Operation and Maintenance Fund.

D. On or prior to the date of delivery of each Series of Bonds, there shall be paid into the Debt Service Reserve Account in the Sinking Fund an amount such that the amount therein shall equal the Debt Service Reserve Account Requirement calculated immediately after the issuance of such Series of Bonds. If at any time for any reason there are insufficient funds in the Debt Service Account in the Sinking Fund to pay amounts due on the Bonds as due, the amount of the deficiency shall be withdrawn from the Debt Service Reserve Account and used for the payment of such debt service but the amount of such withdrawals shall be replaced by additional payments into said Account from the Revenues of the Electric Light and Power System during the next succeeding twelve months. If and when the amount to the credit of said Debt Service

Reserve Account is in excess of the Debt Service Reserve Account Requirement, the amount of the excess may be withdrawn and credited to such other Fund or Account as the Commission may determine and therein used for any lawful purpose under the Act, giving effect to any covenants and representations made with respect to any Series of Bonds in a Supplemental Ordinance and related certificates.

1. The City, acting by and through the Commission, may satisfy all or a portion of the Debt Service Reserve Requirement in the Debt Service Reserve Account by causing to be so credited to the 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 Debt Service Reserve Account is equal to the Debt Service Reserve Requirement (or such lesser proportional amount prior to the date the full Debt Service Reserve Requirement is met). In the event the Debt Service Reserve Account is funded with both moneys and a Credit Facility, any withdrawals from such Debt Service 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 Debt Service Reserve Account and applied to the payment of the principal of or interest on the Bonds for which payments cannot be made by amounts credited to the Sinking Fund. A "*Rating Agency*" for purposes of this section means any rating agency commonly regarded and utilized in the rating of obligations of governmental issues, such as are commonly referred to as "Moody's Investors" "Standard & Poor's Services Corporation," or "Fitch's." Any 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 Rating Agencies. The letter of credit issuer shall be a bank or trust company, and which is rated not lower than the second highest rating category by each of such agencies, and the letter of credit itself shall be rated in the highest category of any one of such agencies. The insurance policy, line of credit or surety bond must extend for the life of the 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 Commission, shall be obligated either (a) to reinstate the maximum limits of such Credit Facility, or (b) to deposit into the Debt Service 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 Debt Service 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, (x) the City, acting by and through the Commission, shall obtain another letter of credit, or (y) the City, acting by and through the Commission, shall draw upon the letter of credit in order to fund the Debt Service Reserve Fund with cash, or (z) the City, acting by and through the Commission, shall fully fund the Debt Service Reserve Account with cash. The 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 Debt Service Reserve Account shall cease to have a rating described in paragraph 1 above, the City, acting by and through the 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 Debt Service 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 Electric Light and Power System after provision has been made in any month for deposits in the Sinking Fund.

3. As to any Series of Bonds for which a Bond Insurer has issued a Bond Insurance Policy, the Credit Facility conditions set forth in subsections 1 and 2 above may be modified pursuant to the conditions of such Bond Insurance Policy, including additional consents from time to time, in any manner relating to the credit quality of such Credit Facility and to the timing of reimbursement or cash deposits to replenish the Debt Service Reserve Account.

4. In the event the Debt Service 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.

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 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 Debt Service Reserve Account resulting in the stated amount of such Credit Facility plus moneys and securities in the Debt Service Reserve Account to be in excess of the Debt Service 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 such other Fund or Account as the Commission may determine and therein used for any lawful purpose under the Act, giving effect to any covenants and representations made with respect to any Series of Bonds in a Supplemental Ordinance and related certificates.

E. If in any month there shall be a failure for any reason to make the prescribed monthly payments into the Sinking Fund, the amount of the deficiency shall be added to the amounts otherwise required to be paid into the Sinking Fund during the next succeeding month or months and such deficiency together with the amount otherwise required to be paid into the Sinking Fund, shall be transferred from the Revenue Fund as hereinabove provided.

F. No further payments need be made into the Sinking Fund after and so long as the amount then in the Sinking Fund, including the amount in the Debt Service Reserve Account, is equal to the entire amount required to pay at maturity or on the next redemption date the

principal and Redemption Price, if applicable, on all Bonds then Outstanding and all interest that will accrue thereon to the maturity or redemption date as the case may be. Except as provided in subsection C of this Section, unless all of the Bonds secured by the Sinking Fund are to be retired, only the portion of said Sinking Fund as may be in excess of the amount of interest becoming due on the Outstanding Bonds on the next succeeding interest payment date and principal or Sinking Fund Installment (if any) becoming due within the next succeeding twelve months shall be used or applied to the retirement or redemption of Bonds in advance of maturity.

G. All moneys held in said Sinking Fund, including the Debt Service Reserve Account, shall be deposited in banks and all such deposits, to the extent they cause the aggregate deposits by the City in such bank to be in excess of the amount covered by Federal Deposit Insurance Corporation, shall be secured by a pledge of direct obligation bonds or securities issued or guaranteed by the United States of America; *provided* all or any part of the Debt Service Account in the Sinking Fund which the Commission finds is not currently required for payment of interest or principal or Sinking Fund Installments on the Bonds may be from time to time on order of the Commission invested and reinvested in Investment Securities maturing or being subject to retirement at the option of the holder within not more than ten years from the date of investment therein; and *provided further* all or any part of the Debt Service Reserve Account in the Sinking Fund which the Commission finds is not currently required for payment of interest on the Bonds may be from time to time on order of the Commission invested and reinvested in Investment Securities maturing or being subject to retirement at the option of the holder within not more than ten years from the date of investment therein. Said Sinking Fund and all investments to the credit thereof as well as income from such investments shall be used solely and only and are hereby pledged for the purpose of paying the principal and Redemption Price, if applicable, of and the interest on the Bonds as provided herein.

H. At any time, after allowance for the amount of interest to become due on the Bonds on the next interest payment date and the amount of principal and Sinking Fund Installments (if any) to become due within the next succeeding twelve months, the balance of funds in the Debt Service Account in the Sinking Fund may be used to purchase Bonds upon the open market at not exceeding the then applicable Redemption Price (or if such Bonds are by their terms not then subject to redemption, at the Redemption Price applicable when such Bonds are first subject to redemption) or may be used to call and redeem Bonds on the next succeeding redemption date in the manner and upon the terms as hereinbefore provided. All Bonds so purchased or redeemed shall be cancelled.

Section A14. Subordinated Bond Fund and Subordinated Bonds. There is by this Ordinance created a special fund designated the Subordinated Bond Fund, which shall be the Fund for the payment of and further securing of any Subordinated Bonds. Such Fund and such Subordinated Bonds shall be issued on any terms the City shall determine, subject to all the terms hereof.

Section A15. Operation and Maintenance Fund.

A. There has been heretofore created and there is continued and maintained, a special fund designated the "Operation and Maintenance Fund." A sufficient portion of the balance of

the Revenues remaining after the aforesaid payments into the Funds and Accounts hereinabove named as hereinbefore provided shall be set aside and paid into said Operation and Maintenance Fund to pay the Operation and Maintenance Expenses. It is expressly recognized that the City may, pursuant to the Kentucky Utilities Company Contract, or another contract, be required to specifically account for moneys in this Fund and to create certain reasonable reserves for expenses paid from this Fund.

B. All moneys held in said Operation and Maintenance Fund shall be deposited in banks and all such deposits, to the extent they cause the aggregate deposits by the City in such bank to be in excess of the amount covered by Federal Deposit Insurance Corporation, shall be secured by a pledge of direct obligation bonds or securities issued or guaranteed by the United States of America. If the Commission finds at any time that all or any portion of the funds on deposit in the Operation and Maintenance Fund will not be needed for expenditure within the reasonably foreseeable future, the same may, upon order of the Commission, be invested and reinvested in Investment Securities having a maturity date or being redeemable at the option of the holder within five years from the date of investment therein.

Section A16. Depreciation Fund.

A. There has been heretofore created and there is continued and maintained, a special fund designated as the "Depreciation Fund." There shall continue to be paid into the Depreciation Fund on the first day of each month, subject, however, to the priorities and preferences set forth herein, an amount equal to one-twelfth (1/12) of the Depreciation Requirement as determined as of the last day of the immediately preceding Fiscal Year. It is expressly recognized that the City may, pursuant to the Kentucky Utilities Company Contract, or another contract, be required to specifically account for moneys in this Fund and to create certain reasonable reserves for expenses paid from this Fund.

B. The moneys in the Depreciation Fund shall be expended upon orders of the Commission in making good any depreciation in the Electric Light and Power System and making replacements, renewals, extensions, additions or constructions thereto.

C. Pending expenditure, the moneys in the Depreciation Fund shall be deposited in a bank or banks and each such deposit, to the extent it causes the aggregate deposits by the City in any such bank to be in excess of the amount covered by Federal Deposit Insurance Corporation, shall be secured by a pledge of direct obligation bonds or securities issued or guaranteed by the United States of America having a market value exclusive of accrued interest equivalent to such deposit.

D. If the Commission finds at any time that any portion of the funds to the credit of the Depreciation Fund is not needed currently for expenditure, such portion may, upon order of the Commission, be invested or reinvested in Investment Securities having a maturity date or being redeemable at the option of the holder within ten years from the date of investment therein. All income from such investments shall be credited to the Depreciation Fund.

Section A17. Reserve and Contingency Fund.

A. There has been heretofore created and there is continued and maintained a special fund designated "Reserve and Contingency Fund." The Board of Commissioners hereby finds and determines that it is necessary and proper to continue to provide, through the use of the Reserve and Contingency Fund, a means of (1) providing for the payment of future costs of capital additions and improvements to the Electric Light and Power System, (2) providing for the payment of future unforeseen contingent liabilities, and (3) providing for the payment of extraordinary costs and expenses related to the Electric Light and Power System, all in order that, among other things, the Electric Light and Power System may continue to be operated in the future on a sound financial basis, the need for sudden and drastic increases in the electric rates in the future may be mitigated and, to the extent possible, such future electric rates may be stabilized.

B. The Commission may by resolution adopted prior to the beginning of each Fiscal Year direct the deposit during such Fiscal Year of such amounts as they shall deem appropriate for the purposes thereof from the Revenue Fund or from other sources into the Reserve and Contingency Fund.

C. The moneys in the Reserve and Contingency Fund may be expended in the amounts and at the times determined by the Commission for the purpose of paying the Cost of Acquisition and Construction of an Additional Project or for any other lawful corporate purpose relating to the Electric Light and Power System.

D. Pending expenditure, the moneys in the Reserve and Contingency Fund shall be deposited in a bank and each deposit, to the extent it causes the aggregate deposits by the City in any such bank to be in excess of the amount covered by the Federal Deposit Insurance Corporation, shall be secured by a pledge of Investment Securities having a market value exclusive of accrued interest equivalent to such deposit.

E. If the Commission finds at any time that any portion of the moneys on deposit in the Reserve and Contingency Fund is not needed currently for expenditure, such portion may upon order of the Commission be invested or reinvested in any obligations or securities which, at the time of such investment, are legal investments of funds of the City.

Section A18. Facilities Charge Fund.

A. There has been heretofore created and there is hereby continued and maintained a special fund designated as the "Facilities Charge Fund." There shall be paid into the Facilities Charge Fund on the first day of each month an amount equal to all payments made by Kentucky Utilities Company pursuant to the third paragraph of Section 5 of the October 3, 1991 amendment to the Kentucky Utilities Company Contract plus such additional amounts as may be determined by the Commission as of the last day of the immediately preceding Fiscal Year.

B. The moneys in the Facilities Charge Fund shall be held as a reserve for, and expended upon orders of the Commission for, (1) the decommissioning of obsolete facilities, including such as may be required by the Kentucky Utilities Company Contract, and (2) when the balance in the Facilities Charge Fund is sufficient for the purpose set forth in (1) above, as

determined by the Commission, any other purpose related to the Electric Light and Power System.

C. Pending expenditure, the moneys in the Facilities Charge Fund shall be deposited in a bank or banks and each such deposit, to the extent it causes the aggregate deposits by the City in any such bank to be in excess of the amount covered by Federal Deposit Insurance Corporation, shall be secured by a pledge of Investment Securities having a market value exclusive of accrued interest equivalent to such deposit.

D. If the Commission finds at any time that any portion of the funds to the credit of the Facilities Charge Fund is not needed currently for expenditure, such portion may, upon order of the Commission, be invested or reinvested in Investment Securities. All income from such investments shall be credited to the Facilities Charge Fund.

E. Payments made to the City pursuant to Section A19 shall be made only when (1) all required transfers and payments have been made and paid into the Special Funds and Accounts hereinabove provided, (2) the amounts, if any, determined by the Commission to be deposited from the Revenue Fund into the Reserve and Contingency Fund have been made, (3) all required payments have been made into the Facilities Charge Fund, and (4) there is a balance in the Revenue Fund in excess of the amount required to be so transferred and paid into said special Funds and Accounts and the Reserve and Contingency Fund during the succeeding two months. Amounts on deposit in the Facilities Charge Fund shall not constitute a part of the value of the City's ownership (accumulated retained earnings) of the Electric Light and Power System.

Section A19. Payment of Certain Amounts to City. Whenever all required transfers and payments have been made and paid into the special Funds and Accounts hereinbefore provided and there is a balance in the Revenue Fund in excess of the amount required to be so transferred and paid into said special Funds and Accounts during the succeeding two months, the Commission may continue to withdraw and transfer from such excess to the general fund of the City in any Fiscal Year an amount not to exceed 10% of the value of the City's ownership (accumulated retained earnings, exclusive of any interest earned on deposits in the Reserve and Contingency Fund, Facilities Charge Fund contributions and revenues, capital contributions and contributions in aid of construction) in the Electric Light and Power System as shown on the Commission's books on the first day of such Fiscal Year, plus the following sum:

A. A sum equal to the dollar value of services purchased by the City from the Commission in such Fiscal Year, not to exceed, however, the sum of \$700,000 in the Fiscal Year ending May 31, 1985, and thereafter increasing at a compounded rate of 5% per annum, but not to exceed in any Fiscal Year 6% of the cash received by the Commission from retail sales of electrical energy in the next preceding Fiscal Year;

B. Services purchased by the City from the Commission shall include electric energy for street lighting, public buildings, city parks, sewage disposal, and other sanitation functions, any other electric energy or services used by the City or authorized by the Board of Commissioners to be billed to the City, and the cost of operating and

maintaining all equipment properly classified in the Commission property records in Account No. 373;

C. The dollar value of services purchased by the City from the Commission shall be the sum of the following:

1. Nine percent (9%) of the book cost of all property properly includable in the Street Lighting and Signal System classification as defined in the Federal Energy Regulatory Commission Uniform System of Accounts (Presently Account No. 373);

2. The cost of operation, maintenance and repair of all property in 1. above; and

3. The actual Electric Light and Power System fuel cost per kilowatt hour for all energy consumed;

and provided further, that the City and the Commission shall on January 1, 1988 and on January 1 of each fourth year thereafter review the transfer from the Commission to the City for the dollar value of services purchased by the City from the Commission and to make such adjustments, if any, in the aforesaid formula as may be necessary to reflect actual economic conditions;

and if not so withdrawn for that purpose, all or any part of such excess may upon order of the Commission be used and applied to the purchase or retirement of Bonds for account of the Electric Light and Power System or for any other lawful corporate purpose relating to the Electric Light and Power System. Funds so held and retained for any such lawful corporate purpose ("*Generally Available Moneys*") may be segregated for various purposes into any named accounts or sub-accounts as the Commission may determine. Generally Available Moneys may at any time be applied as if same were Revenues for all purposes and intents of this Ordinance.

Section A20. Maintenance of Corporate Existence. The City shall at all times maintain its corporate existence and shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of the Act and this Ordinance.

Section A21. Rates. While any of the Bonds remain Outstanding, the rates for all services and facilities rendered by the Electric Light and Power System to said City and to its citizens, corporations or other consumers, shall be reasonable and just, taking into account and consideration the cost and value of said properties and the cost of maintaining and operating the same and the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of all outstanding bonds which by their terms are payable from the Revenues of Electric Light and Power System, and there shall be charged such rates and amounts as shall be adequate to meet the requirements of this and the preceding sections hereof. Compensation for services rendered or facilities afforded to the City shall be charged against the

City, and payment for same from the corporate funds shall be made monthly into the Revenue Fund as other Revenues, and shall be apportioned from the Revenue Fund as are all other Revenues.

Section A22. Power to Fix and Collect Rates, Fees and Charges. The City, through its Board of Commissioners, has, and will have as long as any Bonds are Outstanding, good right and lawful power to fix, establish, maintain and collect rates, fees and charges with respect to the sale of the output, capacity, use or service of the Electric Light and Power System.

Section A23. Books and Records. Insofar as is consistent with the laws of the Commonwealth of Kentucky said City agrees that so long as any of the Bonds hereby authorized remain Outstanding it will cause proper books of record and account to be kept, separate from all other municipal records and accounts, showing complete and correct entries of all transactions relating to Electric Light and Power System. The records and accounts evidencing the receipts and disbursements relating to the Electric Light and Power System shall be audited annually by a recognized certified public accountant or firm of certified public accountants as an item of Operation and Maintenance Expense, and the report of such audit shall be mailed to the original purchaser or purchasers of any of the Bonds and shall be made available to any Bondholder so requesting same in writing.

Section A24. Performance of Duties; Sale, Lease, Etc.

A. The City on behalf of itself and the Commission hereby covenants and agrees with the holder or holders of the Bonds, or any of them, that it will faithfully and punctually perform all duties with reference to the Electric Light and Power System required by the Constitution and laws of the Commonwealth of Kentucky, including the making and collecting of reasonable and sufficient rates for services rendered and facilities afforded, and will segregate the Revenues and make the application thereof into the respective funds as provided by this Ordinance. Except as otherwise provided below in the text of this Section, the City shall make no sale, conveyance, mortgage, encumbrance, or other disposition of any material part of the Electric Light and Power System or transfer of control, management, or oversight, or any material aspect of control, management, or oversight, of the Electric Light and Power System, whether of its properties, interests, operations, expenditures, revenues or otherwise. To the extent permitted by law, the City may lease or make contracts (including lease-leaseback and sale-leaseback, and required ancillary agreements) or grant easements or other rights with respect to, any part of the Electric Light and Power System if such lease, contract, license, easement, or right does not impede or restrict the operation of the Electric Light and Power System or adversely affect in any way the production of Net Revenues, or adversely affect the tax-exempt status of the Outstanding Bonds. The City may, from time to time and to the extent permitted by law, sell, exchange, or otherwise dispose of any machinery, fixtures, apparatus, tools, instruments, or other movable property acquired by it if the City shall determine that such articles are no longer needed in connection with the construction or operation and maintenance of the Electric Light and Power System and the proceeds thereof, if any, shall be applied to the replacement of the property so sold or disposed of or the acquisition of property of equal or greater value or shall be paid by the City to such other Fund or Account as the Commission may determine and therein used for any lawful purpose under the Act, giving effect to any covenants and representations made with respect to

any Series of Bonds in a Supplemental Ordinance and related certificates. The City may from time to time, and to the extent permitted by law, sell, exchange, or otherwise dispose of any real property or release, relinquish, or extinguish any interest therein as the City shall declare is not needed in connection with the maintenance and operation of the Electric Light and Power System. The proceeds thereof, if any, shall be applied as hereinabove provided for the proceeds of the sale or disposal of movable property. The City covenants that so long as any Bonds are Outstanding under this Ordinance, the City will not create or permit to be created any charge or lien on the Revenues, except as expressly permitted under this Ordinance. Any factual determination required to be made under this Section shall be evidenced by the certificate of a Consulting Engineer setting forth in detail the basis for such determination.

Section A25. Insurance. So long as any of the Bonds are Outstanding, the City shall procure and carry insurance or provide self-insurance reserves on the properties constituting the Electric Light and Power System, including public liability insurance on the operation thereof, of the kind and character and in the amounts customarily carried, or reasonably available, in connection with similar properties throughout Kentucky, or in the electric utility industry, generally.

Section A26. Application of Insurance Proceeds.

A. If any useful portion of the Electric Light and Power System shall be damaged or destroyed, the City shall, as expeditiously as possible, continuously and diligently prosecute or cause to be prosecuted the reconstruction or replacement thereof, unless the Commission Engineer in a certificate filed with the Secretary of the Commission and the City Clerk shall state, in the opinion of the signer, based upon necessary investigation that such reconstruction and replacement is not in the best interest of the Electric Light and Power System and the Bondholders. The proceeds of any insurance paid on account of the damage or destruction of any portion of the Electric Light and Power System shall be deposited into the Depreciation Fund and shall be applied by the Commission, to the extent necessary, to the cost of reconstruction or replacement of such damaged or destroyed portion. Pending any application of insurance proceeds as aforesaid, said proceeds may be invested by the Commission in Investment Securities which mature not later than such times as shall be necessary to provide moneys when needed to pay the applicable costs of reconstruction or replacement. Interest earned on such investments shall be deposited in the Fund from which such investments were made. The proceeds of any insurance (or investment income thereon) not applied to repairing or replacing damaged or destroyed property shall be retained in the Fund in which such proceeds and income are deposited as aforesaid.

B. If the proceeds of insurance authorized by this Section to be applied to the reconstruction or replacement of any portion of the Electric Light and Power System are insufficient for such purpose, the deficiency may be supplied out of moneys in the Depreciation Fund to the extent, as shown by a certificate of the Commission Engineer, not needed to be reserved for the purposes provided therefor.

Section A27. Statutory Mortgage Lien. For the further protection of the Holders of the Bonds, a statutory mortgage lien upon the Electric Light and Power System and all properties

connected therewith and extensions thereof and belonging thereto is granted and created by Sections 96.400 and 96.520 of the Kentucky Revised Statutes, which said statutory mortgage lien is hereby recognized and declared to be valid and binding upon the City.

Section A28. Parties Bound. All of the covenants, undertakings and agreements herein expressed on behalf of said City shall be binding upon said City, its Board of Commissioners and the Commission, it being recognized that the management and operation of the Electric Light and Power System is presently controlled and so long as any of said Bonds are Outstanding will continue to be controlled by a utility commission functioning under the provisions of Section 96.530 of Kentucky Revised Statutes.

Section A29. Report of Commission Engineer. The City hereby covenants and agrees so long as any Bonds are Outstanding to cause a Commission Engineer to examine and report upon the physical properties constituting the Electric Light and Power System, the efficiency in the operation and maintenance thereof and any necessary capital improvements thereof. Such examination and report shall be made not less often than once in each five year period and a copy of same shall be made available for inspection in the office of the Secretary of the Commission and the City Clerk.

Section A30. Estimates by Consulting Engineer or Commission Engineer. The Consulting Engineer or Commission Engineer may, in making all estimates required to be made under this Ordinance or necessary to render any opinion required of it under this Ordinance, rely upon estimates supplied to it by other engineers or firms of engineers which the engineer believes to be qualified and to have access to the necessary information to make such estimates and, in addition, as to the projections required for Additional Bonds, may rely upon the City and its financial advisors as to the terms, provisions, interest rates and issue dates on any unissued Bonds (as defined in said subsection) and investment income.

Section A31. Subordinate Lien Obligations. So long as any of the Bonds are Outstanding the City agrees not to issue any other bonds, including, without limitation, any obligations payable from or secured by all or any part of the Revenues of the Electric Light and Power System; *provided, however,* the City reserves the right and privilege to hereafter issue Additional Bonds and Refunding Bonds and Subordinate Bonds and the City further reserves the right and privilege of issuing additional bonds and incurring other obligations payable from or secured by the Revenues of the Electric Light and Power System provided the security and source of payment thereof from Revenues is subordinate and subject in all respects to the priority of the security and source of payment of all of the Bonds and Subordinate Bonds issued pursuant to this Ordinance.

Section A32. Further Assurance. At any and all times the City and its Board of Commissioners and the Commission shall, as far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver all and every such further ordinances, resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, Revenues and other moneys, securities and funds hereby pledged, or intended so to be, or which the City may become bound to pledge.

Section A33. Events of Default; Remedies.

A. Each of the following events is hereby declared an "Event of Default", that is to say, if:

1. default shall be made in the due and punctual payment of the principal or Redemption Price of any Bond when and as the same shall become due and payable, whether at maturity or by call for redemption, or otherwise;

2. default shall be made in the payment of any installment of interest on any Bond when the same shall become due and payable or within thirty (30) days thereafter;

3. default shall be made by the City in the performance or observance of any other of the covenants, agreements or conditions on its part in this Ordinance or in the Bonds contained, and such default shall continue for a period of 60 days after written notice thereof to the City by the Holders of not less than 10% in principal amount of the Bonds Outstanding;

4. there shall occur the dissolution or liquidation of the City or the filing by the City of a voluntary petition in bankruptcy, or the commission by the City of any act of bankruptcy, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of its creditors, or the entry by the City into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceeding for its reorganization instituted under the provisions of the Federal Bankruptcy Act, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted; or

5. an order or decree shall be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the Electric Light and Power System, or any part thereof, or of the rents, fees, charges or other Revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of the City, shall not be vacated or discharged or stayed within 90 days after the entry thereof.

B. The City covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and account of the City and all other records relating to the Electric Light and Power System shall at all times be subject to the inspection and use of any Holder of a Bond and of his agents and attorneys.

C. The City covenants that if an Event of Default shall have happened and shall not have been remedied, the City, upon demand of a holder of a Bond, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under this Ordinance for such period as shall be stated in such demand.

D. If an Event of Default shall happen and be continuing, then and in every such case, any Bondholder shall have the right to apply in an appropriate proceeding for the appointment of a receiver of the Electric Light and Power System to administer said System on behalf of the City

with power to charge and collect rates sufficient to provide for the payment of any Bonds or obligations outstanding against said System and for the payment of the Operation and Maintenance Expenses and to apply the Revenues in conformity with this Ordinance and the provisions of law.

E. If an Event of Default shall happen and shall not have been remedied, then and in every such case, any Bondholder, may proceed, to protect and enforce its rights and the rights of the Holders of the Bonds under this Ordinance forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right.

F. Anything herein to the contrary notwithstanding, any Holder of a Bond, may, either at law or in equity, by suit, action, mandamus or other proceedings, protect said statutory mortgage lien and enforce and compel performance by the City and its officers and agents of all duties imposed or required by law or this Ordinance in connection with the operation of the Electric Light and Power System, including the making and collecting of sufficient rates and segregation of the Revenues and the application thereof.

G. Nothing in this Ordinance or in the Bonds contained shall affect or impair the obligation of the City which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal of or Redemption Price, if applicable, of and interest on the Bonds to the respective Holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any Holder to enforce such payment of his Bond.

H. No remedy by the terms of this Ordinance conferred upon or reserved to the Holders of Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Ordinance or existing at law or in equity or by statute on or after the date of enactment of this Ordinance.

I. No delay or omission of any Bondholder to exercise any right or power arising upon the happening of an Event of Default shall impair any right or power or shall be construed to be a waiver of any such Event of Default or be an acquiescence therein; and every power and remedy given by this Section to the Bondholders may be exercised from time to time and as often as may be deemed expedient by the Bondholders.

Section A34. Commission. It is hereby covenanted and agreed by the City with each and every Holder of the Bonds issued and Outstanding pursuant to this Ordinance that the provisions of the ordinance adopted July 29, 1940, as amended, providing for the management, control and operation of the Electric Light and Power System by a Board of five Commissioners (appointed by the Mayor, by and with the consent of the Board of Commissioners of the City) herein referred to as the Commission shall constitute a contract between the City and the Holders of the Bonds and, after the issuance of any of the Bonds, no change or alteration of any kind in the provisions of this Ordinance or said ordinance adopted July 29, 1940, as amended, may be made, until none of the Bonds are Outstanding under this Ordinance; *provided*, that modifications, alterations and amendments of said ordinances and of the rights and obligations of the City and

of the Holders of Bonds issued and Outstanding hereunder may be made as in this Ordinance provided.

Section A35. Supplemental Ordinances Effective without Bondholders' Consent. For any one or more of the following purposes and at any time or from time to time, a Supplemental Ordinance of the City may be enacted, which shall be fully effective in accordance with its terms:

A. To close this Ordinance against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Ordinance on, the issuance and delivery of Bonds or the issuance of other evidences of indebtedness;

B. To add to the covenants and agreements of the City in this Ordinance, other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Ordinance as theretofore in effect;

C. To add to the limitations and restrictions in this Ordinance, other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with this Ordinance as theretofore in effect;

D. To authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things referred to in Section 5, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Ordinance as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance and delivery of such Bonds;

E. To confirm, as further assurance, any pledge under, and the subjection to any pledge created or to be created by, this Ordinance of the Revenues or of any other moneys, securities or funds; or

F. To modify any of the provisions of this Ordinance in any other respect whatever, *provided* that (1) such modification shall be, and be expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Ordinance shall cease to be Outstanding, and (2) such Supplemental Ordinance shall be specifically referred to in the text of all Bonds of any Series issued and delivered after the date of the adoption of such Supplemental Ordinance and of Bonds issued in exchange therefor or in place thereof.

Section A36. Supplemental Ordinances Effective With Bondholders' Consent.

A. The City may propose modifications, alterations and amendments (any such action being an "Amendment"), other than those specified in Section A35 hereof, in the following manner: The Board of Commissioners shall adopt a Supplemental Ordinance proposing such modifications, alterations or amendments, but providing therein that same shall not become effective unless and until it has had the approval by the 51% of the Holders of all Outstanding Bonds to be affected by the Amendment.

B. The procedure for obtaining consents to any Amendment shall be determined by the City, as may be appropriate. The procedures may include, expressly, (1) such term or duration for receipt of consent as the City may establish, (2) a record date for consent which shall not be more than 6 months prior to the date of any consent given, (3) provisions as to revocability or irrevocability of consent, (4) provisions as to proxies, (5) provisions as to voting Bonds in fractional shares.

C. No such Amendments shall be made which will (1) permit an extension of time of payment at maturity of the principal or of payment of the interest on any Bonds or permit an extension of time for payment of a Sinking Fund Installment or reduce the amount of principal or Redemption Price of or the rate of interest on any Bond without written consent of the Holder of the Bond affected thereby, or (2) reduce the percentage of Holders of Bonds required by the provisions of this Section for the taking of any action under this Section.

D. Notwithstanding anything contained in this Ordinance to the contrary, but subject to the provisions of any applicable Supplemental Ordinance, any Bond Insurer shall be treated as the Holder of Bonds upon which such Bond Insurer is obligated pursuant to a Bond Insurance Policy for the purposes of calculating whether or not the Holders of the requisite percentage of Bonds then Outstanding have consented to any request, consent, directive, waiver or other action permitted to be taken by the Holders of the Bonds pursuant to this Ordinance. All rights of any Bond Insurer hereunder (other than rights held as a registered owner of Bonds hereunder) shall cease and terminate if: (1) such Bond Insurer has failed to make any payment under its Bond Insurance Policy; or (2) such Bond Insurance Policy shall cease to be valid and binding on such Bond Insurer or shall be declared to be null and void, or the validity or enforceability of any provision thereof is being contested by such Bond Insurer, or such Bond Insurer is denying further liability or obligation under such Bond Insurance Policy. Notwithstanding anything contained in this Ordinance to the contrary, but subject to the provisions of any applicable Supplemental Ordinance, to the extent any Bond Insurer has exercised its rights as subrogee for the particular Bonds of which it has insured payment, (a) such Bonds shall be deemed to be Outstanding and such Bond Insurer shall succeed to the rights and interests of the Holders to the extent of the amounts paid as specified in respect of the applicable Bond Insurance Policy until such amount has been reimbursed and (b) upon presentation to the Bond Registrar, such Bonds shall be registered in the name of the Bond Insurer or its nominee, as appropriate.

Section A37. Defeasance.

A. If the City shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Bonds the principal or Redemption Price, if applicable and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, then the pledge of the Revenues, and other moneys and securities pledged under this Ordinance and all covenants, agreements and other obligations of the City to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Bond Registrar and Escrow Holder shall pay over or deliver to the City all moneys or securities held by them pursuant to this Ordinance which are not required for the payment of principal or Redemption Price, if applicable, on Bonds or payment of interest installments becoming due to such date of payment or redemption. If the City shall pay or cause to be paid, or there shall

otherwise be paid, to the Holders of all Outstanding Bonds of a particular Series, or of a particular maturity within a Series, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance, such Bonds shall cease to be entitled to any lien, benefit or security under this Ordinance, and all covenants, agreements and obligations of the City to the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

B. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Bond Registrar (through deposit by the City of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in subsection A of this Section A37. All Bonds of any Series, or of any maturity within a Series shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection A of this Section A37 if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City shall have given to the Escrow Holder irrevocable instructions accepted in writing by the Escrow Holder to give proper notice for and on behalf of the City of redemption of such Bonds on said date, (2) there shall have been deposited with the Escrow Holder irrevocably in trust for the payment of all Outstanding Bonds of such Series or maturity within a Series either Current Funds in an amount which shall be sufficient, or Defeasance Obligations or Otherwise Permitted Defeasance Obligations (including any of same issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide Current Funds which, together with the Current Funds, if any, deposited with the Escrow Holder at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (3) the City shall have given the Escrow Holder in form satisfactory to it irrevocable instructions to give by appropriate means, including by means contained in any Continuing Disclosure Undertaking, as soon as practicable, a notice for and on behalf of the City that the deposit required by (2) above has been made with the Escrow Holder and that said Bonds are deemed to have been paid in accordance with this Section A37 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. The City shall require the Escrow Holder to turn over moneys held by it pursuant to this Section A37 to the Bond Registrar, as and to the extent necessary, to pay the principal, Redemption Price, if applicable, and interest, as the case may be, on said Bonds when the same shall become due. Neither Defeasance Obligations or Otherwise Permitted Defeasance Obligations nor Current Funds deposited with the Escrow Holder pursuant to this Section A37 nor principal or interest payments on any such Defeasance Obligations or Otherwise Permitted Defeasance Obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; *provided that* any Current Funds received from such principal or interest payments on such Defeasance Obligations or Otherwise Permitted Defeasance Obligations deposited with the Escrow Holder, (A) to the extent such Current Funds will not be required at any time for such purpose, shall be paid over to the City as received by the Escrow Holder, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under this Ordinance, and (B) to the extent such Current Funds will be required for such purpose at a later date, shall, to the extent practicable, be reinvested in

Defeasance Obligations or Otherwise Permitted Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the City as received by the Escrow Holder, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under this Ordinance.

C. "*Otherwise Permitted Defeasance Obligations*" shall mean any Investment Securities permitted for a Series of Bonds as eligible for the provision for defeasance of such Bonds by a Bond Insurer and having a Bond Insurance Policy in force for such Bonds.

D. Anything in this Ordinance to the contrary notwithstanding, any moneys held by the Bond Registrar or the Escrow Holder in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Bond Registrar or the Escrow Holder at such date, or for six years after the date of deposit of such moneys if deposited with the Bond Registrar or the Escrow Holder after the said date when such Bonds become due and payable, shall, at the written request of the City, be repaid by the Bond Registrar or the Escrow Holder to the City, as its absolute property and free from trust, and the Bond Registrar or the Escrow Holder shall thereupon be released and discharged with respect thereto and the Bondholders shall look only to the City for the payment of such Bonds from any moneys legally available therefor.

Section A38. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Ordinance, shall be a legal holiday or a day on which banking institutions in the City are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date provided in this Ordinance, and no interest shall accrue for the period after such nominal date.

Section A39. Severability. That 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.

STATE OF KENTUCKY)
) SS
COUNTY OF DAVIESS)

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. 3-02, finally adopted by the Board of Commissioners of the City on January 22, 2002, and entitled:

A SUPPLEMENTAL ORDINANCE providing for the authorization and issuance of Electric Light and Power System Revenue Bonds, Taxable Series 2002-A, and Tax-Exempt Series 2002-B, in the aggregate principal amount of not to exceed \$50,000,000, of the City of Owensboro, Kentucky, for the purpose of paying a portion of the cost of acquisition and construction of extensions and improvements to the municipal electric light and power system of said City; confirming the sale of said bonds to the purchaser thereof; providing for the security and payment of said bonds and interest thereon from the available income and revenues of the municipal electric light and power system of said City; and providing for certain other matters in connection therewith.

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 22nd day of January 2002.



City Clerk

[SEAL.]

[illegible]

BOND ORDER

We, Thomas H. Watson and Kevin D. Frizzell, do hereby certify that we are, respectively, the Mayor of the City of Owensboro, Daviess County, Kentucky (the “*City*”) and the General Manager of Owensboro Municipal Utilities of the City; and as such officers, we have reviewed the books, records, minutes and files of the City, and from such review and based on our authority, we do further certify as follows:

1. On November 5, 2019, the Board of Commissioners of the City adopted Ordinance Number 32-2019 of the City entitled:

A SUPPLEMENTAL ORDINANCE providing for the authorization and issuance of Electric Light and Power System Refunding Revenue Bonds, in one or more series, in the aggregate principal amount of not to exceed \$80,000,000, of the City of Owensboro, Kentucky, for the purpose of refunding certain outstanding revenue bonds of said City; authorizing the sale of said bonds to the purchaser thereof identified herein; providing for the security and payment of said bonds and interest thereon from the available income and revenues of the municipal electric light and power system of said City; and providing for certain other matters in connection therewith.

(the “*Bond Ordinance*”). Terms used but not defined in this Bond Order shall have the meanings given to such terms in the Bond Ordinance.

2. The Bond Ordinance, in accordance with delegated limits, authorizes us to establish a final maturity and rate schedule for the for the 2019 Bonds (as authorized in the Bond Ordinance). The 2019 Bonds are issued in two series designated “Electric Light and Power System Revenue Refunding Bonds, Taxable 2019A Series” (the “*2019A Bonds*”), and “Electric Light and Power System Revenue Refunding Bonds, Tax-Exempt 2019B Series” (the “*2019B Bonds*”). The 2019A Bonds are being issued as taxable bonds under the Bond Ordinance, and the 2019B Bonds are being issued as Tax-exempt bonds under the Bond Ordinance.

3. The 2019A Bonds have been sold at a negotiated sale to BofA Securities, Inc. (the “Purchaser”), at a purchase price of \$_____, being approximately _____% of the \$_____ par value of the 2019A Bonds, and, accordingly, being not less than the required amount of 98% of the par value of the 2019A Bonds.

The 2019A Bonds are further described as follows:

Principal Amount: \$_____.

Dated: November __, 2019.

Due: Serially on January 1 of the years, in the amounts, and bearing interest at the rates percent per annum as follows:

| YEAR | AMOUNT (\$) | RATE (%) |
|------|-------------|----------|
|------|-------------|----------|

4. The 2019B Bonds have been sold at a negotiated sale to the Purchaser at a purchase price of \$_____, being approximately _____% of the \$_____ par value of the 2019B Bonds, and, accordingly, being not less than the required amount of 98% of the par value of the 2019B Bonds.

The 2019B Bonds are further described as follows:

Principal Amount: \$_____.

Dated: November __, 2019.

Due: Serially on January 1 of the years, in the amounts, and bearing interest at the rates percent per annum as follows:

| YEAR | AMOUNT (\$) | RATE (%) |
|------|-------------|----------|
|------|-------------|----------|

5. Accordingly, the aggregate principal and interest requirements for the 2019 Bonds are as follows for the periods indicated:

| EACH PERIOD ENDING JANUARY 1 AND EACH FISCAL YEAR ENDING MAY 31 | AMOUNT (\$) |
|---|-------------|
|---|-------------|

6. The terms of redemption for the 2019 Bonds are as set forth on *Exhibit A* hereto, made a part hereof by this reference.

7. The Refunded Bonds selected for redemption are described as follows, with the particular maturities to be refunded identified under the headings “Amount to Be Refunded”:

A. ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2010-A SERIES

Original Principal Amount: \$10,070,000

Dated: November 18, 2010

Originally Due Serially: January 1, 2021 and 2022

Amount Outstanding: \$7,070,000

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2021 | 1,915,000 | 4.88 |
| 2022 | 5,155,000 | 5.03 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Commission, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption, in accordance with the provisions of the 2010-A Ordinance.

**B. ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2010-B SERIES
(BUILD AMERICA BONDS-DIRECT PAYMENT)**

| | |
|----------------------------|------------------------------|
| Original Principal Amount: | \$31,425,000 |
| Dated: | November 18, 2010 |
| Originally Due Serially: | January 1, 2021 through 2025 |
| Amount Outstanding: | \$31,425,000 |

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2021 | 4,395,000 | 4.88 |
| 2022 | 4,530,000 | 5.03 |
| 2023 | 7,250,000 | 5.18 |
| 2024 | 7,495,000 | 5.38 |
| 2025 | 7,755,000 | 5.58 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Commission, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption, in accordance with the provisions of the 2010-B Ordinance.

C. ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2013-A SERIES

Original Principal Amount: \$8,875,000
Dated: June 25, 2013
Originally Due Serially: January 1, 2021 and 2022
Amount Outstanding: \$8,875,000
Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2021 | 4,880,000 | 3.40 |
| 2022 | 3,995,000 | 3.65 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Commission, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption, in accordance with the provisions of the 2013-A Ordinance.

D. ELECTRIC LIGHT AND POWER SYSTEM REFUNDING REVENUE BONDS, TAX-EXEMPT 2013-B SERIES

Original Principal Amount: \$77,100,000
Dated: June 25, 2013
Originally Due Serially: January 1, 2022 through 2027
Amount Outstanding: \$40,940,000

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2022 | 600,000 | 3.00 |
| 2023 | 2,125,000 | 3.25 |
| 2023 | 4,795,000 | 5.00 |
| 2024 | 7,300,000 | 5.00 |
| 2025 | 2,655,000 | 3.75 |
| 2025 | 5,085,000 | 5.00 |
| 2026 | 5,310,000 | 4.00 |
| 2026 | 7,130,000 | 5.00 |
| 2027 | 5,940,000 | 4.00 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Commission, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption, in accordance with the provisions of the 2013-B Ordinance.

8. The proceeds of sale of the 2019 Bonds, in the amount described in paragraph 3 hereof, and other funds of the City on hand and lawfully available for such purpose in the amount of \$ _____ shall be applied as follows:

| FOR DEPOSIT TO: | AMOUNT (\$) |
|------------------------|-------------|
| Escrow Account | |
| Costs of Issuance Fund | |

9. All other terms are as required and provided in the Bond Ordinance.

10. Please be further advised that we find and determine that no person holding any office of the City either by election or appointment, is in any manner interested, either directly or indirectly, in his own name or in the name of any other person, associate, trust or corporation, in the Bond Purchase Agreement with the Purchaser as such terms are defined in the Bond Ordinance.

11. Finally, please be advised that this Bond Order shall be entered into the records of the City.

IN WITNESS WHEREOF we have hereunto affixed our official signatures this ____ day of
November, 2019.

Thomas H. Watson, Mayor

Kevin D. Frizzell, General Manager
Owensboro Municipal Utilities

EXHIBIT A

FINAL REDEMPTION TERMS

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF DAVIESS)

FILING OF BOND ORDER

I, Beth Cecil, do hereby certify that I am the duly qualified and acting City Clerk of the City of Owensboro, Daviess County, Kentucky (the “City”), and as such official I am the keeper of the official journal of proceedings, books, records, minutes and files of the City and of the Board of Commissioners (the “*Board of Commissioners*”) thereof.

I do further certify that I received of record and made available to all members of the Board of Commissioners, a Bond Order, as such term is defined in Ordinance Number 32-2019 and entitled:

A SUPPLEMENTAL ORDINANCE providing for the authorization and issuance of Electric Light and Power System Refunding Revenue Bonds, in one or more series, in the aggregate principal amount of not to exceed \$80,000,000, of the City of Owensboro, Kentucky, for the purpose of refunding certain outstanding revenue bonds of said City; authorizing the sale of said bonds to the purchaser thereof identified herein; providing for the security and payment of said bonds and interest thereon from the available income and revenues of the municipal electric light and power system of said City; and providing for certain other matters in connection therewith.

which Bond Order is responsive to such Ordinance; a true, correct and complete copy of which said Bond Order as provided at said meeting being attached hereto.

IN WITNESS WHEREOF I hereunto affix my official signature and the seal of the City this
____ day of _____, 2019.

Beth Cecil
City Clerk
City of Owensboro
Daviess County, Kentucky

[SEAL]

ESCROW DEPOSIT AGREEMENT

This Escrow Deposit Agreement, dated as of November 1, 2019, but actually executed and delivered the date last hereinbelow written, by and between the City of Owensboro, Daviess County, Kentucky, and U.S. Bank National Association, a national banking association, with corporate trust offices located in the City of Louisville, Kentucky, not individually but in the capacity as hereinafter described, for and in consideration of mutual covenants set forth:

W I T N E S S E T H :

ARTICLE I. DEFINITIONS

The following words and terms used in this Agreement shall have the following meanings unless the context or use clearly indicates another or different meaning.

“Aggregate Requirement” means the payment when due, on each interest payment date through January 1, 2020, of all interest on and principal and Redemption Price of the Refunded Bonds from the date hereof through each such date.

“Agreement” means this Escrow Deposit Agreement, dated as of November 1, 2019.

“Board of Commissioners” means the Board of Commissioners which is the governing body of the City.

“Bond Fund” means the Debt Service Account of the Sinking Fund of the City of Owensboro, being the account and fund from which both the Bonds are payable and the Refunded Bonds have been payable.

“Bond Insurer” means Assured Guaranty Municipal Corp., the issuer of municipal bond insurance policies securing the Refunded Bonds, or any successors thereto or assignees thereof.

“Bond Ordinance” means the ordinance passed by the Board of Commissioners on November 5, 2019, numbered 32-2019 and entitled:

A SUPPLEMENTAL ORDINANCE providing for the authorization and issuance of Electric Light and Power System Refunding Revenue Bonds, in one or more series, in the aggregate principal amount of not to exceed \$80,000,000, of the City of Owensboro, Kentucky, for the purpose of refunding certain outstanding revenue bonds of said City; authorizing the sale of said bonds to the purchaser thereof identified herein; providing for the security and payment of said bonds and interest thereon from the available income and revenues of the municipal electric light and power system of said City; and providing for certain other matters in connection therewith.

authorizing the Bonds.

“Bond Registrar” means U.S. Bank National Association, Louisville, Kentucky, the bond registrar for the Refunded Bonds.

“Bonds” means, together, the Electric Light and Power System Refunding Revenue Bonds, Taxable 2019-A Series, and Electric Light and Power System Refunding Revenue Bonds, Tax-Exempt 2019-B Series, of the City, dated the date of issuance thereof, the net proceeds of which are to be used for the refunding of the Refunded Bonds.

“City” means the City of Owensboro, Daviess County, Kentucky.

“Defeasance Report” means the report of Robert Thomas CPA LLC, independent certified public accountants, attached hereto as *Exhibit A*, that the principal of, interest on and profit realized from the Government Obligations, when received, and the beginning deposit on demand held hereunder will be sufficient to provide moneys to pay the Aggregate Requirement.

“Escrow Account” means the trust fund created under the terms of this Agreement with the Escrow Holder and comprised of the Government Obligations and a certain beginning deposit as more fully described in 2.02 hereof.

“Escrow Holder” means U.S. Bank National Association, a national banking association, with corporate trust offices located in the City of Louisville, Kentucky, not individually but in the capacity for the uses and purposes hereinafter mentioned, or any successor thereto.

“*Government Obligations*” means the direct non-callable obligations of the United States of America (being (i) United States Bills, Notes, Bonds or STRPS or (ii) SLGS) deposited hereunder from time to time.

“*Initial Cash Deposit*” means that certain deposit from the City to the Escrow Holder, in the amount of \$ _____, deposited on the date hereof, as further described in 2.02 hereof.

“*Paying Agent*” means the Bond Registrar with respect to the Refunded Bonds, as hereinabove noted.

“*Redemption Date*” means, with respect to the Refunded Bonds, January 1, 2020.

“*Redemption Price*” means, with respect to the Refunded Bonds, par plus accrued interest to the Redemption Date.

“*Refunded Bonds*” means, with respect to the 2010-A Bonds, the 2010-B Bonds, the 2013-A Bonds and the 2013-B Bonds being refunded hereunder, the bonds of such respective series set forth under the columns headed “Amount to be Refunded” set forth in the respective definitions of the terms “2010-A Bonds”, the “2010-B Bonds”, the “2013-A Bonds” and the “2013-B Bonds.”

“*SLGS*” means U.S. Treasury Obligations of the State and Local Government Series.

“*2010-A Bonds*” means the outstanding bonds of the City described as follows:

**ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE
2010-A SERIES**

| | |
|----------------------------|--------------------------|
| Original Principal Amount: | \$10,070,000 |
| Dated: | November 18, 2010 |
| Originally Due Serially: | January 1, 2021 and 2022 |
| Amount Outstanding: | \$7,070,000 |

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) | AMOUNT REFUNDED (\$) |
|------|--------------------------|----------------------|-------------------------|
| 2021 | 1,915,000 | 4.88 | 1,915,000 |
| 2022 | 5,155,000 | 5.03 | 5,155,000 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Board, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption.

“2010-B Bonds” means the outstanding bonds of the City described as follows:

**ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2010-B SERIES
(BUILD AMERICA BONDS-DIRECT PAYMENT)**

| | |
|----------------------------|------------------------------|
| Original Principal Amount: | \$31,425,000 |
| Dated: | November 18, 2010 |
| Originally Due Serially: | January 1, 2021 through 2025 |
| Amount Outstanding: | \$31,425,000 |

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) | AMOUNT REFUNDED (\$) |
|------|--------------------------|----------------------|-------------------------|
| 2021 | 4,395,000 | 4.88 | 4,395,000 |
| 2022 | 4,530,000 | 5.03 | 4,530,000 |
| 2023 | 7,250,000 | 5.18 | 7,250,000 |
| 2024 | 7,495,000 | 5.38 | 7,495,000 |
| 2025 | 7,755,000 | 5.58 | 7,755,000 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Board, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption.

“2013-A Bonds” means the outstanding bonds of the City described as follows:

**ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2013-A
SERIES**

Original Principal Amount: \$8,875,000
Dated: June 25, 2013
Originally Due Serially: January 1, 2021 and 2022
Amount Outstanding: \$8,875,000
Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2021 | 4,880,000 | 3.40 |
| 2022 | 3,995,000 | 3.65 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Board, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption.

“2013-B Bonds” means the outstanding bonds of the City described as follows:

**ELECTRIC LIGHT AND POWER SYSTEM REFUNDING REVENUE
BONDS, TAX-EXEMPT 2013-B SERIES**

Original Principal Amount: \$77,100,000
Dated: June 25, 2013
Originally Due Serially: January 1, 2022 through 2027
Amount Outstanding: \$40,940,000

Due January 1 and Described as follows:

| YEAR | PRINCIPAL AMOUNT (\$) | INTEREST RATE (%) |
|------|--------------------------|----------------------|
| 2022 | 600,000 | 3.00 |
| 2023 | 2,125,000 | 3.25 |
| 2023 | 4,795,000 | 5.00 |
| 2024 | 7,300,000 | 5.00 |
| 2025 | 2,655,000 | 3.75 |
| 2025 | 5,085,000 | 5.00 |
| 2026 | Him him him 5,310,000 | 4.00 |
| 2026 | 7,130,000 | 5.00 |
| 2027 | 5,940,000 | 4.00 |

which bonds are subject to redemption prior to maturity, at the option of the City through the Utility Board, from any available funds, in whole or in part, on any date on or after January 1, 2020, at the redemption price of par plus accrued interest to the date of redemption.

“Utility Board” means the Board of the City Utility Commissioners ~~of~~ that governs Owensboro Municipal Utilities.

ARTICLE II. CREATION OF ESCROW

Section 2.01. The Refunded Bonds are hereby refunded and defeased by the deposit with the Escrow Holder of moneys, as described below, sufficient to provide a beginning deposit and to acquire the Escrow Investments which shall, collectively, be sufficient to provide moneys to pay the Aggregate Requirement.

Section 2.02. The City has deposited with the Escrow Holder at the execution and delivery of this Escrow Agreement the Initial Cash Deposit, of which \$ _____ is derived from proceeds of the Bonds (“*Proceeds*”) and \$ _____ is derived from funds of the City on hand and lawfully available for the purpose (“*City Funds*”). The Proceeds and the City Funds will be used to acquire the Government Obligations and provide a beginning deposit of

\$ _____. The open market purchase confirmations for these Government Obligations are attached hereto as *Exhibit B*.

Section 2.03. The Escrow Holder now holds the cash deposit of \$_____ and the Government Obligations described on *Exhibit C*.

ARTICLE III. COVENANTS OF ESCROW HOLDER

The Escrow Holder covenants and agrees with the City and the Utility Board as follows:

Section 3.01. The Escrow Holder will hold all amounts on deposit and all Government Obligations and all interest, income and profit derived therefrom in a segregated and separate trust fund account for the sole and exclusive benefit of the City and the Utility Board and of the holders and registered owners of the Refunded Bonds, all to the purposes for which escrowed.

Section 3.02. The Escrow Holder shall not be liable or responsible for loss in the value of any investment made pursuant to this Agreement, or for any loss, cost or penalty resulting from any authorized sale or liquidation of such investment. The Escrow Holder shall not be responsible for the accuracy or completeness of the Defeasance Report, nor shall it have any responsibility for monitoring whether any investment direction given by the Utility Board is consistent with the Defeasance Report.

All purchases of investments other than SLGS shall be on an established securities market. Such purchases shall follow standard market practice with no specially negotiated purchase terms.

Section 3.03. The Escrow Holder will promptly collect the principal of, interest on and income and profit from the Government Obligations and promptly apply the same along with such deposits as may be available solely and only to pay interest on and principal and Redemption Price of the Refunded Bonds so as to meet the Aggregate Requirement.

Section 3.04. The Escrow Holder will make no payment of fees, due or to become due, of the Bond Registrar or the Paying Agent, and the Utility Board and the City covenants to pay the same as they become due.

Section 3.05. The costs and expenses of the Escrow Holder will be paid by the Utility Board or the City from funds other than those deposited hereunder. The Escrow Holder shall have no lien or right of set-off of any kind on the Escrow Account and shall look solely to the Utility Board and the City for payment. The Escrow Holder shall charge such fees for its services as are reasonable and usual for like services rendered by similar institutions.

Section 3.06. The Escrow Holder has all the powers and duties herein set forth with no liability in connection with any act or omission to act hereunder, except for its own negligence or willful breach of trust, and shall be under no obligation to institute any suit or action or other proceeding under this Agreement or to enter any appearance in any suit, action or proceeding in which it may be defendant or to take any steps in the enforcement of its, or any, rights and powers hereunder.

Section 3.07. The Escrow Holder may in good faith buy, sell or hold and deal in any of the Bonds or Refunded Bonds.

Section 3.08. The Refunded Bonds are hereby irrevocably called for redemption on the Redemption Date at the Redemption Price. The time, manner and form of giving notice of the call for redemption of the Refunded Bonds shall be as set forth in the respective ordinances of the City, adopted by the Board of Commissioners, pursuant to which the Refunded Bonds were issued, and certified copy of which, by execution hereof, the Escrow Holder acknowledges receipt. On the date of execution and delivery of this Agreement, the Escrow Holder is the Paying Agent and Bond Registrar for each series of the Refunded Bonds. The Escrow Holder shall act as agent for the City in performing all acts, giving or causing to be given all notices, and providing such directions to

the Paying Agent and Bond Registrar to effect the payment and redemption of the Refunded Bonds as aforesaid. The City shall reimburse the Escrow Agent for any actual out of pocket expenses incurred in the giving of such notice, but the failure of the City to make such payment shall not in any respect whatsoever relieve the Escrow Agent from carrying out any of the duties, terms or provisions of this Agreement.

Section 3.09. Notice of Defeasance. Promptly, upon the delivery of this Agreement, and in no event later than 10 calendar days from the date hereof, the Escrow Holder shall act as agent for the City in giving notice of the defeasance of the Refunded Bonds to the Municipal Securities Rulemaking Board (the “MSRB”) via the MSRB’s Electronic Municipal Market Access system or by such other method as at the time of giving such notice shall be directed or recognized by the Securities and Exchange Commission, and, further, to the Bond Insurer.

Section 3.10. Statement. The Escrow Holder will submit to the Director of Finance and Accounting of the Utility Board a statement within 30 days after the date of this Agreement and thereafter within 30 days of each receipt date in and payment date out of the Escrow Account, itemizing all moneys received by it and all payments made by it under the provisions of this Agreement during the period of such statement.

Section 3.11. Insufficiencies. If at any time it shall appear to the Escrow Holder that the available proceeds of the Government Obligations and funds on deposit in the Escrow Account will not be sufficient to make any payment (whether interest or Redemption Price) due to the registered owners of any of the Refunded Bonds, as and to the extent provided herein, the Escrow Holder shall notify the Utility Board not less than 15 days prior to such date, and the Utility Board agrees that it will from any funds lawfully available for such purpose make up the anticipated deficit so that no default in the making of any such payment will occur.

ARTICLE IV.
COVENANTS OF CITY OR THE UTILITY BOARD

The City and the Utility Board covenant and agree with the Escrow Holder as follows:

Section 4.01. The Escrow Holder shall have no responsibility or liability whatsoever for (a) any of the recitals of the City or the Utility Board herein, (b) the performance of or compliance with any covenant, condition, term or provision of the Bond Ordinance, and (c) any undertaking or statement of the City or the Utility Board hereunder or under said Bond Ordinance.

Section 4.02. The Utility Board or the City will promptly and without delay remit to the Escrow Holder such sums as will fully pay and discharge any obligation or obligations or charges, fees or expenses, including reasonable attorney's fees, incurred by the Escrow Holder in carrying out any of the duties, terms or provisions of this Agreement. The Utility Board or the City will promptly pay all Paying Agent and Bond Registrar fees.

ARTICLE V.
IRREVOCABILITY OF AGREEMENT

Section 5.01. All of the rights, powers, duties and obligations of the Escrow Holder hereunder shall be irrevocable and shall not be subject to amendment by the Escrow Holder and shall be binding on any successor to the Escrow Holder during the term of this Agreement.

Section 5.02. All of the rights, powers, duties and obligations of the City hereunder shall be irrevocable and shall not be subject to amendment by the City and shall be binding on any successor to the officials now comprising the Board of Commissioners of the City during the term of this Agreement.

Section 5.03. All of the rights, powers, duties and obligations of the Utility Board hereunder shall be irrevocable and shall not be subject to amendment by the Utility Board and shall be binding on any successor to the officials now comprising the Utility Board during the term of this Agreement.

ARTICLE VI.
NOTICES

Section 6.01. All notices and communications to the City and Utility Board shall be addressed in writing to:

Director of Finance and Accounting
Owensboro Municipal Utilities
2070 Tamarack Road
Owensboro, Kentucky 42301

or at such other address as is furnished from time to time by the City and Utility Board.

Section 6.02. All notices and communications to the Escrow Holder shall be addressed in writing to:

U.S. Bank National Association
CN-KY-0850
Louisville, Kentucky 40202

or at such other address as is furnished from time to time by the Escrow Holder.

ARTICLE VII.
MERGER OR CONSOLIDATION OF ESCROW HOLDER

Any banking association or corporation into which the Escrow Holder may be merged, converted or with which the Escrow Holder may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Holder shall be a party, or any banking association or corporation to which all or substantially all of the corporate trust business of the Escrow Holder shall be transferred, shall succeed to all the Escrow Holder's rights, obligations and immunities hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding. In such event, the City shall have the right to appoint a successor Escrow Holder. The City may select as successor Escrow Holder any financial institution with capital, surplus and undivided profits of at least \$100,000,000 and having corporate trust offices within Kentucky, Minnesota,

Illinois or New York, and which is authorized to maintain trust accounts for municipal corporations under applicable law.

ARTICLE VIII.
TERMINATION OF AGREEMENT

Upon the final disbursement for the payment of the Refunded Bonds as hereinabove provided for, the Escrow Holder will transfer any balance remaining in the Escrow Account to the Utility Board, and thereupon this Agreement shall terminate.

ARTICLE IX.
COUNTERPARTS

This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF the City has caused this Agreement to be signed in its name by its Mayor, to be attested by the City Clerk under its corporate seal hereunto affixed; and the Escrow Holder, not individually, but in the capacity as hereinabove described, has caused this Agreement to be signed in its corporate name by one of its _____ and to be attested by one of its _____ under its corporate seal hereunto affixed, all this _____ day of _____, 2019.

CITY OF OWENSBORO
DAVIESS COUNTY, KENTUCKY

By _____
Mayor

Attest:

City Clerk

[SEAL]

U.S. BANK NATIONAL ASSOCIATION
Louisville, Kentucky

By _____
Its _____

Attest:

Its _____

[SEAL]

The foregoing Escrow Agreement has been received and acknowledged by me as of the date last written.

General Manager
Owensboro Municipal Utilities
City of Owensboro
Daviess County, Kentucky

EXHIBIT A

DEFEASANCE REPORT

EXHIBIT B

OPEN MARKET SECURITY PURCHASE CONFIRMATIONS

EXHIBIT C

GOVERNMENT OBLIGATIONS

PRELIMINARY OFFICIAL STATEMENT, DATED _____, 2019

NEW ISSUE
BOOK-ENTRY ONLY
 “ ”
 “ ”

Ratings:
Standard & Poor’s:
Moody’s:
 (See “RATINGS,” herein)

Interest on the 2019A Bonds is includible in gross income of the owners thereof for federal income tax purposes. Subject to compliance by the City and the Commission with certain covenants, in the opinion of Chapman and Cutler LLP, Chicago, Illinois, Bond Counsel (“Bond Counsel”), under present law, interest on the 2019B 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. In the opinion of Bond Counsel, under the laws of the Commonwealth of Kentucky, as presently enacted and construed, the 2019 Bonds are exempt from general Kentucky ad valorem property taxes, and interest on the 2019 Bonds is exempt from the income tax imposed by the Commonwealth of Kentucky. See “TAX MATTERS” herein for a more complete discussion.

\$67,550,000*
City of Owensboro, Kentucky
Electric Light and Power System Refunding Revenue Bonds,
2019 Series
\$3,455,000* **\$64,095,000***
Taxable 2019-A Series **Tax-Exempt 2019-B Series**

Dated: Date of Delivery

Due: As shown on inside cover

The City of Owensboro, Kentucky Electric Light and Power System Refunding Revenue Bonds, Taxable 2019-A Series (the “2019A Bonds”) and Electric Light and Power System Refunding Revenue Bonds, Tax-Exempt 2019-B Series (the “2019B Bonds” and together with the 2019A Bonds, the “2019 Bonds”) are issuable in fully registered form initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the 2019 Bonds will be made in book-entry form only in the minimum denomination of \$5,000 or any integral multiple thereof. Interest is payable on the 2019 Bonds on each January 1 and July 1, commencing on July 1, 2020. Purchasers will not receive physical delivery of 2019 Bonds. The 2019 Bonds are subject to redemption prior to maturity as more fully described herein.

The 2019 Bonds are being issued by the City of Owensboro, Kentucky (the “City”) pursuant to the provisions of a Revenue Bond Ordinance adopted by the Board of Commissioners of the City (the “Board”) on January 22, 2002, as supplemented and amended by an Ordinance adopted by the Board on November 5, 2019, to provide a portion of the funds required to (i) refund the Refunded Bonds (as defined herein) and (ii) pay costs of issuance of the 2019 Bonds, all as more fully described herein. See “PLAN OF FINANCE.” So long as DTC or its nominee, Cede & Co., is the registered owner of the 2019 Bonds, payments on the 2019 Bonds will be made directly to DTC or its nominee, Cede & Co., which is to remit such payments to the DTC participants, which in turn are to remit such payments to the beneficial owners of the 2019 Bonds, as more fully described herein. See “THE 2019 Bonds—Book-Entry Only System.” U.S. Bank National Association is the bond registrar and paying agent for the 2019 Bonds.

THE 2019 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CITY PAYABLE SOLELY FROM THE REVENUES OF THE CITY’S ELECTRIC LIGHT AND POWER SYSTEM AND OTHER AMOUNTS SPECIFICALLY PLEDGED THEREFOR. THE 2019 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE COMMONWEALTH OF KENTUCKY OR ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY, WITHIN THE MEANING OF THE CONSTITUTION OF THE COMMONWEALTH OF KENTUCKY, NOR DO THE 2019 BONDS CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OF THE COMMONWEALTH OF KENTUCKY OR ANY MUNICIPALITY OR POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY.

MATURITY SCHEDULE
 (As shown on inside cover)

This cover page, including the inside cover page, contains information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The 2019 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of legality by Bond Counsel and certain other conditions. Chapman and Cutler LLP, Chicago, Illinois, will also act as Disclosure Counsel to the City. Certain legal matters will be passed upon for Owensboro Municipal Utilities by its counsel, Kamuf, Pace & Kamuf, Owensboro, Kentucky; for the City by the City Attorney; and for the Underwriter by its counsel, Nixon Peabody LLP, New York, New York. It is expected that the 2019 Bonds in definitive form will be available for delivery at DTC in New York on or about December 4, 2019.

BofA Securities, Inc.

Dated: November ____, 2019

* Preliminary, subject to change.

DRAFT_OMU Electric POS 4840-4839-5938 v9
 2273076

\$3,455,000*
Electric Light and Power System Refunding Revenue Bonds,
Taxable 2019-A Series

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS

| MATURITY (JANUARY 1) | PRINCIPAL AMOUNT* | INTEREST RATE | YIELD | CUSIP (691021)** |
|-------------------------|----------------------|------------------|-------|---------------------|
| 2021 | \$2,225,000 | | | |
| 2022 | 1,230,000 | | | |

\$64,095,000*
Electric Light and Power System Refunding Revenue Bonds,
Tax-Exempt 2019-B Series

MATURITY SCHEDULE, INTEREST RATES, YIELDS AND CUSIP NUMBERS

| MATURITY (JANUARY 1) | PRINCIPAL AMOUNT* | INTEREST RATE | YIELD | CUSIP (691021)** |
|-------------------------|----------------------|------------------|-------|---------------------|
| 2021 | \$8,365,000 | | | |
| 2022 | 9,435,000 | | | |
| 2023 | 8,775,000 | | | |
| 2024 | 9,150,000 | | | |
| 2025 | 9,530,000 | | | |
| 2026 | 6,150,000 | | | |
| 2027 | 12,690,000 | | | |

* Preliminary, subject to change.

** 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. This information is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the City, OMU or the Underwriter and are included solely for the convenience of the registered owners of the applicable Bonds. CUSIP® is a registered trademark of the American Bankers Association. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds. None of the City, OMU, or the Underwriter are responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the applicable 2019 Bonds or as included herein.

USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the City or by the Underwriter to give any information or to make any representations other than as contained in this Official Statement, and if given or made such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any offer to buy, nor shall there be any sale of the 2019 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the City and by other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Underwriter. The information and expressions of opinion 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 hereof. Statements in this Official Statement are made as of the date hereof unless stated otherwise and neither the delivery of this Official Statement at any time, nor any sales thereunder, shall under any circumstances create an implication that the information contained herein is correct as of any time subsequent to the date hereof. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites and any links contained within those websites are not incorporated herein by reference and does not constitute part of this Official Statement. In making an investment decision, investors must rely on their own examination of the City and the terms of the offering, including the merits and risks involved. Prospective investors should not construe the contents of this Official Statement as legal, tax or investment advice.

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 responsibility 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.

The 2019 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption from the registration requirements contained in such Act. The 2019 Bonds have not been registered or qualified under the securities laws of any state.

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 2019 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.

The City and OMU each maintain a website and a social media presence. However, the information presented therein is not part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. The references to internet websites in this Official Statement are shown for reference and convenience only; unless explicitly stated to the contrary, the information contained within the websites is not incorporated herein by reference and does not constitute part of this Official Statement.

IN CONNECTION WITH THE OFFERING OF THE 2019 BONDS THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF SUCH BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL ON THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2019 BONDS TO CERTAIN DEALERS AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES SET FORTH ON THE INSIDE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS WHICH, TO THE EXTENT THEY ARE NOT RECITATIONS OF HISTORICAL FACT, CONSTITUTE “FORWARD-LOOKING STATEMENTS.” IN THIS RESPECT, THE WORDS “ESTIMATE,” “PROJECT,” “ANTICIPATE,” “EXPECT,” “INTENT,” “BELIEVE” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. A NUMBER OF FACTORS AFFECTING THE CITY’S BUSINESS AND FINANCIAL RESULTS COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE STATED IN THE FORWARD-LOOKING STATEMENTS.

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

Tom Watson, Mayor
Larry Maglinger, Mayor Pro Tem
Pam Smith-Wright, Commissioner
Larry Conder, Commissioner
Jeff Sanford, Commissioner
Nate Pagan, City Manager
Beth Cecil, City Clerk
Steve Lynn, City Attorney

**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**

GENERAL MANAGER
Kevin D. Frizzell

DIRECTOR OF PRODUCTION
Brad Howton

DIRECTOR OF FINANCE AND ACCOUNTING
J. Lynn Holland

DIRECTOR OF DELIVERY
Tim Lyons

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'S COUNSEL
Nixon Peabody LLP

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APPENDICES

- Appendix A — Certain Information Regarding the City
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- Appendix C — Definitions
- Appendix D — Form of Opinion of Bond Counsel
- Appendix E — Form of Continuing Disclosure Undertaking

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\$67,550,000*
City of Owensboro, Kentucky
Electric Light and Power System Refunding Revenue Bonds,
2019 Series

\$3,455,000*
Taxable 2019-A Series

\$64,095,000*
Tax-Exempt 2019-B Series

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page, Table of Contents and Appendices, is to provide certain information concerning (i) the City of Owensboro, Kentucky (the “City”), (ii) Owensboro Municipal Utilities (“OMU”), a municipal utility owned by the City which provides electric, telecommunications and water service to the City and certain adjacent areas, (iii) the Electric Light and Power System (the “Electric System”) owned by the City and operated by the City Utility Commission (the “Commission”), (iv) \$67,550,000* Electric Light and Power System Refunding Revenue Bonds, 2019 Series to be issued in two series as follows: \$3,445,000* Electric Light and Power System Refunding Revenue Bonds, Taxable 2019-A Series (the “2019A Bonds”), and \$64,095,000* Electric Light and Power System Refunding Revenue Bonds, Tax-Exempt 2019-B Series (the “2019B Bonds” and together with the 2019A Bonds, the “2019 Bonds”). The 2019 Bonds are being issued pursuant to the Constitution and statutes of the Commonwealth of Kentucky (the “Commonwealth”), and particularly Sections 96.520 *et seq.*, Kentucky Revised Statutes, as amended (“KRS”), which by reference include the provisions of Sections 96.360 to 96.510, inclusive, and Section 82.082 of the KRS (the “Act”), by the revenue bond ordinance adopted by the Board of Commissioners of the City (the “Board”) on January 22, 2002 (the “Basic Ordinance”), as supplemented and amended to the date hereof, including by a supplemental ordinance adopted by the Board on November 5, 2019 (the “2019 Supplemental Ordinance”). The Basic Ordinance, together with the 2019 Supplemental Ordinance and any other supplements and amendments to the Basic Ordinance, are referred to collectively as the “Ordinance.” As described herein, as a result of the adoption of certain amendments to the 1985 Ordinance (as hereinafter defined) at the Bondholders’ Meeting (as hereinafter defined), the Ordinance provides the terms and conditions for all Outstanding Bonds whenever issued. See “Summary of Certain Provisions of the Ordinance—Ordinance Amendment” herein for more information on the Bondholders’ Meeting. Capitalized terms used in this Official Statement and not otherwise defined herein will have the meanings given them in APPENDIX C—“DEFINITIONS.”

The 2019 Bonds are being issued to provide a portion of the funds required to (i) refund the Refunded Bonds (as hereinafter defined) and (ii) pay costs of issuance of the 2019 Bonds. See “THE REFUNDING.”

The 2019 Bonds are secured by and payable from a pledge of Revenues (as hereinafter defined) of the Electric System on a parity with \$15,111,858 Compounded Amount (as of June 1, 2019) of the City’s Electric Light and Power System Revenue Bonds, 1991-B Series (the “1991-B Bonds”), \$3,550,000 of the City’s Electric Light and Power System Revenue Bonds, Taxable

* Preliminary, subject to change.

2002-A Series (the “2002-A Bonds”) and \$49,345,000 Electric Light and Power System Revenue Bonds, 2017 Series (the “2017 Bonds” and together with the 1991-B Bonds and the 2002-A Bonds, the “*Currently Outstanding Bonds*”), the same being all Bonds Outstanding following the issuance of the 2019 Bonds and the refunding of the Refunded Bonds. See “SECURITY FOR THE BONDS—Sources of Payment.” A portion of the proceeds of the 2019 Bonds along with other lawfully available funds are being used to provide the funds necessary to refund all of the outstanding Electric Light and Power System Revenue Bonds, Taxable 2010-A Series (the “2010A Bonds”), Electric Light and Power System Revenue Bonds, Taxable 2010-B Series (the “2010B Bonds”), Electric Light and Power System Revenue Bonds, Taxable 2013-A Series (the “2013A Bonds”) and Electric Light and Power System Revenue Bonds, Tax-Exempt 2013-B Series (the “2013B Bonds” and together with the 2010A Bonds, 2010B Bonds, and 2013A Bonds to be refunded, the “*Refunded Bonds*”). See “PLAN OF FINANCE.”

The Ordinance provides that Additional Bonds and Refunding Bonds on parity with the Currently Outstanding Bonds may be issued upon satisfaction of certain conditions. See “SECURITY FOR THE BONDS—Additional Bonds and Refunding Bonds” and “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Additional Bonds” and “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE —Refunding Bonds.”

OMU is a municipal utility providing electric, telecommunications and water service to the City and certain adjacent areas. From an organizational and financial perspective, the Electric System (including the telecommunications unit) operates independently of the water system of the City (the “*Water System*”). The 2019 Bonds do not constitute indebtedness of the Water System and neither the revenues nor the assets of the Water System are pledged to the payment of 2019 Bonds. The indebtedness of the Water System does not constitute indebtedness of the Electric System and neither the revenues nor the assets of the Electric System are pledged to the payment of the debt of the Water System. Operation, management and control of the Electric System are vested in the Commission. The Commission is appointed by the Board and operates the Electric System independently of the City. City approval must be obtained only to issue Additional Bonds and Refunding Bonds or to change the base rates for electric service.

The 2019 Bonds are special, limited obligations of the City payable solely from the Revenues of the Electric System and other amounts specifically pledged therefor. The 2019 Bonds do not constitute an indebtedness of the Commonwealth or any municipality or political subdivision thereof, including the City, within the meaning of the Constitution of the Commonwealth, nor do the 2019 Bonds constitute a pledge of the full faith and credit of the Commonwealth or any municipality or political subdivision thereof, including the City.

PLAN OF FINANCE

The 2019 Bonds are being issued to provide a portion of the funds required to (i) refund the Refunded Bonds and (ii) pay costs of issuance of the 2019 Bonds.

REFUNDING OF THE REFUNDED BONDS

A portion of the net proceeds of the 2019 Bonds, together with other lawfully available funds (the “*Lawfully Available Funds*”), will be deposited into an escrow fund (the “*Escrow Fund*”) established pursuant to an Escrow Deposit Agreement, dated as of _____, 2019, between the City and U.S. Bank National Association, in its capacity as the Escrow Holder (the “*Escrow Holder*”), providing for the refunding of the Refunded Bonds. The moneys in the Escrow Fund will be held as cash or will be invested in direct non-callable obligations of the United States of America (the “*Escrowed Securities*”) maturing in such amounts and at such times as shall be sufficient, together with the interest to accrue thereon, to pay the accrued and unpaid interest on and redemption price of the Refunded Bonds on January 1, 2020, the date of redemption of the Refunded Bonds (the “*Redemption Date*”). Upon the deposit of moneys in the Escrow Fund as described above, the Refunded Bonds will be deemed to be defeased under the Ordinance, and all obligations of OMU in connection therewith will be discharged and satisfied (see “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE” herein).

BONDS TO BE REFUNDED

The following is a description of the Refunded Bonds:

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2010-A SERIES

| MATURITY DATE | CUSIP | OUTSTANDING PRINCIPAL AMOUNT | REFUNDED PRINCIPAL AMOUNT* | REDEMPTION DATE | REDEMPTION PRICE |
|------------------|-----------|------------------------------------|----------------------------------|--------------------|---------------------|
| 1/1/2021 | 691021NC9 | \$1,915,000 | \$1,915,000 | 1/1/2020 | 100% |
| 1/1/2022 | 691021KQ1 | 5,155,000 | 5,155,000 | 1/1/2020 | 100 |

* Preliminary, subject to change.

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2010-B SERIES

| MATURITY DATE | CUSIP | OUTSTANDING PRINCIPAL AMOUNT | REFUNDED PRINCIPAL AMOUNT* | REDEMPTION DATE | REDEMPTION PRICE |
|------------------|-----------|------------------------------------|----------------------------------|--------------------|---------------------|
| 1/1/2021 | 691021KR9 | \$4,395,000 | \$4,395,000 | 1/1/2020 | 100% |
| 1/1/2022 | 691021KS7 | 4,530,000 | 4,530,000 | 1/1/2020 | 100 |
| 1/1/2023 | 691021KT5 | 7,250,000 | 7,250,000 | 1/1/2020 | 100 |
| 1/1/2024 | 691021KU2 | 7,495,000 | 7,495,000 | 1/1/2020 | 100 |
| 1/1/2025 | 691021KV0 | 7,755,000 | 7,755,000 | 1/1/2020 | 100 |

* Preliminary, subject to change.

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAXABLE 2013-A SERIES

| MATURITY DATE | CUSIP | OUTSTANDING PRINCIPAL AMOUNT | REFUNDED PRINCIPAL AMOUNT* | REDEMPTION DATE* | REDEMPTION PRICE |
|------------------|-----------|------------------------------------|----------------------------------|---------------------|---------------------|
| 1/1/2021 | 691021KY4 | \$4,880,000 | \$4,880,000 | 1/1/2020 | 100% |
| 1/1/2022 | 691021KZ1 | 3,995,000 | 3,995,000 | 1/1/2020 | 100 |

* Preliminary, subject to change.

ELECTRIC LIGHT AND POWER SYSTEM REVENUE BONDS, TAX-EXEMPT 2013-B SERIES

| MATURITY DATE | CUSIP | OUTSTANDING PRINCIPAL AMOUNT | REFUNDED PRINCIPAL AMOUNT* | REDEMPTION DATE* | REDEMPTION PRICE |
|------------------|-----------|------------------------------------|----------------------------------|---------------------|---------------------|
| 1/1/2022 | 691021MS5 | \$ 600,000 | \$ 600,000 | 1/1/2020 | 100% |
| 1/1/2023 | 691021MT3 | 2,125,000 | 2,125,000 | 1/1/2020 | 100 |
| 1/1/2023 | 691021MY2 | 4,795,000 | 4,795,000 | 1/1/2020 | 100 |
| 1/1/2024 | 691021MU0 | 7,300,000 | 7,300,000 | 1/1/2020 | 100 |
| 1/1/2025 | 691021NA3 | 2,655,000 | 2,655,000 | 1/1/2020 | 100 |
| 1/1/2025 | 691021MX4 | 5,085,000 | 5,085,000 | 1/1/2020 | 100 |
| 1/1/2026 | 691021MZ9 | 5,310,000 | 5,310,000 | 1/1/2020 | 100 |
| 1/1/2026 | 691021MV8 | 7,130,000 | 7,130,000 | 1/1/2020 | 100 |
| 1/1/2027 | 691021MW6 | 5,940,000 | 5,940,000 | 1/1/2020 | 100 |

* Preliminary, subject to change.

SECURITY FOR THE BONDS

SPECIAL LIMITED OBLIGATIONS

The 2019 Bonds are special, limited obligations of the City payable solely from the Revenues of the City's Electric System and other amounts specifically pledged therefor. The 2019 Bonds do not constitute an indebtedness of the Commonwealth or any municipality or political subdivision thereof, including the City, within the meaning of the constitution of the Commonwealth, nor do the 2019 Bonds constitute a pledge of the full faith and credit of the Commonwealth or any municipality or political subdivision thereof, including the City.

SOURCES OF PAYMENT

The Currently Outstanding Bonds and the 2019 Bonds, together with any Additional Bonds and Refunding Bonds (collectively, the “*Outstanding Bonds*”) issued under the Ordinance, are secured by a pledge of and are payable solely from the Revenues of the Electric System (including the telecommunications unit). “Revenues” are defined in the Ordinance to mean (i) all revenues and income derived or to be derived from or attributable to the ownership and operation of the Electric System, including all revenues received or to be received under any contract for the sale of power, energy, transmission or other service from the Electric System or any part thereof or any contractual arrangement with respect to the use of the Electric System or any part thereof or the services, output or capacity thereof; (ii) the proceeds of any insurance covering business interruption loss relating to the Electric System; and (iii) interest received or to be received on any moneys or securities (other than in the Construction Fund and the Rebate Fund) held pursuant to the Ordinance and required to be paid into the Revenue Fund or the Sinking Fund. Pursuant to the Ordinance, the Revenues of the Electric System are required to be deposited in the Revenue Fund and disbursed as provided in the Ordinance. See “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Application of Revenues.”

The Outstanding Bonds are also secured by a statutory mortgage lien as provided and authorized by Section 96.400 and Section 96.520 of the KRS. This statutory mortgage lien assures that the property of the Electric System cannot be disposed of in derogation of the rights of the holders of the Bonds. However, the statutory mortgage lien cannot be enforced through foreclosure proceedings against the properties of the Electric System.

RATE COVENANT

The City has covenanted in the Ordinance that it will charge such rates for the services and facilities of the Electric System and collect the revenues therefrom sufficient to pay the principal of and interest on all Outstanding Bonds, and also sufficient to pay Operation and Maintenance Expenses of the Electric System, to satisfy the Depreciation Requirement and to satisfy all of the other required deposits to various reserves and accounts as described in the Ordinance. The City may offset funds disbursed from the Reserve and Contingency Fund to pay Electric System expenditures for purposes of the rate covenant. See “THE ELECTRIC SYSTEM—Electric System Rates” and “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Application of Revenues” and “—Rate Covenant.”

DEBT SERVICE RESERVE ACCOUNT

A Debt Service Reserve Account has been established under the Ordinance and is required to be maintained for the benefit of the holders of the Bonds in an amount equal to the Debt Service Reserve Account Requirement as described below. As of May 31, 2019, the balance on deposit in the Debt Service Reserve Account was \$20,184,740. After the issuance of the 2019 Bonds, the balance on deposit in the Debt Service Reserve Account will be not less than the Debt Service Reserve Account Requirement as of the date of issuance of the 2019 Bonds. No proceeds of the 2019 Bonds will be deposited to the Debt Service Reserve Account.

“Debt Service Reserve Account Requirement” means one-half Maximum Annual Debt Service.

“Maximum Annual Debt Service” shall mean, as of any date of computation, the highest amount of Debt Service in any of the then current or any future Fiscal Years.

“Debt Service” for any period shall mean, as of any date of calculation and with respect to all Outstanding Bonds, an amount equal to the sum of (a) interest accruing during such period on all Outstanding Bonds, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Sinking Fund from Bond proceeds and (b) that portion of each Principal Installment for all Outstanding Bonds which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Bonds (or, if there shall be no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of such Bonds, whichever date is later). Such interest and Principal Installments for such Bonds shall be calculated on the assumption that no Bonds of such series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

ADDITIONAL BONDS AND REFUNDING BONDS

Additional Bonds. The City may issue Additional Bonds on a parity with the Currently Outstanding Bonds, the 2019 Bonds, and any other Bonds issued on a parity with such Bonds pursuant to the Ordinance for the purpose of paying the costs of Additional Projects. Before Additional Bonds may be issued, certain certificates described in the Ordinance must be delivered demonstrating that Net Revenues (Revenues less Operation and Maintenance Expenses) calculated as provided in the Ordinance will not be less than 1.1 times the maximum amount of debt service for the current or any future Fiscal Year on all Bonds to be outstanding immediately after the issuance of the proposed Additional Bonds; *provided, however*, that while the municipal bond insurance policy with respect to the 2002-A Bonds is still in effect with respect to the 2002-A Bonds, the immediately preceding provision shall require 1.15 times (instead of 1.1 times) coverage. See “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Additional Bonds.”

Refunding Bonds. The City may also issue Refunding Bonds on a parity with the Currently Outstanding Bonds, the 2019 Bonds, and any other Bonds issued on a parity with such Bonds pursuant to the Ordinance for the purpose of refunding all but not less than all Outstanding Bonds of one or more Series or one or more maturities within a Series. In addition to conditions set forth in the Ordinance regarding the giving of irrevocable instructions by the City to give certain notices and the deposit of sufficient funds to refund the Bonds to be refunded, unless the Refunding Bonds are to be issued as Additional Bonds and meet the requirements described in the immediately preceding paragraph above, prior to the issuance of any Refunding Bonds there must be delivered a certificate of an Authorized Officer of the City showing that annual debt service on the Bonds will not increase as a result of the issuance of Refunding Bonds. See “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Refunding Bonds.”

THE 2019 BONDS

GENERAL

The 2019 Bonds will be issued in fully registered form in the minimum denomination of \$5,000 or any integral multiple thereof. The 2019 Bonds will be dated the date of delivery and will bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rates per annum payable semiannually on each January 1 and July 1, commencing July 1, 2020, and will mature in the amounts and on the dates set forth on the inside cover page to this Official Statement. Interest on each 2019 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 Register 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 15th day of the month preceding any regular interest payment date or a redemption on the first day of any month and the 15th day preceding any other interest payment date which may be occasioned by a redemption of 2019 Bonds on a day other than the first day of any month.

REDEMPTION PROVISIONS FOR 2019A BONDS

The 2019A Bonds are subject to redemption prior to their respective maturities at the option of the City through the Commission, in whole or in part, on any Business Day, at the Make-Whole Redemption Price (as defined herein) determined by the Designated Investment Banker (as defined herein).

The “*Make-Whole Redemption Price*” is the greater of (i) the principal amount of the 2019A Bonds to be redeemed, or (ii) the sum of the present values of the remaining scheduled payments of principal and interest on the 2019A Bonds to be redeemed at the maturity date, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2019A Bonds are to be redeemed, discounted to the date on which such 2019A Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the “Treasury Rate” (defined below) plus ____* basis points, plus accrued and unpaid interest on the 2019A Bonds to be redeemed on the redemption date.

“*Business Day*” means a day other than a day (a) on which banks located in The City of New York, New York or the cities in which the principal corporate trust offices of the Bond Registrar or the City are located are required or authorized by law or executive order to close and (b) on which the New York Stock Exchange is not closed.

“*Treasury Rate*” means, with respect to any redemption date for a particular 2019A Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semi-annual

* Preliminary, subject to change.

equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue (defined below), assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price (defined below), as calculated by the Designated Investment Banker (defined below).

“Comparable Treasury Issue” means, with respect to any Valuation Date for a redemption date for a particular 2019A Bond, the U.S. Treasury security or securities selected by the Designated Investment Banker that has an actual or interpolated maturity comparable to the remaining average life of the 2019A Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such 2019A Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any Valuation Date for a redemption date for a particular 2019A Bond, (i) the most recent yield data for the applicable U.S. Treasury maturity index from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or (ii) if the yield described in (i) above is not reported as of such time or the yield reported as of such time is not ascertainable, the average of four Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than five Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the City.

“Reference Treasury Dealer” means each of four firms, specified by the City from time to time, that are primary U.S. Government securities dealers in the City of New York (each, a *“Primary Treasury Dealer”*); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2019A Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the City and the Bond Registrar by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the Valuation Date.

“Valuation Date” means a date that is no later the third Business Day preceding the redemption date but not later than the date the redemption notice is to be mailed.

Partial Redemption. The particular 2019A Bonds to be redeemed shall be determined by the Trustee, using such method as it shall deem fair and appropriate. If the 2019A Bonds are registered in book-entry-only form, and so long as DTC or a successor securities depository is the sole registered owner of the 2019A Bonds, if less than all of a maturity of the 2019A Bonds of a maturity are called for redemption, the particular 2019A Bonds or portions thereof to be redeemed

shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, or such other method as is in accordance with the operational arrangements of DTC then in effect. It is the City's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the City and the Beneficial Owners be made in accordance with the pro rata pass-through distribution of principal basis described below. However, the City can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among registered owners on such basis. If the DTC operational arrangements do not allow for the redemption of the 2019A Bonds on a pro rata pass-through distribution of principal basis as discussed above, then the 2019A Bonds will be selected for redemption, in accordance with DTC procedures, by lot.

If the 2019A Bonds are not registered in book-entry-only form, any redemption of less than all of a maturity of the 2019A Bonds shall be allocated among the registered owners of such 2019A Bonds as nearly as practicable in proportion to the principal amounts of the 2019A Bonds owned by each registered owner, subject to the authorized denominations applicable to the 2019A Bonds. This will be calculated based on the following formula:

$$\frac{(\text{principal amount to be redeemed}) \times (\text{principal amount owned by registered owner})}{(\text{principal amount outstanding})}$$

Notice of Redemption. Notice of the call for any redemption identifying the 2019A Bonds or portions thereof to be redeemed shall be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first-class mail (postage prepaid) at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the 2019A Bonds to be redeemed at the address shown on the registration books maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar. Failure to give such notice by mail to any 2019A Bondholder, or any defect therein, shall not affect the validity of any proceedings for the redemption of other 2019A Bonds. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such 2019A Bonds received the notice.

With respect to an redemption of any 2019A Bond, unless moneys sufficient to pay the redemption price of and interest on the 2019A 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 through the Commission, state that such redemption will 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 through the Commission shall not redeem such 2019A 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 2019A Bonds will not be redeemed.

REDEMPTION PROVISIONS FOR 2019B BONDS

Optional Redemption of 2019B Bonds. The 2019B Bonds maturing on or after January 1, 20__* are subject to redemption prior to maturity, at the option of the City through the Commission, from any available funds, in whole or in part, on any date on or after January 1, 20__* and if in part, in any order of maturity as selected by the Commission, and if less than an entire maturity, selected as hereinafter provided, at the redemption price of par plus accrued interest to the date of redemption.

Notice of Redemption. Notice of the call for any redemption identifying the 2019 Bonds or portions thereof to be redeemed shall be given by the Bond Registrar on behalf of the City by mailing the redemption notice by first-class mail (postage prepaid) at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the 2019 Bonds to be redeemed at the address shown on the registration books maintained by the Bond Registrar or at such other address as is furnished in writing by such registered owner to the Bond Registrar. Failure to give such notice by mail to any Bondholder, or any defect therein, shall not affect the validity of any proceedings for the redemption of other Bonds. Any notice mailed shall be conclusively presumed to have been duly given, whether or not the owner of such 2019 Bonds received the notice.

With respect to an optional redemption of any 2019B Bond, unless moneys sufficient to pay the redemption price of and interest on the 2019B 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 through the Commission, state that such redemption will 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 through the Commission shall not redeem such 2019B 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 2019B Bonds will not be redeemed.

Selection of Bonds for Redemption. The particular maturities of the 2019B Bonds to be redeemed at the option of the City through the Commission will be determined by the Commission in its sole discretion.

If less than all of the 2019 Bonds are called for prior redemption, the particular 2019 Bonds or portions of 2019 Bonds to be redeemed will be selected by lot prior to the redemption date by the Bond Registrar by such method of lottery as the Bond Registrar shall deem fair and appropriate; *provided*, that such lottery will provide for the selection for redemption of 2019 Bonds or portions thereof so that any \$5,000 2019 Bond or \$5,000 portion of a 2019 Bond will be as likely to be called for redemption as any other such \$5,000 2019 Bond or \$5,000 portion. The Bond Registrar shall promptly notify the City and the Commission in writing of the 2019 Bonds or portions of 2019 Bonds selected for redemption and, in the case of any 2019 Bond selected for partial redemption, the principal amount thereof to be redeemed.

* Preliminary, subject to change.

* Preliminary, subject to change.

PERSONS TREATED AS OWNERS

The person in whose name any 2019 Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal of, premium, if any, or interest on any 2019 Bond will be made only to or upon the order of the registered owner thereof or his legal representative. All such payments will be valid and effectual and will satisfy and discharge the liability upon such 2019 Bond to the extent of the sum or sums so paid. So long as DTC or its nominee is the owner of the 2019 Bonds, references in this Official Statement to the owners of the 2019 Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the 2019 Bonds. See “THE 2019 BONDS—Book-Entry Only System.”

BOOK-ENTRY ONLY SYSTEM

DTC will act as securities depository for the 2019 Bonds. The 2019 Bonds will be issued as fully registered bonds 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 Obligation certificate will be issued for each maturity of the 2019 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 Securities Exchange Act of 1934, as amended (the “1934 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 bond transactions in deposited bonds, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of bond 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. bond 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 is rated “AA+” by S&P Global Ratings (“*S&P*”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission (the “*Commission*”). More information about DTC can be found at www.dtcc.com.

Purchases of 2019 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2019 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 2019 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 2019 Bonds, except in the event that use of the book-entry system for the 2019 Bonds is discontinued.

To facilitate subsequent transfers, all 2019 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 2019 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 2019 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2019 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 2019 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2019 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of 2019 Bonds may wish to ascertain that the nominee holding the 2019 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 2019 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 2019 Bonds unless authorized by a Direct Participant in accordance with DTC's 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 2019 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the 2019 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 the 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 bonds 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 Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2019 Bonds at any time by giving reasonable notice to the City or the Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, 2019 Bond certificates are required to be printed and delivered.

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, 2019 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 (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) 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 2019 Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the 2019 Bonds; or (v) any other action taken by the Securities Depository or any Participant.

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SUMMARY OF DEBT SERVICE REQUIREMENTS

The following schedule shows the annual debt service requirements of the Electric System after the issuance of the 2019 Bonds and the refunding of the Refunded Bonds.

| AS OF JANUARY 1 | CURRENTLY OUTSTANDING BONDS ⁽¹⁾ | THE 2019 BONDS | | | TOTAL DEBT SERVICE* |
|--------------------|--|----------------|-------------|--------|---------------------------|
| | | PRINCIPAL* | INTEREST* | TOTAL* | |
| 2021 | | \$10,590,000 | \$3,533,289 | | |
| 2022 | | 10,665,000 | 2,816,020 | | |
| 2023 | | 8,775,000 | 2,314,750 | | |
| 2024 | | 9,150,000 | 1,876,000 | | |
| 2025 | | 9,530,000 | 1,418,500 | | |
| 2026 | | 6,150,000 | 942,000 | | |
| 2027 | | 12,690,000 | 634,500 | | |
| Total | | 67,550,000 | 13,535,059 | | |

(1) Excludes Debt Service on the Refunded Bonds.

* Preliminary, subject to change.

ESTIMATED SOURCES AND USES OF 2019 BOND PROCEEDS

The proceeds of the 2019 Bonds and the Lawfully Available Funds are estimated to be applied as follows:

| | |
|--|----------|
| SOURCES | |
| Bond Par Amount | \$ |
| [Net] Original Issue Premium/(Discount) | |
| Lawfully Available Funds | _____ |
| Total Sources | \$ |
| USES | |
| Deposit to Escrow Fund to pay Refunded Bonds | \$ |
| Costs of Issuance ⁽¹⁾ | _____ |
| Total Uses | \$ _____ |

(1) Includes underwriting discount, rating fees, Bond Registrar, Financial Advisor, Verification Agent, legal fees and other expenses related to the issuance of the 2019 Bonds.

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.

ELECTRIC SYSTEM OPERATION AND MAINTENANCE EXPENSES AND ELECTRIC SYSTEM RATES

The operation and maintenance expenses of the Electric 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 Electric 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 Electric System obligations, there can be no assurance that such amounts will be collected. Increases in Electric System rates could result in a decrease in demand for Electric System usage. See “SECURITY FOR THE BONDS—Rate Covenant” herein.

STATUTORY AND REGULATORY COMPLIANCE

Changes in the scope and standards for public agency electric systems, such as the Electric 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 Electric System for failure to comply with applicable laws and regulations could be significant. Such claims are payable from assets of the Electric 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 Electric System to generate Net Revenues sufficient to pay debt service on the Bonds and other Electric System obligations. See “FACTORS AFFECTING THE UTILITY INDUSTRY” herein.

SECURITY OF THE ELECTRIC SYSTEM

Damage to the Electric System resulting from natural disasters, vandalism, sabotage, or acts of terrorism or cyber terrorism may adversely impact the operations and finances of the Electric 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 Electric System or liability claims related to the Electric 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 Electric System. The operations of the Electric 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 Electric System's financial condition.

IMPACT OF ECONOMIC CONDITIONS ON ELECTRIC 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 Electric System users' ability to pay rates and charges, and reduction in the rate at which new customers are added to the Electric 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 RATINGS

The Bonds have received credit ratings from Moody's Investors Service ("*Moody's*"), and S&P. The ratings 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. See "RATINGS" herein.

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. See “CONTINUING DISCLOSURE” herein and APPENDIX E—“FORM OF CONTINUING DISCLOSURE UNDERTAKING” hereto.

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. 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 MATTERS” herein, interest on the 2019B Bonds could become includible in gross income for purposes of federal income taxation, retroactive to the date the 2019B Bonds were issued, as a result of future acts or omissions of the City in violation of its covenants in the 2019 Supplemental Ordinance. Should such an event of taxability occur, the 2019B 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 2019B Bonds, including some that

carry retroactive effective dates, that, if enacted, could affect the market value of the 2019B Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to 2019B Bonds issued prior to enactment. Finally, reduction or elimination of the tax-exempt status of obligations such as the 2019B 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 2019B 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 2019B 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.

OWENSBORO MUNICIPAL UTILITIES

The mission of OMU is to serve the community by providing reliable and quality utility services at the most economical cost. OMU is an electric, water and telecommunications utility owned by the City. OMU was established as a non-profit utility in the early 1900s. The service area of the Electric System includes the City and certain adjacent areas. The population served is essentially that of the City, the population of which was estimated to be 59,809 people as of July 1, 2018 according to the U.S. Census Bureau. OMU provides water services to the City and Daviess County, and telecommunication services within the City. OMU presently serves approximately 26,500 electric customers, 25,500 water customers, and 1,000 telecommunications customers. There are approximately 224 employees at five locations within OMU.

OMU maintains separate accounting and financial statements for the Electric and Water Systems. Neither the revenues nor the assets of the Water System are pledged as security for the 2019 Bonds, and neither the revenues nor the assets of the Electric System are pledged as security for the Water System.

THE ELECTRIC SYSTEM

ORGANIZATION AND MANAGEMENT

The operation, management and control of the Electric System (including the telecommunications unit) is vested in the Commission, which was established by ordinance of the Board of July 29, 1940. The Commission, as now constituted, is composed of five citizens who are residents, taxpayers, and legal voters of the City and are appointed by the Mayor with the consent and approval of the Board to serve staggered terms of three years each. The Ordinance provides that, so long as any of the Outstanding Bonds are outstanding, the management and operation of the Electric System must continue to be controlled by a utility commission functioning under the provisions of Section 96.530 of the KRS. The Commission acts independently in operating the Electric System on a day-to-day basis with the exception that the Board must approve the issuance of bonds and any change to the base rates OMU charges for electric service. OMU's governance includes several key financial policies such as the Financial Reserve Policy, which contains a target of 200 days of unrestricted cash on hand, Policy of the City Utility Commission on Transfers from Electric System to the City of Owensboro, ECA Policy and Hedge Policy. These policies ensure that OMU maintains compliance with bond covenants and regulatory requirements. The Electric System employed approximately 198 people as of September 2019. Burns & McDonnell, Kansas City, Missouri, as consulting engineer, currently advises on certain operations of the Electric System. The present members of the Commission and their terms of office are as follows:

| NAME | TERM EXPIRES |
|------------------------------|--------------|
| James A. Fulkerson, Chairman | January 2022 |
| Tony Cecil, Vice Chairman | January 2020 |
| 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 Electric System operations are supervised by the following individuals:

Kevin D. Frizzell, P.E., General Manager. Mr. Frizzell was named interim General Manager on February 12, 2018 and General Manager on December 20, 2018. Mr. Frizzell, previously OMU's Director of Power Production, joined OMU in 1990 at the company's coal-fired generating station, the Elmer Smith Generating Station ("ESGS"), 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 NO_x 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, ESGS 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, 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 from 2002 through April 2013. 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, Director of Production. Mr. Howton was named to his current position in 2019. 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 ESGS 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 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 OMU 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 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 Emerge 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 19 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.

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, ultra-high 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.

POWER SUPPLY

Elmer Smith Generating Station. OMU's primary source of electricity used to serve retail customers has been, and, through early 2020, will be the ESGS, which is located on U.S. Highway 144 East. The nameplate, or nominal capacity, of the two-unit, coal-fired plant is 433 megawatts (MW). These units meet OMU's native load requirements, with excess energy and capacity sold into the wholesale electric market. The City commenced development of ESGS in 1960.

ESGS was designed and constructed for an ultimate installed generating capacity of up to 800 MW. The first generating unit installed at ESGS, Generating Unit 1 ("*Unit 1*"), had a nominal capacity of 151 MW, went into service in 1964 and has been in reserve shutdown since June 8, 2019. A second unit, Generating Unit 2 ("*Unit 2*") at ESGS, was placed in service in 1974 with a nominal capacity of 282 MW.

Over the past two decades, OMU has spent approximately \$176 million on major power plant maintenance improvements and capital upgrades to ensure the continued reliability of ESGS and compliance with environmental policies. See the section captioned "*Shutdown of ESGS*"

below for more information regarding future planned shutdowns of ESGS and future power supply.

Historical Operating Performance. The following tables set forth the historical operating performance of Unit 1 and Unit 2 for the past five fiscal years.

UNIT 1 HISTORICAL OPERATIONS

| FISCAL YEAR | NET GENERATION (MWH) | EQUIVALENT AVAILABILITY FACTOR ¹ | FORCED OUTAGE RATE ² | NET CAPACITY FACTOR ³ | NET OUTPUT FACTOR ⁴ | NET HEAT RATE (BTU/KWH) ⁵ |
|-------------|----------------------|---|---------------------------------|----------------------------------|--------------------------------|--------------------------------------|
| 2015 | 981,580 | 85.4% | 10.5% | 80.4% | 93.0% | 11,498 |
| 2016 | 725,286 | 82.9 | 5.0 | 59.1 | 83.3 | 11,601 |
| 2017 | 794,020 | 84.8 | 5.8 | 65.1 | 78.2 | 11,842 |
| 2018 | 511,868 | 67.9 | 21.5 | 42.1 | 74.2 | 13,054 |
| 2019 | 794,393 | 72.7 | 11.2 | 65.6 | 78.2 | 12,577 |

UNIT 2 HISTORICAL OPERATIONS

| FISCAL YEAR | NET GENERATION (MWH) | EQUIVALENT AVAILABILITY FACTOR ¹ | FORCED OUTAGE RATE ² | NET CAPACITY FACTOR ³ | NET OUTPUT FACTOR ⁴ | NET HEAT RATE (BTU/KWH) ⁵ |
|-------------|----------------------|---|---------------------------------|----------------------------------|--------------------------------|--------------------------------------|
| 2015 | 1,634,519 | 79.3% | 14.9% | 70.9% | 85.9% | 10,673 |
| 2016 | 1,172,215 | 78.2 | 8.8 | 50.6 | 71.8 | 10,797 |
| 2017 | 1,212,401 | 90.3 | 3.9 | 52.5 | 64.8 | 11,138 |
| 2018 | 1,243,437 | 75.8 | 12.0 | 53.9 | 69.7 | 11,171 |
| 2019 | 1,467,340 | 78.8 | 9.5 | 63.8 | 79.6 | 11,083 |

- 1 The Equivalent Availability Factor incorporates the effect of deratings (losses in MW capability) and is essentially “equivalent to” the percentage of a period during which the generating unit was available for maximum net capability operation.
- 2 The Forced Outage Rate is the ratio of hours in the period that the generating unit is not capable of operating due to forced outages to the number of hours in the period.
- 3 The Net Capacity Factor is the ratio of the average annual load on the generating unit to the capacity rating of the unit.
- 4 The Net Output Factor is the ratio of the net energy generated to the net capability of the generating unit times the hours in the period, and reflects the unit availability as well as the actual need for power produced by the unit.
- 5 The Net Heat Rate is a measure of the efficiency of the generating unit and shows the amount of thermal energy in BTUs necessary to produce 1.0 net kWh. The smaller the number, the more efficient the unit.

Shutdown of ESGS. On December 2, 2016, OMU presented its 2016 Integrated Resource Plan (“2016 IRP”) to the Commission to evaluate future power supply options and the timing of the eventual shutdown of Unit 1 and Unit 2. Several power supply options were evaluated in the 2016 IRP. OMU contracted the consulting firm Burns & McDonnell to review and validate the findings, and the results were conclusive that the most prudent decision for OMU was to shutdown both units of ESGS by 2023.

Unit 1 at ESGS ceased operations on June 8, 2019. The Commission currently intends to cease operations at Unit 2 as of June 1, 2020. The Commission approved a contract (the “Big

Rivers Power Contract”) on June 22, 2018 to purchase power from Big Rivers Electric Corporation (“*Big Rivers Corporation*”). See “—Big Rivers Power Contract” below. In addition, the Commission approved a recommendation to pursue the lowest-cost solar option provider, which was chosen through a bid with the Kentucky Municipal Energy Agency (“*KYMEA*” or the “*Agency*”).

Under its new strategy for supplying the City’s power, OMU announced that it will pay a fixed cost for buying between 175 and 285 megawatts of coal-fired generating capacity from stations operated by Big Rivers Corporation until December 31, 2026. Another 26 megawatts of power would be supplied by hydropower, and, in addition, OMU signed a contract to purchase 32 megawatts to be supplied by the Ashwood I Solar station, the largest solar-powered plant proposed in Kentucky. The solar station is scheduled to commence operations in 2022 in Lyon County, Kentucky, about 120 miles southwest of the City. The City and OMU’s decision to transition from a self-generating power supply system to becoming a power purchaser was based on economic cost-benefit analysis in order to provide OMU’s customer-owners with electric power at the most affordable prices.¹

Big Rivers Power Contract. On June 22, 2018, the Commission entered into a power purchase agreement with Big Rivers Corporation for full requirements power supply beginning June 1, 2020 through December 31, 2026. Energy and capacity will be sourced from Big Rivers’ generation fleet. Pursuant to such agreement, Big Rivers Corporation will supply 175 MW of energy and capacity including power forecasting and scheduling services at a fixed price for the term of the agreement. The contract includes provision for up to 285 MW of supply to accommodate OMU load growth.

Southeastern Power Administration Power Supply Contract. The Commission and the United States Department of Energy, acting by and through the Southeastern Power Administration (“*SEPA*”), entered into a contract dated as of December 31, 1996 providing for wholesale power purchases by the Commission of SEPA power. A total of 25 MW peak capacity is available under the SEPA contract, which expires, if not sooner terminated in accordance with its terms, on June 30, 2032. There are currently no plans to terminate this contract.

Other Power Purchases. The Commission purchases energy from wholesale market counterparties to satisfy customer load requirements whenever ESGS is not producing sufficient energy. The Commonwealth is not subject to mandatory Renewable Portfolio Standards and, therefore, OMU is not currently required to procure any renewable resources.

Fuel Consumption. The Electric System consumes approximately 1,185,200 tons (five-year calendar average) of fuel per year on a normal basis. Fuel costs averaged \$_____/MMBTU in calendar year 2019 (through first eight months of year), \$_____/MMBTU in calendar year 2018, \$_____/MMBTU in calendar year 2017, \$_____/MMBTU in calendar year 2016 and \$_____/MMBTU in calendar year 2015.²

¹ Are there any big picture risks associated with the closing of ESGS that should be discussed? EG, environmental cleanup or shutdown costs, future rate or supply volatility or risk?

² Any change in projected fuel cost due to change in purchased power?

TRANSMISSION AND DISTRIBUTION SYSTEM

The OMU electric transmission and distribution system includes 16 circuit miles of 138 kV transmission line, 37 circuit miles of 69 kV transmission line and 13 distribution substations. OMU generation is also interconnected to the wholesale power grid through three connections with Louisville Gas and Electric (“LGE”): one connection at 345 kV, one connection at 138 kV and one connection at 69 kV. These interconnections are currently used by OMU to reach the Midcontinent Independent System Operator (“MISO”) and PJM Interconnection (“PJM”) regional transmission organization (“RTO”) markets, and other potential wholesale markets. LGE is directly interconnected to both the MISO and PJM transmission systems. OMU has arranged long-term firm transmission to transmit approximately 70% of its expected surplus energy in 2018 and 2019, and 100% beginning June 2019 when ESGS Unit 1 was shutdown, to either the MISO or PJM market. OMU utilizes available transmission on a short-term basis to transmit the remainder of its surplus energy to MISO and PJM. To date, OMU has experienced only minor interruptions in its ability to sell surplus energy into the MISO or PJM markets due to unavailability of firm and non-firm transmission. OMU is adding an additional 138 kV interconnection with LGE to be completed in early 2020. The additional interconnection is to maintain reliability after ESGS is shut down.

NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION COMPLIANCE

The Tennessee Valley Authority serves as reliability coordinator responsible for ensuring the reliability and security of the bulk electric power system in most of Kentucky, including the service territory of OMU. OMU is on a three-year audit cycle with the SERC Reliability Corporation (“SERC”), one of eight regional reliability councils under the North American Reliability Corporation (“NERC”). SERC conducted OMU’s last Operations and Planning audit in July 2019. OMU is awaiting the final results of this audit. A CIP audit was completed by SERC in June 2019. SERC issued a reporting indicating that OMU demonstrated compliance with the standards and requirements. OMU became subject to CIP Version 5 in July 2016.

RETAIL OPERATIONS

Historical Energy Requirements and Peak Demand. The following tables set forth the historical and projected total energy and peak demand requirements for the retail customers of the Electric System. The projections were prepared by OMU.

HISTORICAL AND PROJECTED TOTAL ENERGY AND PEAK DEMAND

| FISCAL YEAR ENDED MAY 31 | HISTORICAL | SUMMER PEAK |
|-----------------------------|-----------------------------|-----------------------|
| | TOTAL ENERGY (1,000 MWh) | DEMAND (1,000 MWh) |
| 2013 | 914.6 | 205.0 |
| 2014 | 902.1 | 186.3 |
| 2015 | 835.7 | 178.9 |
| 2016 | 826.8 | 186.1 |
| 2017 | 843.4 | 179.9 |
| 2018 | 828.1 | 178.7 |
| 2019 | 831.3 | 182.5 |

| FISCAL YEAR ENDED MAY 31 | PROJECTED | SUMMER PEAK |
|-----------------------------|-----------------------------|-----------------------|
| | TOTAL ENERGY (1,000 MWh) | DEMAND (1,000 MWh) |
| 2020 | 832.1 | 178.5 |
| 2021 | 826.3 | 177.3 |
| 2022 | 826.7 | 177.4 |

[Remainder of page intentionally left blank.]

Active Accounts. All retail customers of the Electric System are fully metered. The average number of active accounts in service since 2015 is as follows:

AVERAGE NUMBER OF ACTIVE ACCOUNTS

| | FISCAL YEAR ENDED MAY 31 | | | | |
|-----------------|--------------------------|--------|--------|--------|--------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Residential | 22,951 | 22,974 | 22,955 | 22,952 | 22,981 |
| Commercial | 2,670 | 2,662 | 2,622 | 2,699 | 2,705 |
| Industrial | 594 | 595 | 594 | 582 | 588 |
| Security Lights | 1,205 | 1,259 | 1,266 | 1,267 | 1,268 |
| City | 115 | 121 | 133 | 132 | 134 |
| Schools | 41 | 53 | 65 | 45 | 43 |
| Total | 27,576 | 27,664 | 27,635 | 27,685 | 27,718 |

Sales and Sources of Energy by Class of Customer. The following table sets forth for the past five fiscal years retail sales by the Electric System by class of customer and sources of energy.

SALES BY CLASS OF CUSTOMER AND SOURCES OF ENERGY (MWH)

| | FISCAL YEAR ENDED MAY 31 | | | | |
|---------------------|--------------------------|-----------|-----------|-----------|-----------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Industrial | 491,679 | 485,000 | 490,037 | 479,857 | 491,004 |
| Commercial | 45,203 | 42,847 | 43,285 | 45,064 | 46,647 |
| Residential | 223,844 | 216,690 | 222,335 | 216,951 | 227,543 |
| Water Dept | 8,525 | 8,546 | 9,464 | 10,460 | 10,043 |
| City & Schools | 36,865 | 39,378 | 38,665 | 36,720 | 37,333 |
| Security Lights | 4,141 | 3,760 | 3,747 | 3,721 | 3,625 |
| Office/T&D/ Signs | 2,135 | 1,576 | 1,717 | 1,842 | 1,786 |
| Total Sales | 812,392 | 797,797 | 809,250 | 794,615 | 817,981 |
| Unaccounted/Losses | 23,265 | 31,888 | 35,303 | 33,527 | 34,821 |
| Total Distributed | 835,657 | 829,686 | 844,553 | 828,142 | 852,802 |
| Supplied by ESGS | 815,714 | 797,300 | 821,756 | 737,948 | 811,831 |
| Wholesale Purchases | 19,943 | 32,386 | 22,797 | 90,194 | 41,421 |
| Total Received | 835,657 | 829,686 | 844,553 | 828,142 | 852,802 |
| Wholesale Sales | 1,881,432 | 1,168,041 | 1,248,923 | 1,118,690 | 1,585,122 |

The following table illustrates the historical output of ESGS and the allocation energy to serve OMU's retail customers and wholesale market sales. For a discussion of the shutdown of ESGS, see See "THE ELECTRIC SYSTEM—Power Supply" herein.

ESGS ENERGY (1,000 MWh)

| | FISCAL YEAR ENDED MAY 31 | | | | |
|-------------------|--------------------------|--------------------|--------------------|--------------------|-------|
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Retail | 816 | 797 | 822 | 738 | 790 |
| Wholesale | 1,800 | 1,101 ¹ | 1,191 ¹ | 1,020 ¹ | 1,472 |
| Total ESGS Energy | 2,616 | 1,898 | 2,013 | 1,758 | 2,262 |

¹ Decrease in Wholesale output was the result of economical reserve shutdowns of Unit 1 and Unit 2. See "The Electric System—Wholesale Operations" herein for more information.

WHOLESALE OPERATIONS

Since May 17, 2010, OMU has been selling excess power from its generating units into the MISO and PJM markets. To assist with such sales and other power supply management, power marketing and scheduling functions, OMU entered into a service agreement with Alliance for Cooperative Energy Services Power Marketing LLC ("ACES"). In 2019, KYMEA entered into a service agreement with ACES to perform the same functions for its members. In May 2019, the power marketing functions performed by ACES for OMU were transitioned to and performed under the KYMEA/ACES agreement and OMU terminated its separate agreement with ACES.

OMU and ACES are focused on minimizing the impact of wholesale price volatility on OMU's ratepayers. The goal of OMU's power marketing strategy is to optimize the value of OMU energy supply assets through prudent wholesale transactions. OMU, with assistance from ACES, has successfully negotiated enabling agreements with bilateral counterparties and has access to the electronic trading platform, Intercontinental Exchange ("ICE") to access wholesale financial markets that are highly correlated to the physical market interfaces of MISO and PJM. This allows OMU to lock in a fixed price for physical power sales in the future. OMU's hedge plan, updated in May 2019 and as needed, provides a road map for optimization of surplus energy sales through the end of its participation as a seller of excess generations into the wholesale markets.

OMU successfully bid into the annual PJM capacity auctions for fiscal years ended May 31, 2017 through 2020. With the decision to cease operation of ESGS in 2020, OMU has repurchased the capacity sold in the PJM auctions to ensure there is no capacity commitment beyond the retirement of ESGS.

Since the time OMU entered the wholesale power market in May 2010, it has experienced natural gas prices ranging from a high of \$4.80 per MMBTU to a low of \$1.73 per MMBTU, as

reported by EIA Monthly Henry Hub Spot Prices. Natural gas prices are believed to be highly correlated with real-time and day ahead prices in the PJM and MISO markets, where OMU is currently transacting the bulk of its wholesale electric sales. FY 2019 natural gas prices hovered around the \$3.09 per MMBTU range.

OPERATING REVENUES BY CLASS OF CUSTOMER

The following table sets forth the operating revenues of the Electric System by class of customer for the past five fiscal years.

| OPERATING REVENUES BY CLASS OF CUSTOMER | | | | | |
|--|------------------|------------------|------------------|------------------|------------------|
| (In Thousands) | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 |
| Industrial | \$41,309 | \$52,604 | \$52,944 | \$56,760 | \$52,776 |
| Commercial (includes telecom) | 5,829 | 7,005 | 7,117 | 7,774 | 7,669 |
| Residential | 24,650 | 30,132 | 31,098 | 33,157 | 31,704 |
| Water Dept | 788 | 1,000 | 1,102 | 1,327 | 1,177 |
| City & Schools | 2,071 | 2,195 | 2,825 | 3,175 | 3,151 |
| Supplemental Power | 1,495 | 1,199 | 1,405 | 1,495 | 1,621 |
| Wholesale Power | 62,352 | 44,908 | 48,981 | 44,539 | 55,179 |
| Build America Subsidy | 540 | 539 | 539 | 540 | 543 |
| Miscellaneous Sales | 781 | 1,223 | 1,484 | 1,455 | 1,388 |
| Total Operating Revenues | <u>\$139,815</u> | <u>\$140,805</u> | <u>\$147,495</u> | <u>\$150,222</u> | <u>\$155,208</u> |

LARGEST RETAIL CUSTOMERS

The largest retail customer of the Electric System during FY 2019 purchased 4.47% of retail energy sold by the Electric System and represented ____% of the Electric System's retail revenues for such FY. The ten largest retail customers of the Electric System, as set forth in the following table, during such FY purchased in the aggregate 27.25% of retail energy sold by the Electric System and collectively represented ____% of the Electric System's retail revenues.

TOP TEN RETAIL CUSTOMERS BY RETAIL REVENUE³

| | |
|-------------------------------------|--------------|
| Dart Polymers | 4.47% |
| Owensboro Health Regional Hospital | 4.26% |
| Mizkan America, Inc. | 3.15% |
| Specialty Foods | 2.84% |
| Toyotetsu Mid America Inc. | 2.58% |
| Marathon Pipeline LLC | 2.34% |
| Regional Water Resource Agency | 2.02% |
| Metalsa | 1.98% |
| Owensboro Grain Co. | 1.85% |
| Swedish Match | <u>1.77%</u> |
| Totals for Top Ten Retail Customers | 27.25% |

AVAILABLE RESERVES⁴

As of May 31, 2019, the balance in available cash and investments held by the Commission was \$131,257,878 million, composed of: Operating and Contingency funds - \$90,937,449 million; Construction funds - \$9,197,002 million; and Debt Restricted funds – \$31,123,427 million. See APPENDIX B—“AUDITED FINANCIAL STATEMENTS—OWENSBORO MUNICIPAL UTILITIES”, for the FY 2019 audited financial statements of the Electric System.

INSURANCE

OMU purchases comprehensive business insurance, including directors and officers, general liability, business auto, excess liability, employee dishonesty, cyber liability and property. The latter, currently with an \$800,000,000 policy limit, includes various deductibles by locations. OMU self-insures its group health plan, as supplemented by a catastrophic stop loss policy. OMU also maintains workers compensation coverage on all employees.

CYBER SECURITY

OMU has a comprehensive cyber security program that includes password, acceptable use and change management policies as well as an incident response plan. OMU is compliant with NERC, PCI, and the state of Kentucky’s Personally Identifiable Information requirements. In 2018, OMU hired a full-time Security Administrator whose primary focus is on securing OMU IT infrastructure. To that end, OMU is using the American Public Power Association’s Cyber

³ Update to Come.

⁴ To be updated with 2019 Audit.

Capability Maturity Model (C2M2) Cyber Security framework to measure and guide the evolution of its cyber security program.

ELECTRIC SYSTEM RATES⁵

Rates for the Electric System are set by the Commission. The base rate component is subject to the approval of the Board. No other regulatory agency, federal, state or local, has jurisdiction over the retail rates charged. The Board has not turned down a rate increase proposed by management in the last 20 years. In addition to the base rate, OMU rates include monthly cost adjustments to recover (i) changes in OMU's cost to generate and supply energy to its retail customers ("ECA"), (ii) changes in costs associated with compliance with environmental or pollution control regulatory requirements ("ECCA"), and (iii) any additional taxes imposed or required by any governmental body. The billing rates are reviewed annually and adjustments are made by the Commission on an as-required basis. The Board approved an overall 4% adjustment to base rates, which became effective on June 1, 2019.

The following table shows the average residential, commercial and industrial all-in rate, including OMU rate adjustment factors, for FY 2019 (actual) and 2020 (projected). Currently, OMU management estimates that OMU's rates are comparable to the rates charged by other municipal and investor-owned utilities in the area (see the table under the heading "*Comparison with Other Utilities*" below).

| AVERAGE ELECTRIC RATES | | |
|------------------------|---------------------------------|------------------------------------|
| CUSTOMER CLASS | FISCAL YEAR 2018-19 (ACTUAL) | FISCAL YEAR 2019-20 (PROJECTED) |
| Residential | 13.51¢/kWh | 14.13¢/kWh |
| Commercial | 13.69¢/kWh | 13.80¢/kWh |
| Industrial | 10.86¢/kWh | 10.64¢/kWh |

In recent years, the Commission has taken certain actions to improve cost recovery of both the ECA and ECCA mechanisms. For example, the City rate ordinance provides for the recovery of energy cost from ESGS and other sources through the ECA. For the purposes of ESGS cost recovery, the base rate is currently designed to cover the ratable portion (peak plus reserve) of ESGS capacity or fixed costs required by the retail system. Surplus energy is sold for the benefit of the system pursuant to statutory authorization contained in KRS 96.520 with revenues first applied to bond payments and other capacity or fixed costs, then to the costs to dispose of the surplus, and then to energy costs pursuant to KRS 96.535 and the provisions of the Ordinance. All energy costs from ESGS remaining have been determined to be recoverable through the ECA. These costs currently include ESGS fuel and maintenance expenses and OMU transmission expenses.

⁵ Update required.

Comparison with Other Utilities. The following table compares the cost of electric service to the average residential customer and commercial customer between OMU and other regional providers as of July 2019.

**COMPARABLE RESIDENTIAL AND COMMERCIAL
ELECTRIC SERVICE COSTS**

| | RESIDENTIAL COSTS (900 kWh) | COMMERCIAL COSTS (36,000 kWh) |
|-------------------------|--------------------------------|----------------------------------|
| OMU | \$132.18 | \$4,521.98 |
| Paducah Power | 121.67 | 4,639.18 |
| Evansville | 135.03 | 5,187.53 |
| Louisville | 101.76 | 3,550.39 |
| Daviess County | 113.99 | 3,703.82 |
| Bowling Green Municipal | 97.68 | 3,712.49 |
| Henderson Municipal | 73.79 | 2,550.08 |

Source: 2019 tariff rates as published; KPSC approved rate increases; Filed KPSC rate cases.

TELECOMMUNICATION

The telecommunications unit of OMU is a part of the Electric System. Since 1997, OMU has provided high-speed, quality, reliable and affordable internet services to its commercial and industrial customers. In 2015, OMU announced its Fiber-to-the-Home (“FTTH”) pilot program, which would allow OMU to explore the possibility of bringing these services to residential customers as well. Phase 1 and Phase 2 have been completed and provided important information regarding equipment, service and customer satisfaction.⁶ See “FINANCIAL INFORMATION—Capital Improvement Program” and “—Net Revenues and Debt Service Coverage” for more information.

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⁶ Update regarding status of the FTTH build out.

FINANCIAL INFORMATION

2019 FINANCIAL RESULTS

Shown below is a summary of revenues, expenditures and net earnings of the Electric System for FY 2019.

YEAR ENDED MAY 31, 2019
STATEMENTS OF REVENUES, EXPENDITURES AND NET EARNINGS
FOR THE ELECTRIC SYSTEM
(In Thousands)

Operating Revenues

| | |
|----------------------------------|---------------|
| Residential | \$ 31,704,076 |
| Commercial | 7,668,602 |
| Industrial | 52,775,883 |
| Wholesale Power Sales | 55,178,896 |
| Water System | 1,177,066 |
| City of Owensboro Schools | 3,150,770 |
| Supplemental Power | 1,621,059 |
| BAB Interest Subsidy | 542,764 |
| Miscellaneous Operating Revenues | 1,388,091 |

Total Operating Revenues \$155,207,207

Operating Expenses

| | |
|--------------------------------|---------------|
| Fuel for Electric Generation | \$ 60,250,869 |
| Purchased Power | 10,301,425 |
| Other Production | 19,925,753 |
| Transmission and Distribution | 10,298,808 |
| Telecommunications | 1,038,967 |
| Customer Service & Information | 1,964,320 |
| General & Administrative | 8,231,723 |
| Depreciation | 20,810,161 |

Total Operating Expenses \$132,822,026

Operating Income (Expense) \$ 22,385,181

Other Income (Expense)

| | |
|--------------------------------|----------------|
| Interest and Debt Expense | \$ (8,483,737) |
| Loss on Debt Defeasance | (59,119) |
| Interest Income on Investments | 3,271,511 |
| Other, Net | 26,530 |
| Extraordinary Gain (Loss) | 0 |

Other Income (Expense) \$ (5,244,815)

Income before transfers \$ (9,387,288)

Transfers out-dividends to City of Owensboro 3,271,511

Change in Net Position \$7,753,078

CAPITAL IMPROVEMENT PROGRAM

Routine Electric System capital improvements are paid from the Operation and Maintenance Fund and the Station No. 2 Additions and Replacement Fund. These Funds are funded with Revenues of the Electric System per the Ordinance. OMU currently anticipates investing approximately \$15.9 million in telecommunication, approximately \$37.2 million in distribution and approximately \$0.5 million in ESGS over the next six years. Additional capital will be spent at ESGS to decommission it. However, the decommissioning plan and its associated costs have not yet been finalized.

Major capital improvements have historically been paid by the issuance of bonds by the City. OMU issued \$6 million of bonds in 2017 for the FTTH Program and anticipates using cash for any future routine capital improvements.

TRANSFERS TO THE CITY

OMU provides two sources of annual transfer payments to the City under the terms of the Ordinance. Whenever all required transfers and payments have been set aside and paid into the funds and there is a balance in the Revenue Fund in excess of the amount to be set aside and paid into such funds and accounts of the Revenue Fund as described in the Ordinance during the next succeeding two months, the Commission may withdraw and transfer from such excess in any fiscal year to the City's general fund an amount not to exceed 10% of the value of the City's ownership (as described in the Ordinance) in the Electric System. The Ordinance also allows for the transfer to the City of a sum equal to the dollar value of services purchased by the City from the Electric System in such fiscal year, not to exceed, however, \$700,000 for the fiscal year ended June 30, 1985, and thereafter increasing at a compounded rate of 5% per annum, but not to exceed in any fiscal year 6% of the cash received by the Commission from retail sales of electrical energy in the next preceding fiscal year. The Commission has established a Policy of the City Utility Commission on Transfers from Electric System to the City of Owensboro that governs the transfer of payments and is consistent with the Ordinance. Transfers to the City were \$9,387,288 and \$9,209,935 for 2019 and 2018, respectively. For additional information, see "SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Application of Revenues—*Remaining Revenues*".

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NET REVENUES AND DEBT SERVICE COVERAGE

The following table sets forth historical net revenues and debt service coverage for the fiscal years ended May 31, 2015-2019. See “FINANCIAL INFORMATION—2019 Financials” for a more detailed breakdown of the Electric System’s FY 2019 revenues and expenditures.

HISTORICAL NET REVENUES AND DEBT SERVICE COVERAGE (Amounts in Thousands)

| | ACTUAL 2015 | ACTUAL 2016 | ACTUAL 2017 | ACTUAL 2018 | ACTUAL 2019 |
|--|----------------|----------------|----------------|----------------|----------------|
| Retail Revenues | \$80,460 | \$73,785 | \$75,519 | \$93,861 | \$98,179 |
| Wholesale Revenues ⁽¹⁾ | 61,295 | 63,077 | 63,757 | 46,403 | 56,854 |
| Other Income ⁽²⁾ | 2,195 | 2,364 | 2,320 | 2,860 | 3,900 |
| Total Revenues | \$143,950 | \$139,226 | \$141,596 | \$143,124 | \$158,933 |
| Operation & Maintenance Expenses | 108,852 | 103,672 | 103,949 | 98,808 | 112,380 |
| Net Revenues Available for Debt Service | \$35,098 | \$35,554 | \$37,647 | \$44,316 | \$44,553 |
| Total Debt Service ⁽³⁾ | \$10,174 | \$10,179 | \$25,903 | \$25,527 | \$26,146 |
| Coverage of Debt Service by Net Revenues | 3.45 | 3.49 | 1.45 | 1.74 | 1.78 |
| Days Operating Cash on Hand ⁽⁴⁾ | 263 | 248 | 266 | 256 | 282 |

(1) Wholesale revenues include revenue from market sales of annual SEPA allocations, and market based revenues of \$____ million in Fiscal Year 2015, \$____ million in Fiscal Year 2016, \$____ million in Fiscal Year 2017, \$____ million in Fiscal Year 2018, and \$____ million in Fiscal Year 2019.

(2) Interest Income, excluding Construction Funds, Build America Subsidy and Other Income.

(3) Total debt service is as paid (not as deposited) and does not include voluntary payments for early retirement of debt.

(4) Includes all General Power Fund, Wholesale Power Fund and Telecommunications Fund cash and investments. Also includes cash and investments in the Reserve and Contingency Fund, Operation and Maintenance Fund and Facilities Charge Fund, which under the provisions of the Ordinance can be used for any lawful corporate purpose relating to the Electric System. See “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE” herein and APPENDIX B for the audited financial statements of the Electric System and for more information.

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The following table sets forth estimated net revenues and debt service coverage for fiscal years ending May 31, 2020-2025 as prepared by OMU and reviewed by Burns & McDonnell, Consulting Engineer. In addition to the assumptions footnoted in the projections, there are several broad assumptions about the future operations of the Electric System accounted for in the financial forecast. ***The following projections include forward looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied.***⁷

**ESTIMATED NET REVENUES AND DEBT SERVICE COVERAGE
(Amounts in Thousands)**

| | BUDGET 2020 | ESTIMATED 2021 | ESTIMATED 2022 | ESTIMATED 2023 | ESTIMATED 2024 | ESTIMATED 2025 |
|--|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Retail Revenues (including telecom) ⁽¹⁾ | \$96,357 | \$98,922 | \$88,684 | \$85,976 | \$85,445 | \$86,392 |
| Wholesale Revenues ⁽²⁾ | 33,558 | 3 | 0 | 0 | 0 | 0 |
| Other Income ⁽³⁾ | 4,643 | 2,608 | 2,608 | 2,635 | 2,729 | 3,304 |
| Total Revenues | \$134,558 | \$101,533 | \$91,292 | \$88,611 | \$88,174 | \$89,696 |
| Operation & Maintenance Expenses | 99,098 | 70,633 | 60,017 | 57,679 | 57,187 | 58,320 |
| Net Revenues Available for Debt Service | \$35,460 | \$30,900 | \$31,275 | \$30,932 | \$30,987 | \$31,376 |
| Total Net Debt Service ⁽⁴⁾ | \$22,300 | \$19,302 | \$19,302 | \$19,302 | \$19,303 | \$19,303 |
| Coverage of Debt Service by Net Revenues | 1.59 | 1.60 | 1.62 | 1.60 | 1.61 | 1.63 |
| Days Operating Cash on Hand ⁽⁵⁾ | 332 | 467 | 564 | 638 | 702 | 685 |

- (1) Retail revenues are based on projected base rate increase of 4% on June 1, 2019; ECA rate decrease of \$0.77 cent/kWh (effective date of June 1, 2019).
- (2) Based on market prices provided by ACES as of February 2019.
- (3) Other Income includes Investment Income and other miscellaneous revenue of the Electric System.
- (4) Total debt service shown is as required for deposit not as paid. Debt service incorporates the impact of the 2019 Bonds, the refunding of the Refunded Bonds. Preliminary, subject to change.
- (5) Includes all General Power Fund, Wholesale Power Fund and Telecommunications Fund cash and investments. Also includes cash and investments in the Reserve and Contingency Fund, Operation and Maintenance Fund and Facilities Charge Fund, which under the provisions of the Ordinance can be used for any lawful corporate purpose relating to the Electric System. See "SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE" herein and APPENDIX B for the audited financial statements of the Electric System and for more information.

SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE

The following is a general summary of certain provisions of the Ordinance which are not summarized elsewhere in this Official Statement. The following summary is not to be considered a full statement of the terms of the Ordinance and accordingly is qualified by reference thereto and is subject to the full text thereof. A copy of the Ordinance may be obtained from the City upon request. For purposes of this summary, "Bonds" means the 2019 Bonds and other Outstanding Bonds from time to time.

⁷ To be updated based on new Consulting Engineer report.

ORDINANCE AMENDMENT

Prior to July 6, 2017, Ordinance Number 73-85 of the City, adopted on October 16, 1985 (as amended and supplemented, the "*Prior Basic Ordinance*") provided the terms and conditions for the disposition of the Revenues, the issuance of Bonds payable therefrom, and other matters related to the Electric System. On January 22, 2002, the Board adopted Ordinance No. 3-02, including the Basic Ordinance Terms and Provisions included as APPENDIX A thereto (the "*2002 Ordinance*"), which contained prospective amendments to the Prior Basic Ordinance and provided that, when such amendments became effective, the Prior Basic Ordinance would no longer apply to the Outstanding Bonds and the 2002 Ordinance would supersede the Prior Basic Ordinance as the ordinance providing the general terms and conditions of the Outstanding Bonds and any other Bonds to be issued and outstanding as provided therein.

The Prior Basic Ordinance required that amendments of the type contained in the 2002 Ordinance could only become effective upon (i) the convening of a meeting of the holders of all Outstanding Bonds (the "*Bondholders' Meeting*") at which a threshold percentage of Holders of the Outstanding Bonds, or their proxies, were present and (ii) a certain percentage of said Holders, as determined by the Prior Basic Ordinance, approving a resolution (the "*Amendatory Resolution*") implementing the modifications and amendments in the 2002 Ordinance.

The Bondholders' Meeting with respect to the amendments contained in the 2002 Ordinance was held on June 15, 2017, and an Amendatory Resolution was adopted as provided in the Prior Basic Ordinance. Such Amendatory Resolution was filed with the City Clerk on July 6, 2017 and, as of such date, the provisions of the 2002 Ordinance superseded the provisions of the Prior Basic Ordinance with respect to all Outstanding Bonds. In the 2019 Supplemental Ordinance, the Commission acknowledged and designated the 2002 Ordinance as the Basic Ordinance. All references herein to the Basic Ordinance are references to the provisions of the 2002 Ordinance.

APPLICATION OF REVENUES

The Revenues of the Electric System are set aside in a special fund known as the Revenue Fund, and a separate record and accounting is kept for all wholesale revenues received. All sums deposited in the Revenue Fund are to be disbursed in the following order of priority:

1. *Sinking Fund.* The Ordinance continues and maintains a fund designated the "Electric Light and Power System Bond and Interest Redemption Fund" (sometimes referred to as the "*Sinking Fund*") and two accounts therein designated the "Debt Service Account" and the "Debt Service Reserve Account." There will be deposited on the first day of each month in the Debt Service Account the amount, if any, required so that the balance in the Debt Service Account equals the Accrued Aggregate Debt Service; provided that, for the purposes of computing the amount to be deposited into the Debt Service Account, there will be excluded the amount, if any, set aside therein from the proceeds of the Bonds for the payment of interest on Bonds less that amount of such proceeds to be applied in accordance with the Ordinance or any Supplemental

Ordinance authorizing a Series of Additional Bonds to the payment of interest accrued and unpaid and to accrue on Bonds to the last day of the then current calendar month. The amounts in the Debt Service Account will be applied to the payment of the principal of and interest on the Bonds and to the purchase and redemption of Bonds as provided in the Ordinance.

So long as the 2019 Bonds are Outstanding, there will be maintained on deposit in the Debt Service Reserve Account an amount equal to the Debt Service Reserve Account Requirement. Such account is to be used to pay amounts due on the Bonds in the event there are insufficient funds in the Debt Service Account to pay such amounts as they become due. The amount of any withdrawal from the Debt Service Reserve Account will be replaced by payments into said account from the Revenues during the next succeeding 12-month period. If and when the amount to the credit of the Debt Service Reserve Account is in excess of the Debt Service Reserve Requirement, such excess amount may be withdrawn and credited to such other fund or account as the Commission may determine and may be used for any lawful purpose under the Act and the Supplemental Ordinance with respect to such Series of Bonds, as provided in the Ordinance.

With respect to the Debt Service Reserve Account, the Ordinance further provides as follows:

(a) The City, acting by and through the Commission, may satisfy all or a portion of the Debt Service Reserve Requirement in the Debt Service Reserve Account by causing to be so credited to the 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 Debt Service Reserve Account, is equal to the Debt Service Reserve Requirement (or such lesser proportional amount prior to the date the full Debt Service Reserve Requirement is met). In the event the Debt Service Reserve Account is funded with both moneys and a Credit Facility, any withdrawals from such Debt Service Reserve Account pursuant to the provisions of the Ordinance will be made first, from such moneys (or the liquidation of investments made therewith) and second, from such Credit Facility. The Credit Facility will be payable (upon the giving of notice as required thereunder) on any date on which moneys will be required to be withdrawn from the Debt Service Reserve Account and applied to the payment of the principal of or interest on the Bonds for which payments cannot be made by amounts credited to the Sinking Fund. Any insurer providing such surety bond, line of credit or insurance policy will 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 Rating Agencies. The letter of credit issuer will be a bank or trust company, which is rated not lower than the second highest rating category of each such agency, and the letter of credit itself must be rated in the highest category of any one of such Rating Agencies. The insurance policy, line of credit or surety bond must extend for the life of the 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 Commission, shall be obligated either (i) to reinstate the maximum limits of such Credit Facility or (ii) to deposit into the Debt Service 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 Debt Service Reserve Requirement within a time period not longer than one year. If a letter of credit is provided under the provisions of this paragraph, then not later than 60 days prior to the expiration date of any said letter of credit, (A) the City, acting by and through the Commission, shall obtain another letter of credit or (B) the City, acting by and through the Commission, shall draw upon the letter of credit in order to fund the Debt Service Reserve Fund with cash or (C) the City, acting by and through the Commission, shall fully fund the Debt Service Reserve Account with cash. The Commission shall receive such opinions, including legal opinions, certificates and other documentation, as it shall deem appropriate, prior to receipt of any Credit Facility.

(b) If the issuer of a Credit Facility credited to the Debt Service Reserve Account shall cease to have a rating described in paragraph (a) above, the City, acting by and through the 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 Debt Service Reserve Account in lieu of replacing such Credit Facility with another, provided that for issues of Bonds the payment of the principal and interest on which is insured by a municipal bond insurance policy, the issuer of such Credit Facility may have such rating as the issuer of the municipal bond insurance policy shall permit. "Available revenues" as used in this paragraph shall mean income and revenues of the Electric System after provision has been made in any month for deposits in the Sinking Fund.

(c) As to any Series of Bonds for which a Bond Insurer has issued a Bond Insurance Policy, the Credit Facility conditions set forth in subsections (a) and (b) above may be modified pursuant to the conditions of such Bond Insurance Policy, including additional consents from time to time, in any manner relating to the credit quality of such Credit Facility and to the timing of reimbursement or cash deposits to replenish the Debt Service Reserve Account.

(d) In the event the Debt Service 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.

(e) 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 Commission and the provider of such Credit Facility, shall be given not less than three days prior to the date on which funds are required.

(f) In the event a Credit Facility is credited to the Debt Service Reserve Account resulting in the stated amount of such Credit Facility plus moneys and securities in the Debt Service Reserve Account to be in excess of the Debt Service 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 such other Fund or Account as the Commission may determine and therein used for any lawful purpose under the Act, giving effect to any covenants and representations made with respect to any Series of Bonds in a Supplemental Ordinance.

If in any month there is a failure for any reason to make the prescribed payments into the Sinking Fund, the amount of the deficiency will be added to the amounts otherwise required to be paid into the Sinking fund during the next succeeding month or months and such deficiency, together with the amount otherwise required to be paid into the Sinking Fund, will be transferred from the Revenue Fund as provided above.

Amounts deposited in the Sinking Fund with respect to any Sinking Fund Installment (together with amounts accumulated therein with respect to interest on the Bonds for which such Sinking Fund Installment was established) may be applied to the purchase or redemption of Bonds of the Series and maturity for which such Sinking Fund Installment was established as provided in the Ordinance.

Money in the Debt Service Account not currently required for the payment of principal of and interest or Sinking Fund Installments on the Bonds and all or any part of the Debt Service Reserve Account not currently required for the payment of interest or principal or Sinking Fund Installments on the Bonds may be invested and reinvested in Investment Securities maturing or being subject to retirement at the option of the holder within not more than 10 years from the date of investment therein.

After allowance for the amount of interest to become due on the next interest payment date and the amount of principal and Sinking Fund Installments (if any) to become due within the next succeeding 12 months, the balance of funds in the Debt Service Account may be used to purchase Bonds on the open market at prices not exceeding the then applicable Redemption Price (or if such Bonds are by their terms not subject to redemption, at the Redemption Price applicable when such Bonds are first subject to redemption) and if not so used then such balance may be used to call and redeem Bonds.

2. *Subordinated Bond Fund and Subordinated Bonds.* The Ordinance creates a special fund designated the "Subordinated Bond Fund" which is the Fund for the payment of and further securing of any Subordinated Bonds. Subordinated Bonds may be issued on any terms the City determines, subject to the terms of the Ordinance.

3. *Operation and Maintenance Fund.* The Ordinance continues a fund designated the "Operation and Maintenance Fund." A sufficient portion of the Revenues remaining after the required payments to the Sinking Fund will be paid into the Operation and Maintenance Fund to pay the Operations and Maintenance Expenses of the Electric System.

If the Commission finds at any time that moneys in the Operation and Maintenance Fund are not needed for expenditure in the reasonably foreseeable future, such moneys may, upon order

of the Commission, be invested and reinvested in Investment Securities having a maturity date or being redeemable at the option of the holder within five years from the date of investment therein.

4. *Depreciation Fund.* The Ordinance continues a fund designated as the “Depreciation Fund.” Subject to the priorities and preferences described in paragraphs 1, 2 and 3 above, there will be paid into the Depreciation Fund on the first day of each month, an amount equal to 1/12th of the Depreciation Requirement as determined as of the last day of the immediately preceding Fiscal Year.

The money in the Depreciation Fund will be expended in making good any depreciation in the Electric System and making replacements, renewals, extensions, additions or constructions thereto.

If any portion of the funds in the Depreciation Fund are not currently needed for expenditure, such portion may be invested or reinvested in Investment Securities having a maturity date or being redeemable at the option of the holder within 10 years. All income from such investments will be credited to the Depreciation Fund.

5. *Reserve and Contingency Fund.* The Ordinance continues a fund designated the “Reserve and Contingency Fund” in order to provide for: (i) payment of future costs of capital additions and improvements to the Electric System; (ii) payment of future unforeseen contingent liabilities; and (iii) payment of extraordinary costs and expenses related to the Electric System, all in order that, among other things, (i) the Electric System may continue to be operated in the future on a sound financial basis, (ii) the need for sudden and drastic increases in the electric rates in the future may be mitigated and (iii) to may stabilize such future electrical rates, to the extent possible.

The Ordinance provides that the Commission may (but is not required to), by resolution adopted prior to the beginning of each Fiscal Year, direct the deposit, during such Fiscal Year, of such amounts as they deem appropriate from the Revenue Fund or from any other source into the Reserve and Contingency Fund.

The moneys in the Reserve and Contingency Fund may be expended, in the amounts and at the times determined by the Commission, for the purposes of paying the Cost of Acquisition and Construction of any Additional Project or for any other lawful corporate purpose relating to the Electric System.

If the Commission finds at any time that any portion of the moneys on deposit in the Reserve and Contingency Fund is not needed currently for expenditure, such portion may, upon order of the Commission, be invested or reinvested in any obligations or securities which, at the time of such investment, are legal investments for funds of the City.

6. *Facilities Charge Fund.* The Ordinance continues and maintains a fund created in the 1991-A Supplemental Ordinance designated as the “Facilities Charge Fund.” There will be paid into the Facilities Charge Fund on the first day of each month such amount as may be determined by the Commission as of the last day of the immediately preceding Fiscal Year. The

moneys in the Facilities Charge Fund will be held as a reserve for, and expended upon orders of the Commission for the decommissioning of obsolete facilities, and, when the balance in the Facilities Charge Fund is sufficient for such purpose as determined by the Commission, any other purpose related to the Electric System. The Commission has designated as Revenues the moneys deposited into the Facilities Charge Fund in excess of the amount set aside for the decommissioning obsolete facilities. With the termination of the long-term contract between OMU and KU providing for the sale of excess capacity and energy from ESGS to KU on May 16, 2010, no additional amounts are expected to be deposited in the Facilities Charge Fund.

If the Commission finds at any time that any portion of the funds to the credit of the Facilities Charge Fund is not needed currently for expenditure, such portion may, upon order of the Commission, be invested or reinvested in Investment Securities. All income from such investments will be credited to the Facilities Charge Fund.

7. *Remaining Revenues.* Whenever all required transfers and payments have been set aside and paid into the funds and accounts as described above and there is a balance in the Revenue Fund in excess of the next two months' requirements, the Commission may withdraw and transfer to the general fund of the City in any Fiscal Year an amount not in excess of 10% of the value of the City's ownership (accumulated retained earnings, exclusive of any interest earned on deposits in the Reserve and Contingency Fund, the Facilities Charge Fund, capital contributions and contributions in aid of construction) in the Electric System, as shown on the Commission's books as of the first day of such Fiscal Year, plus a sum equal to the dollar value of services purchased by the City from the Commission in such Fiscal Year, not to exceed, however, the sum of \$700,000 in the Fiscal Year ending May 31, 1985, and thereafter increasing at a compounded rate of 5% per annum, but not to exceed in any Fiscal Year 6% of the cash received by the Commission from retail sales of electrical energy in the next preceding Fiscal Year. Such dollar value of services purchased by the City from the Commission will be the sum of the following: (i) 9% of the book cost of all property properly includible in the Street Lighting and Signal System classification as defined in the Federal Energy Regulatory Commission Uniform System of Accounts; (ii) the cost of operation, maintenance and repair of all property in (i) above; and (iii) the actual Electric System fuel cost per kilowatt hour for all energy consumed, provided that the City and the Commission will on January 1, 1988 and on January 1 of each fourth year thereafter review the transfer from the Commission to the City for the dollar value of services purchased by the City from the Commission and make such adjustments, if any, in the aforesaid formula as may be necessary to reflect actual economic conditions. If not so withdrawn for that purpose, all or any part of such excess may, upon order of the Commission, be used and applied to the purchase or retirement of Bonds for the account of the Electric System or any other lawful corporate purpose relating to the Electric System. Funds so held and retained for any such lawful corporate purpose ("*Generally Available Moneys*") may be segregated for various purposes into any accounts or sub-accounts as the Commission may determine. Generally Available Moneys may at any time be applied as if they were Revenues for all purposes and intents of the Ordinance.

CONSTRUCTION FUND

The Ordinance continues and maintains a fund designated as the “Electric Light and Power System Construction Fund” to be used and disbursed on orders of the Commission to pay the Cost of Acquisition and Construction of any Additional Project.

If for any reason the amount, if any, deposited into the Debt Service Account in the Sinking Fund to pay interest on a Series of Bonds under the provisions of the Ordinance or the Supplemental Ordinance pursuant to which such Series of Bonds were issued, becomes insufficient to pay the interest on the Bonds prior to and during the construction of any Additional Project being financed with the proceeds of such Bonds, moneys will be withdrawn from the Construction Fund on orders of the Commission and set aside and deposited in the Sinking Fund and applied to the payment of such interest on such Bonds.

RATE COVENANT

The City has covenanted and agreed that while any of the Currently Outstanding Bonds and the 2019 Bonds remain Outstanding, the rates for all services and facilities rendered by the Electric System to the City and to its citizens, corporations or other consumers will be reasonable and just, taking into account and consideration the cost and value of said properties and the cost of maintaining and operating the same with the proper and necessary allowances for depreciation thereof, and the amounts necessary for the retirement of all Outstanding Bonds which by their terms are payable from Revenues and to charge such rates and charges for service rendered and facilities afforded thereby so that the Revenues will be sufficient at all times to make the prescribed payments into the several special funds provided in the Ordinance.

OTHER PROTECTIVE COVENANTS

The City, in the Ordinance, has covenanted and agreed that:

(a) the City will keep proper books of record and account, separate from all other municipal records and accounts, relating to Revenues and disbursements and all transactions of the Electric System;

(b) audits will be made annually by a recognized certified public accountant and a report of audit will be made available to any Bondholder so requesting the same in writing;

(c) the City will not sell, convey, mortgage, encumber or in any manner dispose of any material part of the Electric System or transfer control, management, or oversight, or any material aspect thereof, of the Electric System, whether of its properties, interest, operations, expenditures, revenues or otherwise; *provided* that; (i) to the extent permitted by law, the City may lease or make contracts (including lease-leaseback and sale-leaseback agreements and required ancillary agreements) or grant easements or other rights with respect to, any part of the Electric System if such lease, contract, license, easement, or right

does not impede or restrict the operation of the Electric System or adversely affect in any way the production of Net Revenues, or adversely affect the tax-exempt status of the Outstanding Bonds, (ii) the City may, from time to time and to the extent permitted by law, sell, exchange, or otherwise dispose of any machinery, fixtures, apparatus, tools, instruments, or other movable property acquired by it if the City shall determine that such articles are no longer needed in connection with the construction or operation and maintenance of the Electric System and the proceeds thereof, if any, shall be applied to the replacement of the property so sold or disposed of or the acquisition of property of equal or greater value or shall be paid by the City to such other Fund or Account as the Commission may determine and therein used for any lawful purpose under the Act, giving effect to any covenants and representations made with respect to any Series of Bonds in a Supplemental Ordinance and related certificates, and (iii) the City may from time to time, and to the extent permitted by law, sell, exchange, or otherwise dispose of any real property or release, relinquish, or extinguish any interest therein as the City shall declare is not needed in connection with the maintenance and operation of the Electric System; and

(d) the City will not create or permit to be created any charge or lien on the Revenues, except as expressly permitted under the Ordinance;

(e) the City will maintain the Electric System as a revenue-producing public project;

(f) the City will procure and carry insurance on the Electric System or provide self-insurance reserves on the properties constituting the Electric System, including public liability insurance on the operation thereof, of the kind and character customarily carried, or reasonably available, in connection with similar properties throughout Kentucky or in the electric industry, generally;

(g) the management and operation of the Electric System is presently controlled, and so long as any of the Bonds are Outstanding will continue to be controlled, by a utility commission functioning under the provisions of Section 96.530 of Kentucky Revised Statutes; and

(h) the City will cause a Commission Engineer to examine and report upon the physical properties constituting the Electric System, the efficiency in the operation and maintenance thereof and any necessary capital improvements thereto. Such examination and report will be made not less often than once in each five-year period and a copy of the same will be made available for inspection in the office of the Secretary of the Commission and the City Clerk.

AMENDMENTS AND SUPPLEMENTAL ORDINANCES

Supplemental Ordinances Effective With Bondholders' Consent. The provisions of the Ordinance may be amended, modified or altered by the City by a Supplemental Ordinance upon the consent of the holders of at least 51% of all outstanding Bonds to be affected by the

amendment; provided, however, that no such modifications, alterations or amendments may be made which will (a) permit an extension of time for payment at maturity of the principal of or payment of the interest on any Bonds or permit an extension of time for payment of a Sinking Fund Installment or reduce the amount of principal or Redemption Price of or the rate of interest on any Bond without written consent of the holder of the Bond affected thereby, or (b) reduce the percentage of holders of Bonds required by the provisions of the Ordinance for the approval of any modification, alteration or amendment thereof.

Supplemental Ordinances Effective Without Bondholders' Consent. The City may adopt (without the consent of any holders of the Bonds) Supplemental Ordinances:

- (a) to close the Ordinance against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Ordinance on the issuance and delivery of Bonds or the issuance of other evidences of indebtedness;
- (b) to add to the covenants and agreements of the City in the Ordinance other covenants and agreements to be observed by the City which are not contrary to or inconsistent with the Ordinance as theretofore in effect;
- (c) to add to the limitations and restrictions in the Ordinance other limitations and restrictions to be observed by the City which are not contrary to or inconsistent with the Ordinance as theretofore in effect;
- (d) to authorize Bonds of a Series and, in connection therewith, specify and determine the matters and things relative to such Bonds which are not contrary to or inconsistent with the Ordinance as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first issuance and delivery of such Bonds;
- (e) to confirm, as further assurance, any pledge under, and the subjection to any pledge created or to be created by, the Ordinance of the Revenues or of any other moneys, securities or funds; or
- (f) to modify any of the provisions of the Ordinance in any other respect whatever, provided that (i) such modification is, and is expressed to be, effective only after all Bonds of each Series Outstanding at the date of the adoption of such Supplemental Ordinance cease to be Outstanding, and (ii) such Supplemental Ordinance is specifically referred to in the text of all Bonds of any Series issued and delivered after the date of the adoption of such Supplemental Ordinance and of Bonds issued in exchange therefor or in place thereof.

ADDITIONAL BONDS

The City may issue one or more Series of Additional Bonds for the purpose of paying all or a portion of the Cost of Acquisition and Construction of any Additional Project, provided that

before any such Series of Additional Bonds may be issued there is procured and filed with the Secretary of the Commission and the City Clerk:

(a) A certificate of the Consulting Engineer (the “*Consulting Engineer’s Certificate*”):

(i) estimating the following amounts for each of the three Fiscal Years immediately following the Fiscal Year in which the Consulting Engineer estimates the Commercial Operation Date of the Additional Project being financed with the proceeds of such Series of Additional Bonds will occur:

(A) the Revenues (assuming the Commercial Operation Date of any uncompleted Additional Project will occur on the Commercial Operation Date then estimated by the Consulting Engineer for such Additional Project);

(B) the amount to be paid from the Revenue Fund into the Operation and Maintenance Fund (assuming the Commercial Operation Date of any uncompleted Additional Project will occur as provided in clause (A) above);

(C) the Net Revenues calculated by deducting the amount specified in clause (B) from clause (A); and

(D) the Estimated Additional Investment Income; and

(ii) estimating the amounts required to be deposited, for the current and each future Fiscal Year, into the Sinking Fund to pay the principal of and interest and Sinking Fund Installments on any Bonds not theretofore issued and not then being issued which the Consulting Engineer estimates will be required to be issued to complete the Cost of Acquisition and Construction of the Additional Project being financed with the proceeds of such Series of Additional Bonds and all Additional Projects for which Bonds are to be issued (all such Bonds estimated to be required to be issued are called the “*Unissued Bonds*”).

The Consulting Engineer’s Certificate must also set forth the assumptions used by the Consulting Engineer in preparing such projections and estimates and must state that, in the opinion of the Consulting Engineer, such assumptions are reasonable.

(b) A certificate of an Authorized Officer of the City setting forth the following:

(i) the average of the sum of amounts specified pursuant to (C) and (D) of clause (a)(i) above for all three Fiscal Years specified in the Consulting Engineer’s Certificate; and

(ii) the maximum amount required to be deposited into the Sinking Fund for the current or any future Fiscal Year to pay the principal of and interest and Sinking Fund Installments on all Bonds to be Outstanding immediately after the issuance of such Series of Additional Bonds and all Unissued Bonds (in determining such maximum amount, said Authorized Officer of the City will use, as to the Unissued Bonds, the projected debt service requirements on such Unissued Bonds contained in the Consulting Engineer's Certificate furnished pursuant to clause (a) above; and

(iii) showing that the amount determined pursuant to clause (b)(i) is not less than 1.10 times the amount determined pursuant to clause (b)(ii), but only for those Fiscal Years in which the Bonds of all Series Outstanding immediately prior to the date of issuance of such Series of Additional Bonds are to remain Outstanding, *provided, however*, that while the municipal bond insurance policy with respect to the 2002-A Bonds is still in effect with respect to the 2002-A Bonds, the immediately preceding provision requires 1.15 times (instead of 1.10 times) coverage.

If and to the extent necessary as shown in the certificate of the Consulting Engineer referred to in this paragraph, one or more Series of Additional Bonds may be issued and delivered at any time or from time to time for the purpose of providing additional funds for the payment of the Cost of Acquisition and Construction of any Additional Project with respect to which the certificates referred to above were filed in connection with the issuance of the initial Series of Additional Bonds issued to pay the Cost of Acquisition and Construction for such Additional Project, in an aggregate principal amount for all Series of such Bonds that will provide the City with funds equal, as nearly as practicable, to the completion requirement for such Additional Project, as set forth in a certificate of the Consulting Engineer. Such completion requirement must be an amount which, together with all other funds of the City available or estimated to be available for such Additional Project (as stated in a certificate of any Authorized Officer of the City) is, as nearly as practicable, necessary and sufficient, in the opinion of the Consulting Engineer, to complete the payment of the Cost of Acquisition and Construction of such Additional Project.

Notwithstanding any other provision of the Ordinance, the provisions of clauses (a) and (b) above will not apply to any Series of Additional Bonds all of the proceeds of which are to be applied to pay the Cost of Acquisition and Construction of an Additional Project as described in item (e) or item (f) of the definition of Additional Project in APPENDIX C.

REFUNDING BONDS

The City may issue one or more Series of Refunding Bonds at any time to refund all but not less than all Outstanding Bonds of one or more Series or one or more maturities within a Series. Refunding Bonds may be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make the deposits in the funds and accounts under the Ordinance required by the provisions of the Supplemental Ordinance authorizing such Bonds.

Refunding Bonds of each Series will be issued only upon satisfaction of certain conditions described in the Ordinance regarding the giving of irrevocable instructions by the City and the deposit of sufficient funds to refund the Bonds to be refunded. Refunding Bonds may be issued upon receipt by the Escrow Holder of either of the following:

(a) a certificate of an Authorized Officer of the City setting forth:

(i) the aggregate amount to be deposited into the Debt Service Account for the then current and each future Fiscal Year to and including the Fiscal Year next preceding the date of the latest maturity of any Bonds of any Series Outstanding;

(A) with respect to the Bonds of all Series Outstanding immediately prior to the date of issuance of such Refunding Bonds; and

(B) with respect to the Bonds of all Series to be Outstanding immediately thereafter; and

(ii) that the aggregate amount to be deposited into the Debt Service Account set forth for each Fiscal Year pursuant to (B) above is no greater than that set forth for such Fiscal Year pursuant to (A) above; or

(b) the certificate of the Consulting Engineer and the certificate of the Authorized Officer of the City required by the Ordinance with respect to Additional Bonds evidencing that such Series of Refunding Bonds meets the test provided for the issuance of Additional Bonds, except that the test years will be the three Fiscal Years immediately succeeding the Fiscal Year in which such Series of Refunding Bonds will be issued and the reference to “the Additional Project being financed with the proceeds of such Series of Additional Bonds” will be deleted.

SUBORDINATE LIEN OBLIGATIONS

The City reserves the right in the Ordinance to issue additional bonds or other obligations payable from or secured by the Revenues of the Electric System provided the security and source of payment thereof from the Revenues is subordinate and subject in all respects to the priority of the security and source of payment of all Bonds and Subordinate Bonds issued pursuant to the Ordinance.

DEFEASANCE

The pledge of the Revenues and other moneys and securities under the Ordinance and all covenants, agreements and other obligations of the City to the Bondholders under the Ordinance will terminate and be discharged and satisfied whenever all of the Bonds have been paid in full. All Bonds of any Series, or of any maturity within a Series will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect mentioned in the

preceding sentence if (1) in case any of said Bonds are to be redeemed on any date prior to their maturity, the City will have given to the Escrow Holder irrevocable instructions accepted in writing by the Escrow Holder to give proper notice for and on behalf of the City of redemption of such Bonds on said date, (2) there will have been deposited with the Escrow Holder irrevocably in trust for the payment of all Outstanding Bonds of such Series or maturity within a Series either Current Funds (as herein defined) in an amount which will be sufficient, or Defeasance Obligations or any Investment Securities permitted for a Series of Bonds as eligible for the provision for defeasance of such Bonds by a Bond Insurer and having a Bond Insurance Policy in force for such Bonds (the "*Otherwise Permitted Defeasance Obligations*") (including any of same issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide United States federal funds which are immediately available in the hands of the payee at the place of payment (the "*Current Funds*"), which, together with the Current Funds, if any, deposited with the Escrow Holder at the same time, will be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (3) the City will have given the Escrow Holder in form satisfactory to it irrevocable instructions to give by appropriate means, including by means contained in any Continuing Disclosure Undertaking, as soon as practicable, a notice for and on behalf of the City that the deposit required by (2) above has been made with the Escrow Holder and that said Bonds are deemed to have been paid in accordance herewith and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if applicable, on said Bonds. The City will require the Escrow Holder to turn over moneys held by it pursuant to the Ordinance to the Bond Registrar, as and to the extent necessary, to pay the principal, Redemption Price, if applicable, and interest, as the case may be, on said Bonds when the same will become due. Neither Defeasance Obligations or Otherwise Permitted Defeasance Obligations nor Current Funds deposited with the Escrow Holder pursuant to the Ordinance nor principal or interest payments on any such Defeasance Obligations or Otherwise Permitted Defeasance Obligations will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on said Bonds; *provided* that any Current Funds received from such principal or interest payments on such Defeasance Obligations or Otherwise Permitted Defeasance Obligations deposited with the Escrow Holder, (A) to the extent such Current Funds will not be required at any time for such purpose, will be paid over to the City as received by the Escrow Holder, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Ordinance, and (B) to the extent such Current Funds will be required for such purpose at a later date, will, to the extent practicable, be reinvested in Defeasance Obligations or Otherwise Permitted Defeasance Obligations maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on said Bonds on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments will be paid over to the City as received by the Escrow Holder, free and clear of any trust, lien or pledge securing said Bonds or otherwise existing under the Ordinance.

EVENTS OF DEFAULT AND REMEDIES

Events of Default specified in the Ordinance include (a) failure to pay principal or redemption price of any Bond when due; (b) failure to pay any installment of interest on any Bond when due; (c) failure to observe or perform any other covenants, agreements or conditions contained in the Ordinance or the Bonds for 60 days after written notice of such default has been given to the City by the holders of not less than 10% in principal amount of the Bonds Outstanding; (d) certain events of bankruptcy or insolvency; and (e) the entering of an order or decree appointing a receiver of the Electric System, or any part thereof, or of the rents, fees, charges or other Revenues therefrom.

The City covenants that if an Event of Default happens and is not remedied, the books of record and account of the City and all other records relating to the Electric System will at all times be subject to the inspection and use of any holder of a Bond or his agents and attorneys.

The City covenants that if an Event of Default happens and is not remedied, the City, upon demand of a holder of a Bond, will account, as if it were the trustee of an express trust, for all Revenues and other moneys, securities and funds pledged or held under the Ordinance for such period as is stated in such demand.

If an Event of Default happens and is continuing, then and in every such case, any Bondholder will have the right to apply in an appropriate proceeding for the appointment of a receiver of the Electric System to administer said System on behalf of the City with power to charge and collect rates sufficient to provide for the payment of any Bonds or obligations outstanding against the Electric System and for the payment of the Operation and Maintenance Expenses and to apply the Revenues in conformity with the Ordinance and the provisions of law.

If an Event of Default happens and is not remedied, then and in every such case, any Bondholder may proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Ordinance forthwith by a suit or suits in equity or at law, whether for the specific performance of any covenant contained in the Ordinance or in aid of the execution of any power therein granted, or for an accounting against the City as if the City were the trustee of an express trust, or in the enforcement of any other legal or equitable right.

Anything in the Ordinance to the contrary notwithstanding, any holder of a Bond may, either at law or in equity, by suit, action, mandamus or other proceedings, protect the statutory mortgage lien and enforce and compel performance by the City and its officers and agents of all duties imposed or required by law or the Ordinance in connection with the operation of the Electric System, including the making and collecting of sufficient rates and segregation of the Revenues and the application thereof.

Nothing in the Ordinance or in the Bonds contained will affect or impair the obligation of the City, which is absolute and unconditional, to pay at the respective dates of maturity and places therein expressed the principal or Redemption Price of and interest on the Bonds to the respective

holders thereof, or affect or impair the right of action, which is also absolute and unconditional, of any holder to enforce such payment of his Bond.

No remedy by the terms of the Ordinance conferred upon or reserved to the holders of Bonds is intended to be exclusive of any other remedy, but each and every such remedy is cumulative and in addition to every other remedy given under the Ordinance or existing law or in equity or by statute on or after the date of enactment of the Ordinance.

No delay or omission of any Bondholder to exercise any right or power arising upon the happening of an Event of Default will impair any right or power or be construed to be a waiver of any such Event of Default or be an acquiescence therein and every power and remedy given in the Ordinance to the holders of the Bonds may be exercised from time to time and as often as may be deemed expedient by such Bondholders.

FACTORS AFFECTING THE ELECTRIC UTILITY INDUSTRY⁸

GENERAL

The electric utility industry in general has become increasingly competitive due to regulatory changes and wholesale and retail market developments. Electric utilities are subject to changing federal, state and local statutory and regulatory requirements of licensing and siting of facilities, safety and security, air and water quality, land use and environmental factors. Various factors also affect the operations and financial condition of electric utilities. These factors include: (i) compliance with constantly changing environmental, safety, licensing, regulatory, and statutory requirements, including the impact of announced retirements of fossil-fuel units in response to the Mercury and Air Toxics Standards (“*MATS*”) and other regulations; (ii) changes resulting from conservation and demand-side management programs, including customer participation in demand response programs offered by PJM and MISO; (iii) changes in transmission and reliability requirements mandated by the North American Electric Reliability Corporation (“*NERC*”), the Federal Energy Regulatory Commission (“*FERC*”), SERC and LGE/KU, OMU’s control area operator; (iv) changes that may result from new national energy policy or other federal or state legislative changes such as the proposed carbon reduction requirements) which favor low-carbon sources and fuels other than coal; (v) increased competition resulting from utility mergers and acquisitions; (vi) self-generation by larger industrial and commercial customers; (vii) effects of inflation on the operation and maintenance costs of an electric utility and its facilities; (viii) issues relating to the ability to issue tax-exempt obligations; (ix) severe restrictions on the ability to sell to nongovernmental entities electricity from generation projects financed with outstanding tax-exempt obligations; (x) inadequate risk management procedures and practices with respect to, among other things, the purchase and sale of energy and transmission capacity; (xii) effects of changes in the economy; (xiii) effects of possible manipulation of the electric markets; (xiv) natural disasters and other physical calamities, including, but not limited to, tornadoes and earthquakes; and (xv) changes from projected future load requirements and relative costs and availability of different fuels, including renewable fuels. Any of these factors could have an effect

⁸ Section to be updated.

on the financial condition of any given electric utility, including the Electric System, and likely would affect individual utilities in different ways. This section does not purport to summarize all factors that may be associated with the electric utility industry and therefore involved with the purchasing or owning the 2019 Bonds. Extensive information on the electric utility industry is, and is expected to be, available from legislative and regulatory bodies and other sources in the public domain.

WHOLESALE ENERGY MARKET

Fundamental changes in the federal regulation of the electric utility industry have been made by the Energy Policy Act of 1992 and FERC regarding transmission access and pricing, increased consolidation and mergers of electric utilities, the proliferation of self-generators and independent power producers, surplus generation in certain regional markets and deficiencies and constraints in others, and substantial changes in pricing and structures for electric services by many regulatory commissions and legislative bodies to promote increased competition in the electric utility industry. These changes increased competition in the electric utility industry by increasing the opportunities for wholesale transactions. OMU cannot predict what effect, if any, these changes will have on the System's business and affairs.

Both MISO and PJM have ongoing rule making processes that have the potential to increase fees that OMU pays to these regional transmission operators. LGE/KU also has the ability to request changes to its Open Access Transmission Tariff (OATT) that have the potential to increase the cost of transmission and ancillary services required to serve OMU's customers. Additionally, each regional transmission operator and LGE/KU through its participation in the Southeast Reliability Transmission Process ("*SERTP*") are subject to FERC order 1000 which regulates the construction and capital cost recovery associated with regional transmission projects. FERC order 1000 has the potential to increase the cost of transmission service and network service to OMU. However, OMU does not believe such costs will be material.

The U.S. Environmental Protection Agency's ("*EPA*") Mercury and Air Toxic Standards Rule ("*MATS*"), the Affordable Clean Energy Rule, the Cross-State Air Pollution Rule ("*CSAPR*"), continued growth of renewable energy generation and lower natural gas prices have resulted in retirements and planned retirements of coal-fired generators throughout the Midwest and Southeast markets. OMU cannot predict the impact of retirements on the transmission grid or on wholesale market prices but is monitoring announcements on this matter and is actively working with LGE/KU transmission planning to determine the impact, if any, on transmission rates.

Both MISO and PJM have structured capacity markets and OMU participates in the PJM capacity market as an external resource. Ongoing rule changes and existing requirements in PJM regarding the eligibility of Demand Side Management ("*DSM*") resources have the potential to reduce the amount of installed generating capacity needed by PJM. With a significant participation level by large industrial electric demand customers in PJM, on any given maximum generation emergency day the number of responding DSM resources is unknown and the impact on capacity prices is uncertain. OMU continues to monitor this situation. With the shutdown of Unit 1 and

the planned shutdown of Unit 2 in 2020. OMU will no longer participate in the PJM capacity market and has repurchased capacity to offset its previous capacity commitments with PJM.

RETAIL ENERGY MARKET

The City's enabling statute, KRS 96.520, allows it to establish, erect, maintain and operate an electric power plant and necessary extensions within or without the corporate limits of the City, for the purpose of supplying the City and its inhabitants with electric light, heat and power. Pursuant to KRS 278.018, the Kentucky Public Service Commission has established certified territories for each retail electric supplier and each supplier has the exclusive right to furnish retail electric service to all electric consuming facilities located within its certified territory.

Changes to competitive retail market rules in PJM and MISO are not expected to have an impact to OMU as OMU's PJM and MISO transactions are at the wholesale level.

ENVIRONMENTAL, SAFETY AND HEALTH

OMU's operations are subject to continuing environmental, health and safety regulation. Federal, state and local standards and procedures that regulate the environmental impact of OMU's generation and transmission facilities are all subject to change through continuing legislative, regulatory and judicial action. Consequently, there is no assurance that the electric generating units and transmission facilities of OMU will remain subject to the regulations currently in effect, will always be in compliance with future regulations, that OMU can anticipate the outcome of current regulatory and legislative process, or will always be able to obtain all required operating permits. An inability to comply with environmental, health or safety standards may result in additional capital and operating expenditures to comply, reduced operating levels or the possible shutdown of the electric generating units and transmission facilities that are not in compliance.

There are a number of environmental initiatives by the EPA and U.S. Congress in various phases of development. These may require the further reduction of air emissions, regulation control of coal combustion residuals, the reduction of impacts to aquatic organisms by cooling water intake systems, and limitations on discharges from FGD systems and ash handling systems. The impact to OMU of many of the initiatives described below, unless otherwise noted, will be minimal after the shutdown of ESGS.

Clean Air Act. The Federal Clean Air Act, as amended (the "*Clean Air Act*"), regulates emissions of air pollutants, establishes national air quality standards for major pollutants, and requires permitting of both new and existing sources of air pollution. Among the provisions of the Clean Air Act that affect operation are (1) the acid rain program, which required nationwide reduction of SO₂ and NO_x from existing and new fossil fuel electric generating plants, (2) provisions related to toxic or hazardous pollutants, and (3) requirements to address regional haze.

Acid Rain Program. The Clean Air Act established an allowance market system known as the Acid Rain Program. Under the allowance system, each affected generating facility is issued,

annually, a number of allowances, for future years based upon a variety of factors. No utility may emit more tons of SO₂ or NO_x in a year than is authorized by the total allowances it holds. The use of allowances is not restricted to a specific unit or plant. Allowances not needed by a utility for its own emission may be banked for future use, or they may be sold or otherwise transferred. ESGS has surplus sulfur dioxide allowances that it generally banks for future use and is a net buyer of nitrogen oxide emission allowances each year.

The final Cross State Air Pollution Rule (“CSAPR”) update was released on September 7, 2016. The rule is a modification to the annual allowance trading program for SO₂, annual NO_x, and ozone season NO_x for states in the CSAPR region. The goal of CSAPR is to reduce air quality problems, including ozone formation, in the eastern United States. Kentucky is one of the affected states. The update further reduced NO_x emissions beginning in May 2017. The result of the CSAPR updates is that ESGS’ annual NO_x allowance allocation has been reduced by 9.3% and the ozone season allocation has been reduced by 43%. The reduction in ozone season NO_x allocations was based on the 2008 ozone National Ambient Air Quality Standards (“NAAQS”). Emission allowance costs have increased, but OMU does not anticipate additional capital investments as a result of CSAPR.

OMU has sufficient SO₂ allowances banked for compliance with Acid Rain and CSAPR requirements through the shutdown of ESGS. OMU will have to purchase a small number of NO_x seasonal allowances for final CSAPR compliance.

MATS Rule. The MATS rule became effective April 16, 2012. This regulatory program provides for comprehensive control of hazardous air pollutants using the regulatory construct commonly referred to as Maximum Achievable Control Technology (“MACT”). The rule establishes numerical emission limits for mercury; particulate matter (PM), a surrogate for toxic non-mercury metals; and hydrochloric acid, a surrogate for all acid gases. In June of 2015, the United States Supreme Court remanded the MATS rule; however, in December of 2015, the Court of Appeals for the District of Columbia Circuit ruled that the MATS rule could remain in effect and be enforced by the EPA while the flaws are corrected. ESGS installed mercury control and monitoring equipment in advance of its compliance date of April 16, 2016 and is in compliance with the MATS rule.

Regional Haze. As part of the EPA Clean Air Act regulations, each state is required to submit a state implementation plan (“SIP”) to improve visibility and air quality in Class I national parks by reducing particulate matter emissions. On November 9, 2011, the EPA agreed in a consent decree with environmental group plaintiffs to a schedule for taking action on each of the 45 Regional Haze SIPs. The consent decree establishes a schedule by which the EPA will promulgate rules under the Regional Haze Program to take actions on each SIP. The emissions of particulate from the ESGS do not impact any Class I areas and as such, the facility’s permits do not contain any regional haze related limitations.

New Source Performance Standards and the Affordable Clean Energy Rule. The EPA has undertaken rulemaking in preparation of new Green House Gas regulations for new, modified,

reconstructed and existing Electric Generating Units (“EGUs”). On June 19, 2019, EPA finalized the ACE rule replacing the Clean Power Plan (“CPP”).

The EPA issued the final CPP on August 3, 2015, establishing CO₂ emission guidelines for existing coal and natural gas fired EGUs. On March 28, 2017, President Donald Trump signed an executive order directing USEPA to consider formally repealing the CPP. EPA’s promulgation of the ACE Rule was based upon the review of the CPP and provides guidelines for the states to use in regulation CO₂ emissions from coal-fired power plants. The ACE Rule specifies heat rate improvements and best system of emission reduction (BSER) to be made at individual facilities. States have three years to submit compliance plans. No compliance investments will be required due to the shutdown of ESGS in 2020.

Coal Combustion Residual Rule. The Disposal of Coal Combustion Residuals from Electric Utilities Rule (the “CCR Rule”) was published in the Federal Register on April 17, 2015. The CCR Rule is intended to eliminate the risks associated with the storage of coal ash, including accidental releases due to breaches of dams or dykes, emission of coal waste contaminants to the waters of the U.S., and protection of the groundwater surrounding coal combustion residual disposal and storage sites. ESGS is currently in compliance with the requirements of the CCR Rule. However, certain aspects of the rule will require ESGS to invest in new coal ash management technologies if ESGS were to continue to operate. The rule requires monitoring and closure of the ESGS ash ponds. The cost to close the ash ponds is included in OMU’s forecasting. See “FINANCIAL INFORMATION—Capital Improvement Program” herein for more information. With the planned shutdown of Unit 2, the ESGS ash ponds will be closed in accordance with the rule by removal of all CCR from the facility.

Clean Water Act. The Federal Clean Water Act regulates water emissions from point and non-point sources. Power plants are subject to several regulatory programs that generally apply to point sources and non-point sources, and to specific regulations that are directly applicable to power plants. Plants are required to obtain a National Pollutant Discharge Elimination System (“NPDES”) permit which include limitations on pollutant discharge levels, permitted volumes of discharges, and other operating limits imposed by EPA and the state implementing agency.

316(b). One regulatory requirement contains requirements relating to the environmental impact of cooling water intake structures referred to as Section 316(b) (“316(b)”) which is intended to protect aquatic species in the intake water from impingement on intake screens. The EPA divided up the 316(b) rulemaking process into three phases. Phase I, published in 2001, affected new facilities. Phase II, published in 2004, affected existing electric generation plants that use at least 50 million gallons per day of cooling water. Phase III, published in 2014, addressed other existing facilities, as well as new offshore and coastal oil and gas extraction facilities, designed to withdraw at least two million gallons of water per day. The final 316(b) rule will affect ESGS, and a compliance plan has been developed that includes additional capital investment in the plant’s water intake structures. Under the current plan to close ESGS by 2020, 316(b) modifications will not be required.

Effluent Limitation Guidance Rule. The Steam Electric Power Generating Effluent Guidelines Rule (“*ELG Rule*”) was published in the Federal Register on November 3, 2015. The ELG Rule sets new or additional requirements for wastewater streams from FGD systems, fly ash, bottom ash, and flue gas mercury controls. The ELG Rule will require conversion to dry ash handling and additional FGD discharge treatment at ESGS. The program will be implemented through the Kentucky Pollutant Discharge Elimination System (“*KPDES*”) permitting program. The ESGS KPDES permit incorporates shutdown for both ESGS coal fired units before the end of 2023 as the compliance plan for ELG. No capital investments for ELG compliance will be necessary prior to closure of ESGS.

TAX MATTERS

2019A BONDS

Interest on the 2019A Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the 2019A Bonds may result in other federal income tax consequences to certain taxpayers. Holders of the 2019A Bonds should consult their tax advisors with respect to the inclusion of interest on the 2019A Bonds in gross income for federal income tax purposes and any collateral tax consequences.

2019B BONDS

Federal tax law contains a number of requirements and restrictions which apply to the 2019B 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 Commission have covenanted to comply with all requirements that must be satisfied in order for the interest on the 2019B 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 2019B Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2019B Bonds.

Subject to the City’s and the Commission’s compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the 2019B 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 under the Internal Revenue Code of 1986, as amended (the “*Code*”).

In rendering its opinion, Bond Counsel will rely upon certifications of the City and the Commission with respect to certain material facts within the City’s and the 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.

Ownership of the 2019B 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 2019B 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 2019B Bonds is the price at which a substantial amount of such maturity of the 2019B 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 2019B 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 2019B 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 2019B 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 under the Code; and (d) the accretion of original issue discount in each year may result in 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 2019B Bonds who dispose of 2019B Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2019B Bonds in the initial public offering, but at a price different from the OID Issue Price or purchase 2019B Bonds subsequent to the initial public offering should consult their own tax advisors.

If a 2019B Bond is purchased at any time for a price that is less than the 2019B 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 2019B 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 2019B 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 2019B Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2019B Bonds.

An investor may purchase a 2019B 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 2019B 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 2019B Bond. Investors who purchase a 2019B Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the 2019B Bond’s basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the 2019B Bond.

There are or may be pending in the Congress of the United States 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 2019B 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 2019B 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 Internal Revenue Service (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 2019B 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 2019B 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 2019B Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any 2019B 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 2019 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.

STATE AND LOCAL TAX CONSIDERATIONS

Under the laws of the Commonwealth, as presently enacted and construed, the 2019 Bonds are exempt from general Commonwealth ad valorem property taxes, and interest on the 2019 Bonds is exempt from the income tax imposed under Chapter 141 of the KRS. No opinion is

expressed with respect to any other taxes imposed by the Commonwealth or any political subdivisions thereof. Ownership of the 2019 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 2019 Bonds. Prospective purchasers of the 2019 Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

LITIGATION

There is no litigation pending against the City or the Commission, nor, to the knowledge of the officers or attorneys for either, threatened, in any court or other tribunal of competent jurisdiction, state or federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the 2019 Bonds; (ii) questioning or affecting the validity of the 2019 Bonds, the Ordinance or the pledge by the City of the Revenues pledged under the Ordinance; (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution or delivery of the 2019 Bonds; (iv) questioning or affecting the organization of the Board or the Commission or the title to office of the Commissioners thereof or the power of the City or the Commission to maintain and operate the Electric System and to fix and collect rates in connection therewith.

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, 2019. The Electric System, being a component unit of the City, contributes to CERS. The Electric System prepares independent financial statements apart from the City's financial statements. The Electric 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 2019 Audit for the Electric System attached hereto as APPENDIX A.

COUNTY EMPLOYEES RETIREMENT SYSTEM

The Electric 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.

See Note 8 to the 2019 Audit for the Electric 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 Electric System's actuarially determined contribution rate as of May 31, 2019, was 21.48% of annual creditable compensation, of which 16.22% and 5.26% was contributed to the Pension Account and Insurance Account within CERS, respectively. Contributions to the Pension Account by the Electric System were \$2,497,758 for the fiscal year ended May 31, 2019 (said amount representing 1.0% of total Electric System expenditures).

For the fiscal years ended May 31, 2017 through May 31, 2019, the Electric System contributed the following amounts to CERS:

| FISCAL YEAR ENDED MAY 31 | CERS AND OPEB CONTRIBUTIONS | OPEB CONTRIBUTIONS |
|-----------------------------|--------------------------------|--------------------|
| 2017 | \$2,062,855 | \$ 0 |
| 2018 | 2,148,899 | 697,502 |
| 2019 | 2,497,758 | 810,001 |

Source: The audited financial statements of the Electric System for the fiscal years ended May 31, 2017, through May 31, 2019.

Measures of Financial Position

The Electric System's proportion of the net pension liability (the "*Net Pension Liability*"), and net other post retirement employee benefits (OPEB) as described in the 2019 Audit, of CERS was based on a projection of the Electric System's long-term share of contributions relative to the projected contributions of all participating entities, actuarially determined. A separate report listing the Electric System's total pension liability and OPEB relating to CERS is not provided to the Electric System. The Electric 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 | OPEB LIABILITY |
|-----------------------------|----------------|----------------|
| 2017 | \$30,858,179 | \$ 0 |
| 2018 | 35,787,099 | 12,291,225 |
| 2019 | 37,759,911 | 11,007,791 |

See Note 8 to the 2019 Audit for the Electric System, and the related required supplementary information disclosures, for a description of CERS, the Electric 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.

Effective with the 2019 actuarial valuation, the amortization period for CERS was reset to a new thirty-year period for purposes of calculating the actuarially accrued liability contribution required under the Kentucky Revised Statutes. In the 2018 Kentucky General Legislative Assembly, the Kentucky Legislature overrode the Governor's veto and passed a law (House Bill 362) governing the pension and post-retirement health insurance requirement on employer contributions. The actuarially determined contribution rate is set by the Kentucky Retirement Systems Board for each fiscal year. Under the new law, employer contributions payable on or after July 1, 2018, and until June 30, 2028 cannot increase by more than 12% in terms of projected dollars paid by participating employers over the prior fiscal year as determined by the system's consulting actuary. While employers' pension contributions may increase each year in order to reduce pension liabilities over the Pension Plan's thirty-year amortization period, the new law

allows for increased pension costs to be phased-in by limiting year-on-year increases in employer contributions to 12% in terms of projected dollars paid by participating employers.

Ramifications for Delinquencies in Contributions to CERS

If the Electric System became delinquent in making required contributions to CERS, the Electric System could be held liable in court for the amount of the delinquent contributions plus interest. In addition, the amount owed by the Electric System to CERS could be deducted from other monies owed to the Electric System from any department or agency of the Commonwealth. If the Electric 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 Electric System until the delinquent contributions, with interest, have been paid to CERS.

CONTINUING DISCLOSURE

The Commission will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the beneficial owners of the 2019 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 E, 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 the Commission’s fiscal year (presently, May 31), commencing with the fiscal year ended May 31, 2020. The Undertaking will be made by the Commission in order to assist the Underwriter in complying with Rule 15c2-12.

The 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. [The City’s water debt consisted of Water Revenue Refunding and Improvement Bonds, Series 2009, Water Revenue Refunding and Improvement Bonds, Series 2014, Water Revenue Improvement Bonds, Series 2015 and Water Revenue Refunding Bonds, Series 2017 (the “*Water Revenue Bonds*,” together with the Currently Outstanding Bonds, the “*Prior Obligations*”). At the request of the Underwriter, the Commission provides the following information: The 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 Commission believes that information was adequately disseminated or available through other sources. The operating data filed for the City’s Currently Outstanding 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.]⁹ The 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.

⁹ This section remains under review.

A failure by the Commission to comply with the Undertaking will not constitute an event of default under the Ordinance and beneficial owners of the 2019 Bonds are limited to the remedies described in the Undertaking. See “APPENDIX E—FORM OF CONTINUING DISCLOSURE UNDERTAKING.” A failure by the 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 2019 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the 2019 Bonds and their market price.

CERTAIN LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the 2019 Bonds are subject to the approving legal opinion of Chapman and Cutler LLP, Chicago, Illinois, as Bond Counsel (the “*Chapman and Cutler*” or “*Bond Counsel*”), who has been retained by, and acts as, Bond Counsel to the City and the Commission. Chapman and Cutler has also been retained by the City and the Commission to serve as Disclosure Counsel to the City with respect to the 2019 Bonds. Although as Disclosure Counsel to the City and the Commission, Chapman and Cutler has assisted the City and Commission 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 2019 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 2019 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 2019 Bonds for investment by any investor. Certain legal matters will be passed upon for the City and the Commission by its counsel.

Certain legal matters will be passed upon for the Underwriter by its counsel, Nixon Peabody LLP, and for OMU by its counsel, Kamuf, Pace and Kamuf, Owensboro, Kentucky.

RATINGS

S&P and Moody’s Investors Services, Inc. (“*Moody’s*,” together with S&P, the “*Rating Agencies*”) have assigned underlying municipal bond ratings of “__” (stable outlook) and “__” (stable outlook), respectively, to the 2019 Bonds. The underlying ratings reflect only the view of the Rating Agencies at the time such ratings are given, and neither the Underwriter nor the City makes any representation as to the appropriateness of such ratings. An explanation of the significance of such ratings may be obtained only from the Rating Agencies. The City and the Commission have furnished the Rating Agencies with certain information and materials relating to the 2019 Bonds, the City and the Commission that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so

furnished and on investigations, studies and assumptions made by the rating agencies. The above ratings are not a recommendation to buy, sell or hold the 2019 Bonds. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency originally establishing such rating, circumstances so warrant. The Underwriter has not undertaken any responsibility to bring to the attention of the holders of the 2019 Bonds any proposed revision or withdrawal of any rating of the 2019 Bonds or to oppose any such proposed revision or withdrawal. Pursuant to the Continuing Disclosure Undertaking, the City is required to bring to the attention of the holders of the 2019 Bonds any proposed revision or withdrawal of any rating of the 2019 Bonds but has not undertaken any responsibility to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of a rating could have an adverse effect on the market price and marketability of the 2019 Bonds.

VERIFICATION OF MATHEMATICAL CALCULATIONS

Upon delivery of the 2019 Bonds, _____ (the “*Verification Agent*”) will deliver to the City a report indicating that such firm has examined, in accordance with standards established by the American Institute of Certified Public Accountants, the information and assertions provided by the Financial Advisor and the City and its representatives. Included in the scope of its examination will be a verification of the mathematical accuracy of the adequacy of the money and Escrowed Securities held in the Escrow Fund to pay the accrued and unpaid interest on and the redemption price of the Refunded Bonds as the same shall become due and payable prior to and including January 1, 2020, the date of redemption of the Refunded Bonds (as described under the caption “PLAN OF FINANCE—Refunding of the Refunded Bonds”). Such verification of the accuracy of the computations will be based upon information supplied by the Financial Advisor and on interpretations of the Code, as amended, provided by Bond Counsel.

FINANCIAL ADVISOR

Stifel, Nicolaus & Company, Incorporated, St. Louis, Missouri (the “*Financial Advisor*”) is employed as Financial Advisor to the City to render certain professional services, including advising the City on a plan of financing and preparing the Official Statement for the sale of the 2019 Bonds. Stifel, Nicolaus & Company, Incorporated, in its capacity as Financial Advisor, has read and participated in drafting certain portions of this Official Statement and has supervised the compilation and editing thereof. 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 2019 Bonds. Stifel’s compensation for serving as the Financial Advisor on the 2019 Bonds is conditional on the successful closing of the 2019 Bonds.

UNDERWRITING

BofA Securities, Inc. (the “*Underwriter*”) has agreed, subject to certain conditions, to purchase of all, but not less than all, of the 2019 Bonds from the City at a purchase price equal to \$_____ (which is equal to the aggregate principal amount of the 2019 Bonds, plus [net] original issue premium of \$_____, less an underwriting discount of \$_____). The Underwriter is purchasing the 2019 Bonds from the City for resale in the normal course of the Underwriter’s business activities. The Underwriter is committed to purchase all of the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers, bank and others (including underwriters and other dealers depositing such Bonds into investment trusts) at prices different than such initial offering prices and such initial offering prices may be changed from time to time by the Underwriter.

The 2019 Bonds are being offered for sale to the public at the prices shown on the inside cover page hereof. The Underwriter reserves the right to lower such initial offering prices as it deems necessary in connection with the marketing of the 2019 Bonds. The Underwriter may offer and sell the 2019 Bonds to certain dealers (including dealers depositing the 2019 Bonds into investment trusts) and others at prices lower than the initial public offering price or prices set forth in the Official Statement. The Underwriter reserves the right to join with dealers and other underwriters in offering the 2019 Bonds to the public. The obligation of the Underwriter to accept delivery of the 2019 Bonds is subject to the terms and conditions set forth in the Purchase Contract, the approval of legal matters by counsel and other conditions. The Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the 2019 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

The City intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent the Underwriter or an affiliate thereof is an owner of Refunded Bonds, the Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the 2019 Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the City.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

BofA Securities, Inc., an Underwriter of the Bonds, has entered into a distribution agreement with its affiliate Merrill Lynch, Pierce, Fenner & Smith Incorporated (“MLPF&S”). As part of this arrangement, BofA Securities, Inc. may distribute securities to MLPF&S, which may in turn distribute such securities to investors through the financial advisor network of MLPF&S. As part of this arrangement, BofA Securities, Inc. may compensate MLPF&S as a dealer for their selling efforts with respect to the Bonds.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

INDEPENDENT AUDITORS

The general purpose financial statements of the Electric System for the Fiscal Years ended May 31, 2019 and May 31, 2018 included in this Official Statement as APPENDIX B have been audited by Riney Hancock CPAs PSC, independent certified public accountants, as stated in their report appearing in APPENDIX B of this Official Statement. Riney Hancock CPAs PSC, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Riney Hancock CPAs PSC also has not performed any procedures relating to this Official Statement.

MISCELLANEOUS

The information contained in this Official Statement is neither guaranteed as to accuracy or completeness nor is to be construed as a representation by the Underwriter. Any statements made in this Official Statement involving matters of opinion or of 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 the estimates will be realized. The information and expressions of opinion contained in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of OMU, the Electric System or the City.

Additional information regarding the City or the 2019 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: /s/
General Manager
Owensboro Municipal Utilities

_____, 20__

APPENDIX A

CERTAIN INFORMATION REGARDING THE CITY

The following information is furnished to provide certain information about the area served by the Electric System. Unless otherwise indicated, the source of all information contained under this heading is the Owensboro-Daviess County Chamber of Commerce.

LOCATION AND POPULATION

The City is the county seat of Daviess County, Kentucky (the “County”), and 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% ⁽¹⁾ | 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–Daviess 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 a \$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.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF
OWENSBORO MUNICIPAL UTILITIES
FOR THE FISCAL YEARS ENDED
MAY 31, 2018 AND MAY 31, 2019**

DRAFT

APPENDIX C

DEFINITIONS

The following are definitions of certain terms used in this Official Statement. Capitalized terms which are not otherwise defined herein will have the meanings given them in the Ordinance.

“Accrued Aggregate Debt Service” means, as of any date of calculation, an amount equal to the sum of the amounts of accrued Debt Service with respect to all Series, calculating the accrued Debt Service with respect to each Series at an amount equal to the sum of (a) interest on the Bonds of such Series accrued and unpaid and to accrue to the end of the then current calendar month, and (b) Principal Installments due and unpaid and that portion of the Principal Installment for such Series next due which would have accrued (if deemed to accrue in the manner set forth in the definition of Debt Service) to the end of such calendar month.

“Act” means the Constitution and laws of the Commonwealth of Kentucky, including particularly Section 96.520 *et seq.* of the Kentucky Revised Statutes, which by reference includes the provisions of Sections 96.360 to 96.510, inclusive, and Section 82.082 of the Kentucky Revised Statutes, as amended and supplemented.

“Additional Bonds” means Bonds issued under the Ordinance upon satisfaction of the conditions described under “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Additional Bonds” to finance Additional Projects.

“Additional Project” means (a) one or more major renewals or replacements of the Electric System, or major additions or improvements thereto, or new facilities providing for additional services, such as telecommunications facilities or other energy-related facilities, such as gas, to the fullest extent permitted by the City or the Commission by the Act; or any expansion of the Electric System by the construction, acquisition or installation of additional generating, transmission, transformation or distribution facility or facilities related thereto, or the interest of the City or the Commission in any one or more of the foregoing items to be constructed, acquired or installed pursuant to a joint venture or other cooperative agreement; (b) any mine, well, pipeline, plant, structure or other facility or any rights or interest therein for the development, production, manufacture, transportation, storage, fabrication or processing of fossil or nuclear fuel of any kind or any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the City’s generating plants or the interest of the City in any one or more of the foregoing items to be constructed or otherwise acquired pursuant to a joint venture or other cooperative agreement; (c) where the City or the Commission will acquire electric power supply or transmission capability under arrangements (including, without limitation, a joint venture or other cooperative agreement) whereby the City or the Commission purchases rights to receive, or leases or otherwise acquires rights to or an interest in facilities, or the production of facilities to enable it to receive an electric power supply or transmission capability, the City’s or the Commission’s rights and interests under such arrangements or agreements; (d) where the City or the Commission will purchase the rights to receive a power supply or transmission capacity by making a prepayment of capital costs associated with power supply or transmission capacity, such rights of the City or the Commission to such power supply or transmission capacity; (e) any

additions, repairs, renewals and replacements, improvements, expansions or corrections of any damage or loss to the Electric System (or any part thereof) advisable to keep the Electric System (or any part thereof) in good operating condition or to prevent a loss of Revenues therefrom to the extent that the cost thereof cannot reasonably be paid from available moneys in the Depreciation Fund or from insurance proceeds or to comply with the requirements of any governmental agency having jurisdiction over the Electric System; and (f) in connection with the planning and development of power resources or the determination of the feasibility thereof, the acquisition of land or water supplies or rights with respect thereto and preliminary and developmental work, including engineering, legal and financial studies and applications for permits, licenses and approvals, or any one or more of the foregoing, together, in each of the cases mentioned in (a) through (e) above, with all rights, interests, facilities, land, rights in land, structures, inventories of supplies, materials, equipment of every kind related or incidental thereto or necessary or desirable to carry out such Additional Project.

“Authorized Officer of the City” means the Mayor, City Clerk, Director of Finance, City Manager or City Attorney or any officer or employee of the City or the Commission authorized to perform specific acts or duties required under the Ordinance by ordinance or resolution duly adopted by the Board.

“Board” means the Board of Commissioners of the City or their successors as the governing body of the City.

“Bond” or *“Bonds”* means the 1991-B Bonds, the 2002-A Bonds, the 2017 Bonds, the 2019 Bonds and any other bonds issued under the Basic Ordinance.

“Bond Registrar” means any person appointed by the City pursuant to the Ordinance to perform the duties of Bond Registrar for a Series. The City has appointed U.S. Bank National Association as Bond Registrar for the 2019 Bonds.

“City” means the City of Owensboro, Kentucky, a municipal corporation organized and existing under the laws of the Commonwealth of Kentucky.

“Code and Regulations” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder or proposed pursuant thereto as the same may be in effect from time to time.

“Commercial Operation Date” means, with respect to any Additional Project, the date such Additional Project is capable of fulfilling the purposes for which it was acquired, constructed or installed, as evidenced by a certificate of the Commission Engineer.

“Commission” means the City Utility Commission of the City established and functioning pursuant to Section 96.530 of the Kentucky Revised Statutes and pursuant to an ordinance adopted by the City on July 29, 1940, as amended, providing for the management, control and operation of the Electric System.

“Commission Engineer” means an engineer licensed to practice in the Commonwealth of Kentucky who may be an employee of the Commission.

“Construction Fund” means the Electric Light and Power System Construction Fund provided for in the Ordinance.

“Consulting Engineer” means an independent engineer or engineering firm or corporation at the time retained by the Commission pursuant to the Ordinance to perform the acts and carry out the duties provided for such Consulting Engineer in the Ordinance. The Commission currently retains Burns & McDonnell, Kansas City, Missouri to act as Consulting Engineer with respect to financial and economic analyses, rate studies and related matters.

“Cost of Acquisition and Construction” means, with respect to any Additional Project, all costs of planning, designing, acquiring, constructing, financing and placing in operation each of such Additional Projects, including obtaining governmental approvals, certificates, permits and licenses with respect thereto, heretofore or hereafter paid or incurred by the City or the Commission, and which shall include, but not be limited to:

- (a) funds required for initial working capital and operating reserves in such amounts as may be reasonably determined to be necessary or appropriate by the Commission, on the advice of the Commission Engineer, during construction of the facilities or for the placing of the facilities in operation, including all amounts required by the Ordinance to be paid into the Operation and Maintenance Fund from the proceeds of the Bonds;
- (b) funds required for the acquisition of initial fuel inventory for any Additional Project and working capital therefor;
- (c) training and testing costs, preliminary investigation and development costs, engineering fees, contractors’ fees, labor costs, the costs of materials, obtaining permits, licenses and approvals, costs of real property, insurance premiums, legal and financing costs, administrative and general costs, and other costs properly allocable to the acquisition and construction of any Additional Project and placing the same in operation;
- (d) costs associated with the acquisition of electric power supply or transmission capability under arrangements whereby the City or the Commission purchases rights to receive leases or otherwise acquires rights to facilities to enable it to receive an electric power supply or transmission capability;
- (e) all costs relating to injury and damage claims arising out of construction of any Additional Project;
- (f) funds required for the payment of all federal, state and local taxes legally required to be paid in connection with the acquisition and construction of any Additional Project;

(g) costs and expenses incurred in the issuance and sale of Bonds for any Additional Project, including discount to the underwriter or other purchasers thereof;

(h) amounts, if any, required by the 2019 Supplemental Ordinance to be paid from the proceeds of the 2019 Bonds into the Debt Service Reserve Account; and

(i) all other costs incurred by the City or the Commission in connection with, and properly allocable to, the acquisition and construction of any Additional Project.

“Current Funds” means United States federal funds which are immediately available in the hands of the payee at the place of payment.

“Debt Service” for any period means, as of any date of calculation and with respect to any Series, an amount equal to the sum of (a) interest accruing during such period on Bonds of such Series, except to the extent that such interest is to be paid from deposits into the Debt Service Account in the Sinking Fund from Bond proceeds and (b) that portion of each Principal Installment for such Series which would accrue during such period if such Principal Installment were deemed to accrue daily in equal amounts from the next preceding Principal Installment due date for such Series (or, if there is no such preceding Principal Installment due date, from a date one year preceding the due date of such Principal Installment or from the date of issuance of the Bonds of such Series, whichever date is later). Such interest and Principal Installments for such Series will be calculated on the assumption that no Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of each Principal Installment on the due date thereof.

“Debt Service Account” means the Debt Service Account in the Sinking Fund.

“Debt Service Reserve Account” means the Debt Service Reserve Account in the Sinking Fund.

“Debt Service Reserve Requirement” means one-half Maximum Annual Debt Service.

“Defeasance Government Obligations” means Government Obligations which are not subject to redemption other than at the option of the holder thereof.

“Defeasance Obligations” means (1) Defeasance Government Obligations and (2) obligations of any state or territory of the United States or any political subdivision thereof which obligations are rated at the time of purchase in the highest rating category by each of the Rating Agencies and which obligations meet the following requirements: (a) the obligations are not subject to redemption or the escrow agent or trustee therefor has been given applicable instructions by the issuer thereof to call such obligations for redemption; (b) the obligations are secured by cash or Defeasance Government Obligations that may be applied only to interest, principal, and premium payments of such obligations; (c) the principal of and interest on the Defeasance Government Obligations (plus any cash in the escrow or trust fund) are sufficient to meet the liabilities of the obligations; (d) the Defeasance Government Obligations serving as security for such obligations are held by an escrow agent or trustee; and (e) the Defeasance

Government Obligations are not available to satisfy any other claims, including those against such escrow agent or trustee, in each case being also Investment Securities.

“Deferred-Current Interest Bonds” means any bonds the interest on which is compounded semi-annually to a future certain date and payable at maturity or upon redemption and from and after such future certain date interest at a specified rate per annum on the Compounded Amount is payable semiannually until maturity or redemption of such Bonds.

“Deferred Interest Bonds” means any Bonds the interest on which is compounded semiannually and payable at maturity or upon redemption.

“Depreciation Fund” means the Depreciation Fund provided for in the Ordinance.

“Depreciation Requirement” means, for any Fiscal Year, such amount as is adequate and proper, within the discretion of the Commission, to provide available moneys for the stated purposes of such fund.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participants” will have the meaning given it under “THE 2019 BONDS—Book-Entry Only System.”

“Electric System” means the municipal electric light and power system, and any further system or service permitted by the Act as a part thereof, owned and operated by the City and existing at the time of enactment of the 2019 Supplemental Ordinance by which the City serves the needs of the City and its inhabitants and others, together with all additions, expansions, improvements, renewals and replacements thereto hereafter made or acquired by the City.

“Escrow Holder” means a bank, trust company or national banking association appointed by the City to act as Escrow Holder under the Ordinance; provided, however, that such bank, trust company or national banking association must have a capital stock and surplus aggregating at least \$10,000,000.

“Estimated Additional Investment Income” means, for any particular Fiscal Year, the amount of investment income the Consulting Engineer estimates will be earned during such Fiscal Year from amounts held or reserved or reasonably expected to be available in any fund or account held under the Ordinance to pay Bonds of any Series.

“Facilities Charge Fund” means the Facilities Charge Fund created in the Ordinance.

“Fiscal Year” means the 12-month period beginning June 1 and ending May 31, or as otherwise provided by the Commission.

“Government Obligations” means (1) any direct obligations of or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by the United State

of America and (2) certificates of ownership of the principal of or interest on obligations of the type described in clause (1) of this definition (a) which obligations are held in trust by a commercial bank which is a member of the Federal Reserve System in the capacity of a custodian, (b) the owner of which certificate is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) for which the underlying obligations are held in safekeeping in a special account, segregated from the custodian's general assets and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated, in each case being also Investment Securities.

"Indirect Participants" will have the meaning given it under "THE 2019 BONDS—Book-Entry Only System."

"Investment Securities" means any and all lawful investments for the City; *provided, however,* contracts of the City or the Commission to hedge against future energy price increases shall not be deemed Investment Securities, but rather shall be a contractual cost of energy payable as Operation and Maintenance Expenses.

"Maximum Annual Debt Service" means, as of any date of computation, the highest amount of Debt Service in any of the then current or any future Fiscal Years.

"Net Revenues" for any period means the Revenues during such period less the amounts paid from the Revenue Fund into the Operation and Maintenance Fund during such period.

"1991-B Bonds" means the \$62,474,359 original principal amount of the City's Electric Light and Power System Revenue Bonds, Series 1991-B, of which \$15,111,858 in Compounded Amount were outstanding as of June 1, 2019.

"1991-B Supplemental Ordinance" means the Supplemental Ordinance adopted by the Board on November 19, 1991 in connection with the issuance of the 1991-B Bonds.

"2002A Bonds" means the \$34,905,000 original principal amount of the City's Electric Light and Power System Revenue Bonds, Taxable 2002-A Series, of which \$3,550,000 is currently Outstanding.

"2002 Supplemental Ordinance" means the Supplemental Ordinance adopted by the City on January 22, 2002 in connection with the issuance of the 2002A Bonds.

"2017 Bonds" means the \$49,685,000 original principal amount of the City's Electric Light and Power System Revenue Bonds, 2017 Series, of which \$49,345,000 is currently Outstanding.

"2017 Supplemental Ordinance" means the Supplemental Ordinance adopted by the Board on August 1, 2017 in connection with the issuance of the 2017 Bonds.

"2019 Bonds" means the Bonds being offered by this Official Statement.

“2019 Supplemental Ordinance” means the Supplemental Ordinance adopted by the Board on November 5, 2019 in connection with the issuance of the 2019 Bonds.

“Operation and Maintenance Expenses” means (a) the expenses for operation and maintenance of the Electric System, and ordinary repairs, replacements and reconstruction of the Electric System not constituting a unit of property (as generally prescribed by the Federal Energy Regulatory Commission), including all costs of producing and delivering electric power and energy from the Electric System and payments into reserves in the Operation and Maintenance Fund for items of Operation and Maintenance Expenses, the payment of which is not immediately required, and includes, without limiting the generality of the foregoing, fuel costs, costs of transmission service, generating capacity, reserve service and scheduled, emergency, economy or other interchange service, all other costs of purchased power, rents, administrative and general expenses, engineering expenses, legal and financial advisory expenses, required payments to pension, retirement, health and hospitalization funds, insurance premiums, and any taxes or payments in lieu of taxes; (b) any other current expenses or obligations required to be paid under the provisions of the Ordinance or by law, all to the extent properly allocable to the Electric System; and (c) the fees and expenses of the Bond Registrar, depository, escrow agent or holder or other fiduciary for the Bonds or in connection with the administration of the Electric System. Operation and Maintenance Expenses does not include any costs or expenses for new construction or any allowance for depreciation.

“Operation and Maintenance Fund” means the Operation and Maintenance Fund created in the Ordinance.

“Ordinance” means the Electric Light and Power System Revenue Bond Ordinance adopted by the City on January 22, 2002, as amended and supplemented by the 2019 Supplemental Ordinance and as from time to time further amended or supplemented by Supplemental Ordinances in accordance with its terms.

“Outstanding,” when used with reference to Bonds, means, as of any date, Bonds theretofore or thereupon being issued and delivered under the Ordinance except:

- (a) Bonds cancelled at or prior to such date;
- (b) Bonds (or portions of Bonds) for any payment or redemption of which moneys, equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date, are held in trust under the Ordinance and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption has been given properly with respect to such Bonds as provided in the Ordinance;
- (c) Bonds in lieu of or in substitution for which other Bonds have been issued and delivered pursuant to the Ordinance or of a Supplemental Ordinance relating to the transfer or replacement of Bonds; and

(d) Bonds deemed to have been paid as provided in the Ordinance relating to defeasance.

“Principal Installment” means, as of any date of calculation with respect to any Series, so long as any Bonds thereof are Outstanding, (a) the principal amount (including in such amount the amount of any interest which accrues and is unpaid to a date certain in a manner so as not to be included in interest accruing for any period as provided in clause (a) of the definition of Debt Service) of such Series due on a future certain date for which no Sinking Fund Installments have been established or (b) the unsatisfied balance of any Sinking Fund Installments due on a future certain date for Bonds of such Series, plus the amount of the sinking fund redemption premiums, if any, which would be applicable upon redemption of such Bonds on such future date in a principal amount equal to said unsatisfied balance of such Sinking Fund Installments, or (c) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds and of such unsatisfied balance of Sinking Fund Installments due on such future date plus such applicable redemption premiums, if any.

“Redemption Price” means, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or the Ordinance.

“Refunding Bonds” means Bonds issued under the Ordinance upon satisfaction of the conditions described under “SUMMARY OF CERTAIN PROVISIONS OF THE ORDINANCE—Refunding Bonds” to refund Bonds previously issued.

“Reserve and Contingency Fund” means the Reserve and Contingency Fund provided for in the Ordinance.

“Revenue Fund” means the Electric Revenue Fund provided for in the Ordinance.

“Revenues” means (a) all revenues and income derived or to be derived from or attributable to the ownership and operation of the Electric System, including all revenues attributable to any Additional Project received or to be received under any contract for the sale of power, energy, transmission or other service from the Electric System or any part thereof or any contractual arrangement with respect to the use of the Electric System or any part thereof or the services, output or capacity thereof; (b) the proceeds of any insurance covering business interruption loss relating to the Electric System; and (c) interest received or to be received on any moneys or securities (other than in the Construction Fund and the Rebate Fund) held pursuant to the Ordinance and required to be paid into the Revenue Fund or the Sinking Fund.

“Series” means all of the Bonds issued and delivered on original issuance and identified pursuant to the Basic Ordinance or the Supplemental Ordinance authorizing such Bonds as a separate Series of Bonds, and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds, regardless of variations in maturity, interest rate, Sinking Fund Installments, redemption terms or other provisions.

“Sinking Fund” means the Electric Light and Power System Bond and Interest Redemption Fund provided for in the Ordinance.

“Sinking Fund Installment” means an amount so designated which is established for Term Bonds of a Series pursuant to the Basic Ordinance or any Supplemental Ordinance, *provided, however,* that subject to another requirement as may be provided in a Supplemental Ordinance for a Series of Bonds, if Term Bonds are redeemed pursuant to optional redemption or purchases by the Commission, the Sinking Fund Installments or amounts due at maturity for such Term Bonds shall be reduced to give effect to such redemptions or purchases in any manner as the Commission may determine.

“Subordinate Bonds” means bonds or any other obligation payable from the Subordinated Bonds Fund.

“Subordinated Bonds Fund” shall mean the Subordinated Bonds Fund provided for in the Ordinance.

“Supplemental Ordinance” means any ordinance supplemental to or amendatory of the Ordinance.

“Term Bonds” means the Bonds of a Series which shall be stated to mature on one or more dates through the payment of Sinking Fund Installments.

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APPENDIX D

PROPOSED FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[TO BE DATED CLOSING DATE]

Board of Commissioners
of the City of Owensboro
Owensboro, Kentucky

Board of Commissioners
of the City Utility Commission
Owensboro, Kentucky

Ladies and Gentlemen:

We hereby certify that we have examined a certified copy of the proceedings (the "*Proceedings*") of the Board of Commissioners of the City of Owensboro, in Daviess County, Kentucky (the "*City*") and the Board of Commissioners of the Utility Commission (as hereinafter defined), passed preliminary to the issue by the City of its fully registered Electric Light and Power System Refunding Revenue Bonds, Taxable 2019-A Series, to the amount of \$_____ (the "*2019A Bonds*"), and Electric Light and Power System Refunding Revenue Bonds, Tax-Exempt 2019-B Series, to the amount of \$_____ (the "*2019B Bonds*") and together with the 2019A Bonds, the "*Bonds*"), dated the date hereof, of the denomination of \$5,000 or authorized integral multiples thereof, and due on January 1 of the years, in the respective amounts, and bearing interest at the respective rates percent per annum as follows:

THE 2019A BONDS

| YEAR | AMOUNT (\$) | RATE (%) |
|------|-------------|----------|
| 2021 | | |
| 2022 | | |

THE 2019B BONDS

| YEAR | AMOUNT (\$) | RATE (%) |
|------|-------------|----------|
| 2021 | | |
| 2022 | | |
| 2023 | | |
| 2024 | | |
| 2025 | | |
| 2026 | | |
| 2027 | | |

Each 2019 Bond bears interest from the later of the dated date as stated above or from the most recent interest payment date to which interest has been paid or duly provided for, until the principal amount of each such bond, respectively, 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 January 1 and July 1 of each year, commencing January 1, 2018.

The 2019A Bonds are subject to redemption prior to maturity at the option of the City through its Utility Commission, in whole or in part, on any Business Day (as defined in the hereinafter defined Bond Order), at the Make-Whole Redemption Price (as defined in the Bond Order), as set forth in the Bond Order.

The 2019B Bonds maturing on and after January 1, 20__ are 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 on or after January 1, 20__ and if in part, in any order of maturity as selected by the Utility Commission, and if less than an entire maturity, selected as provided in the Ordinance (as hereinafter defined), at the redemption price of par plus accrued interest to the date of redemption.

The 2019 Bonds are authorized and issued under and pursuant to Ordinance No. 3-02 finally adopted by the Board of Commissioners of the City on January 22, 2002, as supplemented and amended (the "*Basic Ordinance*"), including by Ordinance No. __-2019 finally adopted by the Board of Commissioners of the City on November 5, 2019 (the "*Supplemental Ordinance*"), as supplemented by a Bond Order dated _____ (the "*Bond Order*") (collectively, the Basic Ordinance, the Supplemental Ordinance and the Bond Order, the "*Ordinance*"), and we are of the opinion that the aforesaid proceedings show lawful authority for the issuance of the 2019 Bonds under the laws of the Commonwealth of Kentucky (the "*Commonwealth*") now in force.

The 2019 Bonds are issued under the Ordinance to refund certain outstanding revenue bonds of the City payable from the revenues derived from the operation of the municipal electric light and power system of the City (the "*Electric System*"), the proceeds of which were used to finance or refinance the acquisition and construction of extensions and improvements to the Electric System.

The management and operation of the Electric System is controlled by a utility commission (the "*Utility Commission*") created by ordinance adopted July 29, 1940, as amended, and functioning under the provisions of Section 96.530 of the Kentucky Revised Statutes for the assurance of the citizens of the City and the holders of revenue bonds heretofore and hereafter issued of an efficient management and control of said Electric System.

We further certify that we have examined the prescribed form of the 2019 Bonds as set forth in the Ordinance and find the same in due form of law; and in our opinion the 2019 Bonds, to the amount named, constitute valid and legally binding special obligations of the City, according to the import thereof, except that the rights of the owners of the 2019 Bonds and the enforceability of the 2019 Bonds may be limited by bankruptcy, insolvency, moratorium, reorganization and other similar laws affecting creditors' rights and by equitable principles, whether considered at law or in equity, including the exercise of judicial discretion, and that the 2019 Bonds, together

with other parity bonds of the City previously or contemporaneously issued and any additional bonds ranking on a parity therewith as may be issued and outstanding under the conditions and restrictions set forth in the Ordinance, are and will continue to be payable as to both principal and interest only from and secured by an exclusive pledge of the Revenues (as defined in the Ordinance) derived from the operation of the Electric System; and the City has covenanted that it will fix such rates for the services and facilities of the Electric System and collect and account for the Revenues therefrom to provide Revenues sufficient to pay the interest on and principal of the 2019 Bonds and parity bonds and also to pay the costs of operation and maintenance of the Electric System.

It is our opinion that, subject to the City's and the Utility Commission's compliance with certain covenants, under present law, interest on the 2019A 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 alternative minimum tax for individuals under the Internal Revenue Code of 1986, as amended. Failure to comply with certain of such City and Utility Commission covenants could cause interest on the 2019A Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2019A Bonds. Ownership of the 2019A Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the 2019A Bonds.

It is our opinion that under present law, interest on the 2019B Bonds is includible in gross income of the owners thereof for federal income tax purposes. Ownership of the 2019B Bonds may result in other federal income tax consequences to certain taxpayers. 2019B Bondholders should consult their own tax advisors concerning tax consequences of ownership of the 2019BBonds.

It is our opinion that under the laws of the Commonwealth, as presently enacted and construed, the 2019 Bonds are exempt from general Commonwealth ad valorem property taxes, and interest on the 2019 Bonds is exempt from the income tax imposed under Chapter 141 of the Kentucky Revised Statutes. No opinion is expressed with respect to any other taxes imposed by the Commonwealth or any political subdivisions thereof. Ownership of the 2019 Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the 2019 Bonds.

In rendering this opinion, we have relied 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. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

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APPENDIX E

FORM OF CONTINUING DISCLOSURE UNDERTAKING

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**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 Electric Light and Power System Refunding Revenue Bonds, Taxable 2019-A Series (the “*2019A Bonds*”), and Electric Light and Power System Refunding Revenue Bonds, Tax-Exempt 2019-B Series (the “*2019B Bonds*” and, together with the 2019A Bonds, 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 5th day of November, 2019 and a Bond Order executed by designated officers of the City and the Utility Commission on the ____ day of November, 2019.

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*.

Commission means the Securities and Exchange Commission.

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.

Financial Obligation of the Utility Commission means (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

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 Commission under the Exchange Act, as the same may be amended from time to time.

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 November __, 2019 (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. References to “material” in *Exhibit II* refer to materiality as it is interpreted under the Exchange Act. 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 ordinance 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 Commission, 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 by a party unaffiliated with the Utility Commission (such as 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 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: _____, 2019

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 described as follows:

1. Under the caption “THE ELECTRIC SYSTEM”:
 - The tables headed “Unit 1 Historical Operations” and “Unit 2 Historical Operations,” *provided*, that each such table shall only be updated for as long as the generating unit that is the subject of such table remains in operation;
 - The historical information appearing in the table headed “Historical and Projected Total Energy and Peak Demand”;
 - The table headed “Sales by Class of Customer and Sources of Energy (MWh)”;
 - The table headed “Operating Revenues by Class of Customer”; and
 - The table headed “Average Electric Rates”.
2. Under the caption “FINANCIAL INFORMATION,” the table headed:
 - “Historical Net Revenues and Debt Service Coverage”.

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 Commission. 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 Commission. 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 Utility Commission or 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
15. Incurrence of a Financial Obligation, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Utility Commission, any of which affect security holders, if material
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation, any of which reflect financial difficulties

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Utility Commission or 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 Utility Commission or 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 Utility Commission or the City.

**EXHIBIT III
CUSIP NUMBERS
(BASE NUMBER IS 691021)**

2019A BONDS

YEAR

SUFFIX

2019B BONDS

YEAR

SUFFIX

**RESOLUTION
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 (i) provide for the payment of certain outstanding bonds of the City (the "*Defeased Bonds*") and (ii) issue not to exceed \$80,000,000 in City of Owensboro, Kentucky, Electric Light and Power System Refunding Revenue Bonds, in one or more series (the "*2019 Bonds*") for the purpose of providing a portion of the costs of paying such Defeased Bonds;

WHEREAS, in connection with the payment of the Defeased Bonds and the sale of the 2019 Bonds by the City, it will be necessary for the Board of Commissioners of the City (the "*City Commissioners*") to adopt an ordinance authorizing issuance and sale of the 2019 Bonds (the "*Supplemental Ordinance*"), and such ordinance has been submitted to the Utility Commission;

WHEREAS, the Utility Commission has selected BofA Securities, Inc., as manager, and designated associates, if any, as the underwriters of the 2019 Bonds; and

WHEREAS, there will be prepared a draft Preliminary Official Statement describing the 2019 Bonds at such time and in such manner as set forth in the Supplemental Ordinance to be adopted to authorize the sale of the 2019 Bonds; and

WHEREAS, in accordance with Sections A13 and A19 of Ordinance Number 3-02 of the City, adopted by the City on January 22, 2002, including the Basic Ordinance Terms and Provisions included as Appendix A thereto (the "*Basic Ordinance*"), the Utility Commission may direct the use of amounts in the Debt Service Account and the Debt Service Reserve Account and may direct the use of Generally Available Moneys (as defined in the Basic Ordinance) to the retirement of Bonds (as defined in the Basic Ordinance), such as the Defeased Bonds:

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

1. The City Commissioners are hereby requested to introduce at their meeting on October 15, 2019 a Supplemental Ordinance in substantially the form before this meeting authorizing the payment of the Defeased Bonds and the issuance and sale of the 2019 Bonds.

2. The form of Supplemental Ordinance, including Appendix A—2002 Ordinance, including Appendix A thereto, Appendix B—Bond Order, Appendix C—Escrow Deposit Agreement and Appendix D—Continuing Disclosure Undertaking, 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 General Manager of Owensboro Municipal Utilities is hereby approved, and the City Commissioners are hereby requested to approve such



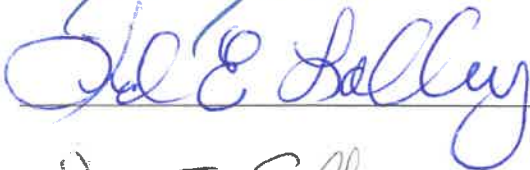

documents and adopt the Supplemental Ordinance for the payment of the Defeased Bonds and the issuance of the 2019 Bonds.

3. The Chairman, Vice Chairman, and Secretary of the Utility Commission and the 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 payment of the Defeased Bonds, the issuance and sale of the 2019 Bonds and the preparation of the aforesaid documents in final form, in order to carry out the purposes of this Resolution, including the contribution of lawfully available funds, which may be funds on hand in the Debt Service Account or the Debt Service Reserve Account, Generally Available Moneys or other lawfully available funds, of the Utility Commission in the amount necessary to effectuate the transactions contemplated by the Supplemental Ordinance, if any.

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

DATED: October 3, 2019

CITY UTILITY COMMISSION
OWENSBORO MUNICIPAL UTILITIES

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 3rd day of October, 2019.


Secretary

[SEAL]

RESOLUTION OF THE CITY UTILITY COMMISSION
OF THE CITY OF OWENSBORO, KENTUCKY
FOR TRANSFER OF FUNDS FOR REFUNDING BONDS

Whereas, Section 19A of the Basic Ordinance, Appendix A, of Ordinance No. 3-02 authorizes the Utility Commission to transfer any excess funds from the Reserve and Contingency Fund for the purchase or retirement of Bonds for the account of the Electric Light and Power System, or for any lawful corporate purpose relating to the Electric Light and Power System, including; and

Whereas, Section 19A of the Ordinance and the Utility Commission's Financial Reserve Policy as revised July 20, 2017 requires that transfers from the Reserve and Contingency Fund must be authorized by Commission resolution; and

Whereas, the Reserve and Contingency Fund held a balance of \$33,345,095.24 as of August 31, 2019 and there are surplus funds available for use as a contribution to the refunding of outstanding Bonds and the escrow to be established for that purpose;

Whereas, the General Manager and Director of Finance and Accounting have determined that there are sufficient excess funds in the Reserve and Contingency Fund to transfer up to \$15,000,000.00 from the Reserve and Contingency Fund to the Electric General Fund to be used to contribute to the refunding and redemption of Certain Outstanding Electric Light and Power System Revenue Bonds, Taxable 2010-A Series, 2013-A Series and Non-Taxable 2010-B Series and 2013-B Series; and

Now, therefore, the City Utility Commission determines that there are sufficient excess funds in the Reserve and Contingency Fund to transfer funds for the refunding and redemption of Bonds of the Electric Light and Power System and hereby resolves as follows:

The General Manager and Director of Finance and Accounting are hereby authorized and directed to transfer from the Reserve and Contingency Fund into the Electric General Fund, the amount necessary, but not to exceed \$15,000,000.00, to contribute to the refunding and redemption of Certain Outstanding Electric Light and Power System Revenue Bonds, Taxable 2010-A Series, 2013-A and Non-Taxable 2010-B Series, 2013-B Series, as permitted under the Ordinance and the Financial Reserve Policy, in conjunction with the issuance of the Electric Light and Power System Refunding Revenue Bonds, 2019 Series.

This 3rd day of October, 2019:

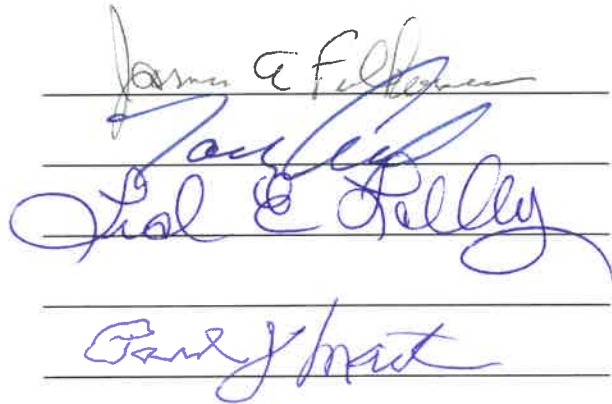
James A. Fulkerson

Tony Cecil

Ted Lolley

Dr. Tom Maddox

Paul Martin

The image shows four handwritten signatures in blue ink, each written on a horizontal line. The signatures are: James A. Fulkerson, Tony Cecil, Ted Lolley, and Paul Martin. The signatures are written in a cursive style.