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MUNICIPAL SALE ORDER

MUNICIPAL ORDER OF THE CITY COUNCIL OF THE CITY OF SOMERSET, KENTUCKY, ACCEPTING THE SUCCESSFUL BID FOR THE PURCHASE OF \$14,000,000 PRINCIPAL AMOUNT OF CITY OF SOMERSET WATER SYSTEM REVENUE BONDS, SERIES 2012.

WHEREAS, Notice of Sale of \$14,000,000 of City of Somerset Water System Revenue Bonds, Series 2012, consisting of \$9,000,000 of Series A Bonds and \$5,000,000 of Series B Bonds (the "Bonds") has heretofore been given in strict compliance with the proceedings of this City Council of the City of Somerset, Kentucky (the "City") and with the provisions of the publication laws applicable thereto, thus enabling everyone interested in said Bonds to present a proposal in connection therewith, and

WHEREAS, the only bid received for the purchase of said Bonds was the bid of the United States of America, acting through Rural Development ("RD"), which bid was a bid of par for all of the Bonds at a single interest rate not to exceed 2.375% per annum for both series of Bonds, subject to the right of the City to request that such Bonds shall bear interest at such lower interest rate as may be in effect for RD loans at the time of delivery of the Bonds, and

WHEREAS, it is deemed advisable that the City Council adopt a Municipal Order accepting said bid,

NOW, THEREFORE, BE IT ORDERED BY THE CITY COUNCIL OF THE CITY OF SOMERSET, KENTUCKY, AS FOLLOWS:

SECTION 1. That it is hereby determined that the bid of RD for the purchase of the Bonds, scheduled to mature on January 1 in each of the respective years, 2014 through 2051, inclusive, as advertised, and as authorized by the Bond Ordinance (the "Bond Ordinance") heretofore enacted on September 26, 2011, at a price of par (\$14,000,000) for Bonds bearing interest at an interest rate not to exceed 2.375% per annum for both series of Bonds (or at such lower interest rate as may be in effect for RD loans at the time of delivery of the Bonds), is the best bid received, with the most favorable net interest cost to the City; and that said Bonds be and they are hereby awarded to RD as being a sale of said Bonds on the best terms and for the best interests of the City.

SECTION 2. That the interest rate on said Bonds is hereby fixed at said rate of 2.375% per annum for both series of Bonds (or at such lower interest rate as may be applicable, as aforesaid) as set out in such accepted bid.

SECTION 3. That in accordance with the terms of the commitment of RD, approved by the City and RD, and as provided in the Official Notice of Sale of Bonds, said Bonds shall be issued to RD as a Series A Bond and a Series B Bond, in fully registered form.

SECTION 4. That said Bonds shall be delivered by the City Treasurer and/or other proper City officials to RD as soon as said Bonds are ready for delivery in accordance with the Bond

Ordinance, and that all of the proceeds of the sale of said Bonds shall be used only as provided in the Bond Ordinance.

SECTION 5. That the acceptance of said bid subjects the City to no obligation to deliver the Bonds if for any reason the City is unable to obtain the final approving legal opinion of Rubin & Hays, Louisville, Kentucky, as to said Bonds, or if said Bonds should be subject to ad valorem taxation by the Commonwealth of Kentucky or by any political subdivision thereof, or if the receipt of interest on said Bond should be includable in gross income for Federal income tax purposes, or subject to income taxation by the Commonwealth of Kentucky, prior to or on the delivery date of said Bonds, and RD shall not be required to accept delivery of said Bonds without the final approving opinion of Rubin & Hays accompanying said Bonds, or if said Bonds or the interest thereon shall become includable in gross income for Federal income tax purposes or subject to ad valorem or income taxation of the Commonwealth of Kentucky prior to or on such delivery date.

SECTION 6. That the Mayor is hereby authorized to request, at the appropriate time prior to the delivery of the Bonds, that RD reduce the interest rate on the Bonds to such lower interest rate as may be in effect for RD loans at the time of delivery of the Bonds, without any further action by this City Council.

SECTION 7. That all motions, orders and resolutions, or parts thereof, in conflict herewith, be and the same are hereby amended or repealed to the extent of such conflict, and this Municipal Order shall be in force immediately upon its adoption.

Adopted on October 11, 2011.

CITY OF SOMERSET, KENTUCKY

By _____
Mayor

Attest:

City Clerk