

**PRELIMINARY OFFICIAL STATEMENT**

**(Bonds to be sold May 23, 2018 11:00 a.m. E.D.S.T.)**

Moody's Rating: " \_\_ "  
(See "Rating" Herein)

Not Bank Qualified

**ELECTRONIC BIDDING VIA PARITY**

**BOOK-ENTRY-ONLY SYSTEM**

**\$14,230,000\***

**CITY OF VERSAILLES, KENTUCKY  
WATER AND SEWER REVENUE BONDS  
SERIES OF 2018**

**Dated: Date of Delivery**

**Due: December 1, as shown below**

The Bonds will be issued and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchasers will not receive certificates representing their ownership interest in the Bonds. Accordingly, principal, interest and premium, if any, on the Bonds will be paid by The Huntington National Bank, Cincinnati, Ohio, as Trustee and Registrar, directly to DTC or Cede & Co., its nominee. DTC will in turn remit such principal, interest or premium to the DTC Participants (as defined herein) for subsequent distribution to the Beneficial Owners (as defined herein) of the Bonds. The Bonds will be issued in denominations of \$5,000 each or integral multiples thereof, and will bear interest payable on December 1, 2018, and thereafter semiannually on each June 1 and December 1.

The Bonds maturing on or after December 1, 2026, shall be subject to prior redemption at the option of the City on or after June 1, 2025, as discussed herein.

**SCHEDULE OF MATURITIES**

<u>Date</u>	<u>Amount*</u>	<u>Interest Rate</u>	<u>Cusip #</u> <b>925224</b>
12/01/2026	\$650,000		
12/01/2027	670,000		
12/01/2028	690,000		
12/01/2029	720,000		
12/01/2030	745,000		
12/01/2031	775,000		
12/01/2032	805,000		
12/01/2033	845,000		
12/01/2034	875,000		
12/01/2035	915,000		
12/01/2036	950,000		
12/01/2037	2,735,000		
12/01/2038	2,855,000		

**Purchaser's Option** - The Purchaser of the Bonds may specify to the Financial Advisor that any Bonds may be combined with immediately succeeding sequential maturities into a Term Bond or Term Bonds, bearing a single rate of interest, with the maturities set forth above (or as may be adjusted as provided herein being subject to mandatory redemption in such maturities for such Term Bond(s)).

The Bonds are issued pursuant to authority contained in Sections 58.010 through 58.140, inclusive of the Kentucky Revised Statutes. The Bonds are not obligations of the City under any Constitutional or statutory limitation of the Commonwealth of Kentucky, but are special obligations payable only from and secured by a pledge of a fixed portion of the gross income and revenues to be derived from the operation of the combined and consolidated municipal water and sewer system (the "System").

*In the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes under existing law, regulations and court decisions, except as to certain recipients, and the Bonds and interest thereon are exempt from income taxes and ad valorem taxes in the Commonwealth of Kentucky and any political subdivision thereof. See "Tax Exemption" herein.*

The City has deemed this Preliminary Official Statement to be final within the meaning of Securities and Exchange Commission Rule 15c2-12 (the "Rule") except for certain information omitted in accordance with the Rule which will be provided in the Final Official Statement. The Bonds are issued subject to approval of legality by Steptoe & Johnson PLLC, Louisville, Kentucky, Bond Counsel to the City. Delivery of the Bonds is expected on or about June 12, 2018.

\*Preliminary, Subject to Permitted Adjustment.

**FIRST KENTUCKY SECURITIES CORPORATION**  
**Financial Advisor**

This Preliminary Official Statement and the information contained herein are subject to completion, amendment or other change without notice. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the applicable securities laws of such jurisdiction.

## **CITY OF VERSAILLES**

The Honorable Brian Traugott, Mayor  
Allison B. White, Clerk/Treasurer  
William Moore, Attorney  
Bart Miller, Public Works Director

### Council Members

Mary Ellen Bradley  
Mike Coleman  
Laura Dake  
Ken Kerkhoff  
Ann Miller  
Owen Roberts

## **BOND COUNSEL**

Steptoe & Johnson PLLC  
Louisville, Kentucky

## **FINANCIAL ADVISOR**

First Kentucky Securities Corporation  
Lexington, Kentucky

## **PAYING AGENT/REGISTRAR**

The Huntington National Bank  
Cincinnati, Ohio

## **BOOK-ENTRY-ONLY SYSTEM**

No dealer, broker, salesman, or other person has been authorized by the City of Versailles, Kentucky, or First Kentucky Securities Corporation, the Financial Advisor, to give any information or representations, other than those contained in this Official Statement, and if given or made, such information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. Except where otherwise indicated, the information set forth herein has been obtained from the City of Versailles, Kentucky, and is believed to be reliable; however, such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Financial Advisor, or by Bond Counsel. The delivery of this Official Statement at any time does not imply that information herein is correct as of any time subsequent to the date hereof.

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- Appendix B: Estimated Debt Service Requirements on Series 2018 Bonds
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- Appendix D: Continuing Disclosure Agreement

**Official Terms and Conditions of Bond Sale  
Official Bid Form**

## PRELIMINARY OFFICIAL STATEMENT

**\$14,230,000\***  
**CITY OF VERSAILLES, KENTUCKY**  
**WATER AND SEWER REVENUE BONDS**  
**SERIES OF 2018**

### **Dated the Date of Delivery**

This Official Statement, which includes the cover page, is being distributed by the City of Versailles, Kentucky, (the "City") to furnish pertinent information to all who may become holders of its Water and Sewer Revenue Bonds, Series of 2018, dated the date of delivery (the "Bonds"), being offered hereby pursuant to the provisions of Sections 58.010 through 58.140, inclusive, of the Kentucky Revised Statutes, and pursuant to the terms of a Bond Ordinance adopted by the City.

The summaries and references to Sections of the Kentucky Revised Statutes and the Bond Ordinance, as included in this Official Statement, do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document.

### **DESCRIPTION OF THE BONDS**

#### ***Authorization***

Pursuant to Sections 58.010 to 58.140, inclusive of the Kentucky Revised Statutes, the City Council of the City adopted a Bond Ordinance (i) authorizing the issuance of \$14,230,000\* Water and Sewer Revenue Bonds; (ii) approving the publication of a Notice of Sale of Bonds; (iii) approving the terms and conditions of bond sale; and (iv) authorizing the Mayor of the City to execute the Official Statement related to the Bonds.

#### ***Terms***

The Bonds will be dated the date of delivery, expected to be June 12, 2018, will bear interest payable December 1, 2018, and thereafter semiannually on each June 1 and December 1 at the rates established upon acceptance of a bid for said Bonds and, will mature on the dates and in the amounts set forth on the cover page. The record dates for June 1 and December 1 interest payment dates shall be the preceding May 15 and November 15, respectively.

#### ***Book Entry***

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bonds Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC 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. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to

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\*Preliminary, subject to permitted adjustment

be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices, if any, shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

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

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Bond Registrar/Paying Agent, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Bond Registrar/Paying Agent, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

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

NEITHER THE ISSUER NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE

SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

***Optional Redemption Provision***

The Bonds shall be subject to redemption by the City prior to maturity, in whole or in part, in the inverse order of their maturities (less than all of a single maturity to be selected by lot), on any date, on or after June 1, 2025, at a redemption price equal to the principal amount of the Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

***Statutory Authority, Purpose of Issue and Security***

These Bonds are authorized pursuant to the provisions of Chapter 58 of the Kentucky Revised Statutes, including KRS 58.010 through 58.140, and a Bond Ordinance passed and adopted by the City Council of the City of Versailles, Kentucky ("City"). The Bonds are revenue bonds and do not constitute a direct indebtedness of the City but are payable solely from and secured by a pledge of the first gross revenues derived from the operation of the combined and consolidated municipal water and sewer system (the "System").

The Bonds will rank on the basis of parity as to security and source of payment with the City's outstanding Water and Sewer Refunding Revenue Bonds Series of 2011, dated July 14, 2011, Water and Sewer Refunding and Improvement Revenue Bonds Series of 2012, dated May 31, 2012, Water and Sewer Refunding Revenue Bonds Series of 2013, dated March 14, 2013, Water and Sewer Revenue Bonds Series of 2014, dated January 28, 2014, and Water and Sewer Revenue Bonds Series 2016, dated July 28, 2016 ("Outstanding Bonds"). Prior to the delivery of the Bonds, the City will obtain the required certification that the net income and revenues of the combined and consolidated municipal water and sewer System for twelve consecutive months out of the eighteen months preceding the issuance of the Bonds were equal to at least 1.20 times the maximum amount of principal and interest that will become due in any System fiscal year on all Outstanding Bonds and these Bonds.

**THE PROJECT**

The Bonds are being issued for the purpose of expanding and upgrading both the City's wastewater treatment plant and improvements to the wastewater collection system. This is the second phase of financing for the projects; the first phase was funded by City of Versailles Water and Sewer Revenue Bonds, Series of 2016, issued July 28, 2016.

The Wastewater Treatment Plant Improvements Project consists of constructing new treatment facilities that will increase the City's average daily treatment capacity of the wastewater treatment plant from the current 3.0 Million Gallons per Day (MGD) to 4.5 MGD. The peak hydraulic capacity would be increased from 9.0 MGD to 12.5 MGD. New treatment facilities to be constructed as part of this project include: influent Parshall flume, screenings and grit removal building (including provisions for odor control), raw water influent/wet weather pump station, a (4) basin Sequencing Batch Reactor (SBR) system for primary treatment, ultraviolet disinfection system, post aeration basin, effluent Parshall flume, non-potable water pump station, electrical building and standby generator. Other improvements include converting the existing oxidation ditches to wet weather storage and the expansion of the administration building.

The Sanitary Sewer System Improvements project consists of the construction of a new Methodist Home Pump Station which would increase the existing pumping capacity from 250 gallons per minute (GPM) to 1,400 GPM. In addition to the pump station, the project will include 4,100 feet of new 12-inch diameter force main and 2,815 feet of 18-inch gravity sewer would be installed to carry the new flow to the City's existing interceptor sewer near the US 60 Bypass. Additionally, the project would include the construction of 1,460 feet of 24-inch diameter gravity sewer. This 24-inch sewer would act as a relief sewer for the existing 24-inch sewer flowing through Big Springs Park to the Wastewater Treatment Plant.

*Estimated Uses and Sources of Funds*

<b><u>Uses of Funds:</u></b>	
Deposit to Construction Fund	13,224,153
Underwriting Discount	284,600
Costs of Bond Issuance	131,020
Debt Service Reserve	589,922
Contingency	<u>485</u>
<b>Total Uses of Funds</b>	<b><u>14,230,000</u></b>
<b><u>Sources of Funds</u></b>	
Par Amount of Bonds	<u>14,230,000</u>
<b>Total Sources of Funds</b>	<b><u>14,230,000</u></b>

**DISPOSITION OF BOND PROCEEDS**

Upon issuance and delivery of the Bonds, there shall first be paid all expenses incident to the authorization, sale and delivery of the Bonds. The entire remaining proceeds of the Bonds shall be deposited into The City of Versailles Water and Sewer System Construction Fund of 2018 (the "Construction Fund").

***Flow of Funds***

The income and revenues of the combined and consolidated Water and Sewer System shall be collected, segregated, accounted for and distributed as follows:

**Revenue Fund** - A separate and special fund or account of the City has heretofore been created and shall be continued and is designated the "City of Versailles Water and Sewer Revenue Fund" (the "Revenue Fund") into which the City has pledged to deposit promptly as received all cash revenues of the System. The moneys in this Fund shall be applied by the City only for the purposes and in the order of priorities as described below.

**Bond Fund** - There has previously been created with the Depository a separate account designated the "Water and Sewer Revenue Bond and Interest Redemption Fund of 1960" (the "Bond Fund") and such account shall continue to be maintained so long as any Bonds are outstanding. Within the Bond Fund there is, and shall continue to be maintained, the "Water and Sewer Debt Reserve Fund of 1960" (the "Debt Reserve Fund") into which there shall be deposited and maintained an amount equal to the maximum amount of principal of and interest on all outstanding Water and Sewer Revenue Bonds in any year (the "Required Minimum Balance") including any parity bonds issued in the future, so long as any Bonds remain outstanding.

At any time when the Debt Reserve Fund contains an amount below the required minimum balance, whether because of the issuance of parity bonds or because of authorized withdrawals, there shall be transferred to the Bond Fund from the Revenue Fund, and as a first charge thereon, on or before the 20<sup>th</sup> day of each month, a sum equal to one-fifth (1/5) of the interest becoming due on the next succeeding interest due date plus one-tenth (1/10) of the principal becoming due on the next succeeding December 1.

At any time when the Required Minimum Balance has been accumulated in the Debt Reserve Fund, the transfers from the Revenue Fund to the Bond Fund on or before the 20<sup>th</sup> day of each month shall be equal to one-sixth (1/6) of the interest to become due on the next succeeding interest due date plus one-twelfth (1/12) of the principal becoming due on the next succeeding December 1.

All provisions relating to deposits and accumulations in the Bond Fund shall be cumulative, and if there be failure to deposit the prescribed amounts in any one or more months, a sum equal to the deficiency shall be deposited as soon as available, and the same shall be in addition to the amounts otherwise prescribed to be deposited in the Bond Fund for the succeeding month or months.

Moneys held in the Debt Reserve Fund may, upon order of the City Council, be invested in accordance with Kentucky Revised Statutes, Section 66.480. Income from any such investments shall be accumulated in the Debt Reserve Fund.

Amounts on deposit in the Bond Fund and the Debt Reserve Fund are irrevocably pledged solely for the payment of the principal of and interest on such Water and Sewer Revenue Bonds as may be outstanding from time to time and for no other purpose.

Withdrawals from the Debt Reserve Fund may be made if and to the extent at any time required to prevent default in the payment of principal of or interest on any bonds which by their terms are payable from the Bond Fund and for no other purpose.

Maintenance and Operation Fund - A separate fund or account of the City has previously been created and shall continue to be maintained so long as any bonds are outstanding, such account designated the "Maintenance and Operation Fund". After observing the priority of deposits into the Bond Fund, there shall be deposited each month in the Maintenance and Operation Fund a sum equal to the anticipated expenses of operating and maintaining the System for the next ensuing month.

Depreciation Fund - The City has created and maintains a special account with the Depository Bank identified as the "Depreciation Fund" which shall continue to be maintained so long as any of the Water and Sewer Revenue Bonds are outstanding. The City covenants that, after observing the priorities of deposits into the Bond Fund and Maintenance and Operation Fund, it will transfer monthly into the Depreciation Fund an amount equal to ten percent (10%) of the funds remaining in the Revenue Fund, so long as the unexpended balance remaining in the Depreciation Fund is less than \$100,000. The City further covenants that it will additionally deposit into the Depreciation Fund the proceeds from the sale of any equipment no longer usable or needed, all fees or charges collected from potential customers to aid in the financing of the cost of extensions and improvements, and any proceeds received from property damage insurance.

Moneys in the Depreciation Fund may be withdrawn and used by the City for (a) paying the costs of unusual or extraordinary repairs, renewals or replacements; (b) paying the costs of constructing additions and improvements to the System which will either enhance its revenue producing capacity or provide a higher degree of service; or the prevention of default in the payment of interest on and/or principal of any bonds outstanding from time to time.

Surplus in Revenue Fund - Whenever all specified and required transfers and payments into the above special funds have been made, and the prescribed reserves have been accumulated to the required amounts and there is a balance in the Revenue Fund in excess of the estimated amount required to be transferred and paid into the special funds during the next succeeding three (3) months, such excess may be transferred to the Depreciation Fund, or may be used to purchase or retire bonds, or for the payment of payment of the interest on or principal of other obligations of the City incurred in connection with the System, or for any other lawful purpose.

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

The Bond Ordinance contains various covenants of the City and provisions for the payment of the Bonds in accordance with their terms, certain of which are summarized below. Reference is made to the Bond Ordinance for a full and complete statement of its provisions.

The City has authorized the issuance of its City of Versailles, Kentucky, Water and Sewer Revenue Bonds, Series 2018 in an aggregate amount of \$14,230,000.\* The Bonds are fully registered and in denominations in multiples of \$5,000. The Bonds bear interest payable on June 1 and December 1 each year, beginning December 1, 2018, at such interest rate or rates as may be fixed by the City, as a result of an advertised sale of said Bonds in competitive bidding therefor. Said Bonds shall mature on December 1, 2026 and each December 1 thereafter of the respective years as provided in the Bond Ordinance and elsewhere herein.

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\*Preliminary, subject to permitted adjustment.



### ***Paying Agent and Bond Registrar***

The Huntington National Bank, Cincinnati, Ohio, has been named Paying Agent and Bond Registrar. Interest and principal payments will be made by the Paying Agent by wire transfer to DTC on each due date. Please see "Book Entry" supra.

### ***Parity Bonds***

The City has reserved the right and privilege of issuing additional parity bonds from time to time payable from the income and revenues of said combined and consolidated municipal water and sewer System when the net annual revenues of said System for twelve consecutive months out of the eighteen months preceding the issuance of additional bonds, including the amount of increased net annual revenues by reason of rate changes or additional revenues generated by the extensions, betterments or improvements constructed from the proceeds of said additional bonds, are equal to at least 1.20 times the maximum amount of principal and interest that will become due in any System fiscal year on all Bonds then outstanding and the bonds proposed to be issued; all as certified by an independent state licensed accountant not in the regular employ of the City.

### ***Arbitrage Provisions***

The City shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the City on the Bonds shall, for the purpose of Federal income taxation, be excludable from the gross income of the recipients under any valid provision of law.

The City shall not permit at any time any of the proceeds of the Bonds or other funds of the City to be used to acquire any securities or obligations the acquisition of which would cause any such Bond to be an "arbitrage bond", as defined in the Internal Revenue Code of 1986, as amended (the "Code"), unless under any valid provision of law hereafter enacted, the interest paid by the City on the Bonds shall be excludable from the gross income of a recipient thereof for Federal income tax purposes without regard to compliance with the Code.

### ***Ordinance to Constitute a Contract***

The provisions of the Ordinance shall constitute a contract between the City and the Registered Owners of any Bonds from time to time outstanding and, after the sale of such Bonds, no change in the provisions of the Resolution shall be permitted while any of said Bonds remain outstanding and unpaid, except as expressly authorized in the Ordinance.

### ***Other Covenants***

The City further covenants that so long as any of the Outstanding Bonds and Series 2018 Bonds remain outstanding and unpaid:

- (A) It will perform all duties required by law and by the terms of the Ordinance.
- (B) It will maintain the System in good condition and will make renewals and replacements as same may be required.
- (C) It will not sell, mortgage, pledge, lease or in any manner dispose of the System or the revenues thereof, except as permitted by the Ordinance.
- (D) It will establish, enforce and collect reasonable rates and charges to be adequate at all times to operate and maintain the System, and to provide net income that exceeds the highest annual debt service in any one year by 120%. The Rate Covenant defines "net income" as total system revenue less total system operating expenses plus interest and depreciation.
- (E) It will adopt, by July 1 of each year, a budget of current expenses for the System and an estimate of gross revenues for the ensuing fiscal year, and to the extent that gross revenues are insufficient, it will revise its rates and charges.
- (F) It will not at any time reduce the prevailing schedule of rates and charges without first obtaining the written determination of a consulting engineer that the proposed reduction will not adversely affect the ability of the City to meet all the requirements set forth in the Ordinance.
- (G) It will at all times segregate and regularly make application of the revenues of the System in accordance with the Ordinance.
- (H) It will keep proper books of record, separate from all other municipal records.

- (I) It will within 90 days after the end of each fiscal year cause an audit to be made of the books of record by an independent accountant.
- (J) Any Registered Owner of 2018 Bonds may enforce and compel performance by the City of all duties imposed by law or the Ordinance.
- (K) If there be any default in the payment of the principal of or interest on any of the 2018 Bonds, any Registered Owner of said bonds may file suit and any court having jurisdiction may appoint a receiver to administer the 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 System and for payment of operating expenses and to apply the revenues in conformity with the Ordinance.
- (L) It will cause each municipal officer or other person (other than depository banks) having custody of any moneys administered under the provisions of the Ordinance to be bonded at all times in a amount at least equal to the maximum amount of such moneys in custody at any time.
- (M) It will maintain at all times insurance of all insurable properties constituting parts of the System to the full insurable value thereof against damage or destruction by fire, windstorm and the hazards covered by the standard "extended coverage" policy endorsements.
- (N) Pursuant to KRS 95.934 rates and charges for sewer service provided by the System shall be billed simultaneously with rates for water service provided by the System and water service will be discontinued to any premises where there is failure to pay any part of the aggregate charges so billed including such interest, penalties and fees for disconnection and/or reconnection as may be prescribed from time to time.

### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

### **CONTINUING DISCLOSURE**

As a result of the City, and agencies acting on behalf of the City, offering for public sale municipal securities in excess of \$1,000,000, the City and the Paying Agent will enter into a written agreement for the benefit of all parties who may become Owners of the Bonds whereunder the City will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

To the best of the City's knowledge, the City has been in compliance with its continuing disclosure undertakings for the past five years with the following exceptions: annual operating data for Fiscal Years 2013 and 2014 was not timely filed, but was filed late. Annual audited financial statements were timely filed each of the past five years. The City has taken steps to ensure that future disclosures will be timely filed.

Financial Information regarding the City may be obtained from the City Clerk, City of Versailles, Kentucky, 196 South Main Street, Versailles, Kentucky, 40383 (phone number: (859) 873-5436).

## **TAX EXEMPTION**

With regard to the Internal Revenue Code of 1986, as amended, Bond Counsel advises as follows:

- (A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.
- (B) The interest income from the Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes under existing law; provided, that the corporate entities noted below are advised of certain tax consequences as follows:
  - 1) Property and casualty insurance companies may be denied certain loss reserve deductions to the extent of otherwise tax-exempt interest on the Bonds.
- (C) As a result of designations and certifications by the City, indicating the issuance of more than \$10,000,000 of "qualified tax-exempt obligations" during the calendar year ending December 31, 2018, the Bonds may not be treated by financial institutions as "qualified tax-exempt obligations" under Section 265(b)(3) of the Code.
- (D) The interest income from the Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes under existing law for individuals; however, said income must be included in the calculation of "modified adjusted gross income" in the determination of whether and to what extent Social Security benefits are subject to Federal income taxation.

## **ABSENCE OF MATERIAL LITIGATION**

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the City taken with respect to the issuance or sale thereof.

## **APPROVAL OF LEGALITY**

Legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Steptoe & Johnson PLLC, Louisville, Kentucky, Bond Counsel to the City. The approving legal opinion of Bond Counsel will be printed on the Bonds and will contain a statement of tax exemption as represented herein. Bond Counsel has reviewed the information herein pertaining to the Bonds under the headings "Description of the Bonds", "Certain Provisions of the Bond Ordinance," and "Tax Exemption" and is of the opinion that such information is a fair summary of the principal provisions of the instruments and information therein described. Bond Counsel has not otherwise participated in the preparation of the Official Statement and has not verified the accuracy or completeness of any financial information, projections, or computations related thereto, and therefore can make no representation with respect to such information.

## **FINANCIAL ADVISOR**

The Bonds will be sold on a publicly advertised, competitive basis. First Kentucky Securities Corporation, Lexington, Kentucky, Financial Advisor to the City will receive a fee, subject to sale and delivery of the Bonds, for its advisory services.

## **RATING**

Moody's Investors Service has given the Bonds the rating set forth on the cover page of this Official Statement. Such rating reflects only the opinion of such organization. There can be no assurance that such rating will be maintained for any given period of time or that it will not be revised or withdrawn entirely. Any downward revision or withdrawal of such rating may have a material adverse effect on the market price of the Bonds.

This Official Statement does not, as of its date, contain any untrue statement of a material fact or omit to state a material fact which should be included herein for the purpose for which the Official Statement is to be used or which is necessary in order to make the statements contained herein, in light of the circumstances under which they were made, not misleading in any material respect.

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All quotations from, and summaries and explanations of, the Kentucky Revised Statutes and the Bond Ordinance contained herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of the Preliminary Official Statement and the Bond Ordinance may be obtained from First Kentucky Securities Corporation, 377 East Main Street, Lexington, Kentucky 40507.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the purchasers or holder of any of the Bonds.

CITY OF VERSAILLES, KENTUCKY

/s/ Brian Traugott  
Mayor

ATTEST:

/s/ Allison B. White  
City Clerk

**APPENDIX A**

*City of Versailles, Kentucky  
Water and Sewer System*

**CITY OF VERSAILLES KENTUCKY  
WATER AND SEWER SYSTEM**

The City of Versailles owns and operates a combined water and sewer utility serving approximately 6,555 water customers and 5,956 sewer customers. Improvements have been made to meet the demands of continued growth of the area. Funds for financing the improvements were derived from revenues of the system, water and sewer revenue bond issues and from federal and state grants for the sewerage facilities. The City's water distribution system includes adequate mains, services and elevated treated water storage at the present time.

***Water Connections and Water Pumpage***

<u>Year</u>	<u>Average Daily Pumpage (Gals.)</u> **	<u>Maximum Daily Pumpage (Gals.)</u>	<u>Average Number Water Services</u>
2017	2,881,620	4,027,000	6555
2016	3,248,833	3,480,000	6,464
2015	3,119,031	3,691,000	6,392
2014	3,269,134	3,907,833	6,274
2013	3,295,385	3,996,500	6,207
2012	3,080,230	5,002,000	6,144
2011	2,857,217	4,971,000	6,055
2010	2,974,622	4,549,000	6,025
2009	2,937,291	4,242,000	6,011

\*\* "Average Daily Pumpage" includes water bought as needed from Kentucky American Water.

***Sewer Connections and Sewer Pumpage***

<u>Year</u>	<u>Average Daily Wastewater Pumpage (Gals.)</u>	<u>Average Number Sewer Customers</u>
2017	2,377,000	5,956
2016	2,130,000	5,903
2015	2,588,000	5829
2014	2,591,000	5711
2013	2,508,000	5600
2012	1,847,000	5,547
2011	1,999,000	5,301
2010	1,830,000	5,256

***Water and Sewer Service Rates (effective March 1, 2018)***

**Water Service**

	<u>Inside City</u>		<u>Outside City</u>
Monthly Meter Charge	\$7.96	Monthly Meter Charge	\$9.53
Per 1,000 gallons:		Per 1,000 gallons:	
First 150,000 gallons	\$4.40	First 150,000 gallons	\$5.13
Next 850,000 gallons	\$4.27	Next 850,000 gallons	\$4.85
All Over 1,000,000 gallons	\$4.24	All Over 1,000,000 gallons	\$4.65

**Sewer Service**

	<u>Inside City</u>		<u>Outside City</u>
Monthly Meter Charge	\$13.22	Monthly Meter Charge	\$16.84
Based on Water Usage, Per 1,000 Gallons:		Based on Water Usage, Per 1,000 Gallons:	
First 150,000 gallons	\$7.16	First 150,000 gallons	\$9.69
Next 850,000 gallons	\$6.39	Next 850,000 gallons	\$8.58
All over 1,000,000 gallons	\$6.28	All over 1,000,000 gallons	\$8.57

*Ten Largest Users of Water System (Calendar Year 2017)*

<u>Customer's Name</u>	<u>Read in Hundreds Usage (Gallons)</u>	<u>Charge</u>
South Woodford Water District	1,783,100	\$424,707
Pilkington North America	980,292	439,970
Northeast Woodford Water District	929,950	220,804
Ledvance, LLC (900 Tyrone)	396,059	171,136
Ledvance, LLC (1000 Tyrone)	103,666	46,742
QG Printing, II, LLC	97,696	55,075
YH America, Inc.	51,083	24,145
George Withers Water District	48,784	11,908
Woodford County Jail	33,271	14,871
Bluegrass Community Hospital	32,241	15,867

*Assessment of Taxable Property*

<u>Fiscal Year Ended June 30</u>	<u>Real Property</u>	<u>Bank Franchise &amp; Deposit Tax</u>
2017	\$791,123,694	\$358,118,977
2016	759,525,289	361,146,399
2015	715,032,983	346,332,446
2014	692,155,638	346,997,812
2013	601,597,793	346,790,275
2012	592,764,493	366,340,109
2011	723,040,557	330,544,994

*Property Tax Rates (Per \$100 of Assessed Value)*

<u>Fiscal Year Ended June 30</u>	<u>Real Property</u>	<u>Bank Shares</u>
2017	.056	.224
2016	.056	.224
2015	.056	.224
2014	.056	.224
2013	.056	.224
2012	.056	.224
2011	.054	.224

*Taxes Levied and Collected (Includes Bank Shares)*

<u>Fiscal Year Ended June 30</u>	<u>Taxes Levied</u>	<u>Taxes Collected</u>
2017	\$638,159.82	\$651,247.00
2016	620,983.51	615,321.00
2015	618,167.57	609,359.00
2014	593,267.20	613,404.00
2013	583,430.65	573,438.00
2012	559,000.00	562,947.00
2011	480,768.00	492,112.26

**Outstanding Water and Sewer Revenue Bonds**

<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Amount of Original Issue</u>	<u>Outstanding June 12, 2018</u>
07/07/11	12/01/21	\$6,460,000	\$2,545,000
05/31/12	12/01/24	9,825,000	6,085,000
03/14/13	12/01/25	7,835,000	5,915,000
01/28/14	12/01/33	5,710,000	5,710,000
07/28/16	12/01/36	<u>10,000,000</u>	<u>10,000,000</u>
<b>Total</b>		<b><u>\$39,830,000.00</u></b>	<b><u>\$23,450,000.00</u></b>

**Debt Service Coverage**

The Bond Ordinance requires that, prior to the issuance of parity bonds, a certification by a Certified Public Accountant, not in the regular employ of the City, be obtained to the effect that the net revenues of the System are no less than 1.20 times the maximum amount of principal of and interest on the Prior Bonds and the bonds proposed to be issued in any year prior to the final maturities.

Following is the calculation of estimated coverage of maximum debt service by net revenues, as adjusted, after issuance of the 2018 Bonds, using amounts for ended June 12, 2018 (unaudited):

Gross Revenues	\$5,792,816
Less Operating Expenses	(2,696,036)
Net Operating Revenues	<u>\$3,096,780.00</u>
Debt Service - Estimated Maximum Principal and Interest in 2024	\$2,557,362
Debt Service Covered	1.37 x

**General Information**

The City of Versailles, county seat of Woodford County, was founded in 1792. Located just off the Martha Layne Collins Bluegrass Parkway, it is nestled in central Kentucky within a short driving distance of Lexington, Frankfort and Louisville, Kentucky. Versailles is totally surrounded by beautiful, fertile farmland and some of the most famous horse farms in the Bluegrass region. These horse farms are home to leading Kentucky thoroughbreds, including dams, sires and winners of the famed Kentucky Derby. Also, Woodford County is proud to be the home of numerous Kentucky bourbon products including Woodford Reserve Distillery. Falling Springs Arts and Recreation Center provides a variety of resources for family and community activities, including a gymnasium, swimming pool, fitness center, daycare and meeting rooms, as well as performance space for the local community theater.

Versailles also boasts some of the finest local organizations such as the Chamber of Commerce, Rotary, Kiwanis, Woman's Clubs, Historical Society, Theatrical Arts Association and a most prized Renaissance on Main Program. Versailles offers all the characteristics associated with a vibrant small community: family values, friendly people, low crime rate, strong work ethic and involved leadership. Versailles' reputation as a "quaint community" is the result of our entire community's vision and thoughtful planning and participation. As a community, we value our small town atmosphere settled among the rich rural landscape around us and the local historical districts that take us back in time. To preserve our heritage, we seek to encourage diversified opportunities and at the same time, enhance community character and the quality of life for all our citizens. We continually strive to establish a strong, well-integrated city that fosters local businesses and industries, maintain a clean and safe environment, as well as an overall fiscally sound and pleasant community. The city's motto of "moving forward to revitalize the downtown Versailles community to meet the challenge of the future, while celebrating and preserving our past" is a prime example of what we are all about in this wonderful community.



**APPENDIX B**

*Estimated Debt Service Requirements  
For  
Series 2018 Bonds*

**CITY OF VERSAILLES, KENTUCKY  
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2018**

**ESTIMATED DEBT SERVICE REQUIREMENTS**

Date	Principal	Interest	Total	Fiscal Total
12/01/2018				
06/01/2019				
12/01/2019				
06/01/2020				
12/01/2020				
06/01/2021				
12/01/2021				
06/01/2022				
12/01/2022				
06/01/2023				
12/01/2023				
12/01/2024				
06/01/2025				
12/01/2025				
06/01/2026				
12/01/2026	650,000			
06/01/2027				
12/01/2027	670,000			
06/01/2028				
12/01/2028	690,000			
06/01/2029				
12/01/2029	720,000			
06/01/2030				
12/01/2030	745,000			
06/01/2031				
12/01/2031	775,000			
06/01/2032				
12/01/2032	805,000			
06/01/2033				
12/01/2033	845,000			
06/01/2034				
12/01/2034	875,000			
06/01/2035				
12/01/2035	915,000			
06/01/2036				
12/01/2036	950,000			
06/01/2037				
12/01/2037	2,735,000			
06/01/2038				
12/01/2038	2,855,000			
06/01/2039				
Total	\$14,230,000			

Source: Financial Advisor

## APPENDIX C

### *Audited Financial Statement as of June 30, 2017*

To view this report, please use the following link:

<http://versailles.ky.gov/government/Pages/financial.aspx>

**APPENDIX D**

*Continuing Disclosure Agreement*

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement ("Agreement") made and entered into as of the 12<sup>th</sup> day of June, 2018 by and between the City of Versailles, Kentucky ("City"), The Huntington National Bank, Cincinnati, Ohio ("Bank") and the Registered and Beneficial Owners hereinafter identified as third party beneficiaries to this Agreement. For the purposes of this Agreement "Beneficial Owner" means the person or entity treated as the owner of the Bonds for federal income tax purposes and "Registered Owner" means the person or entity named on the registration books of the bond registrar.

### WITNESSETH:

WHEREAS, the City pursuant to the provisions of Sections 66.011 through 66.171 of the Kentucky Revised Statutes ("KRS") and the City's Bond Ordinance has authorized the issuance, sale and delivery of \$14,230,000 of the City's Water and Sewer System Revenue Bonds, Series of 2018, dated June 12, 2018 ("Bonds"), which Bonds were offered for sale under the terms and conditions of a Final Official Statement ("FOS") prepared by First Kentucky Securities Corporation, Lexington, Kentucky ("Financial Advisor") and approved by the authorized representatives of the City, and

WHEREAS, the Securities and Exchange Commission ("SEC"), pursuant to the Securities and Exchange Act of 1934, has amended the provisions of SEC Rule 15c2-12 relating to financial disclosures by the issuers of municipal securities under certain circumstances ("Rule"), and

WHEREAS, it is intended by the parties to this Agreement that all terms utilized herein shall have the same meanings as defined by the Rule, and

WHEREAS, the City is an "obligated person" as defined by the Rule and subject to the provisions of said Rule, and

WHEREAS, failure by the City to observe the requirements of the Rule will inhibit the subsequent negotiation, transfer and exchange of the Bonds with a resulting diminution in the market value thereof to the detriment of the Registered and Beneficial Owners of said Bonds and the City;

NOW, THEREFORE, in order to comply with the provisions of the Rule and in consideration of the purchase of the Bonds by the Registered and Beneficial Owners, the parties hereto agree as follows:

### **1. ANNUAL FINANCIAL INFORMATION.**

The City agrees to provide the annual financial information contemplated by Rule 15c2-12(b)(5)(i) relating to the City for its fiscal years ending June 30 of each year to (a) the Municipal Securities Rulemaking Board ("MSRB"), or any successor thereto for purposes of its Rule, through the continuing disclosure service portal provided by the MSRB's Electronic Municipal Market Access ("EMMA") system as described in 1934 Act Release No. 59062, or any similar system that is acceptable to the Securities and Exchange Commission and (b) the State Information Depository ("SID"), if any (the Commonwealth of Kentucky has not established a SID as of the date of this Agreement) within nine (9) months of the close of each fiscal year.

For the purposes of the Rule "annual financial information" means financial information and operating data provided annually, of the type included in the FOS with respect to the City in accordance with guidelines established by the National Federation of Municipal Analysts, and shall include annual audited financial statements for the City in order that the recipients will be provided with ongoing information regarding revenues and operating expenses of the City and the information provided in the FOS under the headings "OUTSTANDING WATER AND SEWER REVENUE BONDS", "DEBT SERVICE COVERAGE" and "WATER AND SEWER SYSTEM-Service Rates and Largest Users". If audited financial statements are not available when the annual financial information is filed, unaudited financial statements shall be included, to be followed by audited financial statements when available.

The audited financial statements shall be prepared in accordance with Generally Accepted Accounting Principles, Generally Accepted Auditing Standards or in accordance with the appropriate sections of KRS or Kentucky Administrative Regulations.

The parties hereto agree that this Agreement is entered into among them for the benefit of those who become Registered and Beneficial Owners of the Bonds as third party beneficiaries to said Agreement.

## **2. MATERIAL EVENTS NOTICES.**

Under the Rule, Section 15c2-12(b)(5)(i)(C), the following fifteen (15) events must be disclosed within ten (10) business days following the occurrence of said event to MSRB via EMMA and the SID, if any:

- (1) Principal/interest payment delinquency;
- (2) Nonpayment related default, if material;
- (3) Unscheduled draw on debt service reserve reflecting financial difficulties;
- (4) Unscheduled draw on credit enhancement reflecting financial difficulties;
- (5) Substitution of credit or liquidity provider, or its failure to perform;
- (6) Adverse tax opinions, the issuance by the IRS 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 securities, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond call, if material;
- (9) Defeasance;
- (10) Tender offers;
- (11) Release, substitution or sale of property securing the repayment of the security, if material;
- (12) Rating change;
- (13) Merger, consolidation, acquisition or sale of all or substantially all assets of an obligated person, other than in the ordinary course of business, and the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to such action, other than pursuant to its terms, if material;
- (14) Bankruptcy, insolvency, receivership or similar event; and
- (15) Successor, additional or change in trustee, if material.

Notice of said material events shall be given to the entities identified in this Section by the City on a timely basis (within ten (10) business days of the occurrence). Notwithstanding the foregoing, the provisions of the documents under which the Bonds are authorized and issued do not provide for a debt service reserve, credit enhancements or credit or liquidity providers.

In accordance with Rule Section 15c2-12(b)(5)(i)(D), the City agrees that in the event of a failure to provide the Annual Financial Information required under Section 1 of this Agreement, it will notify MSRB via EMMA of such failure in a timely manner.

The Finance Director of the City shall be the responsible person for filing the annual financial information and/or notices of the events set forth above within the time prescribed in this Agreement. The City shall cause the Finance Director to institute an internal tickler system as a reminder of the obligations set forth herein. By December 1 of each fiscal year and each 30 days thereafter the Finance Director will contact the auditor for the City to

determine when the audited financial statements will be finalized. The Finance Director will impress upon the auditor the necessity of having such audited financial report on or before March 15. Within 5 days of receipt of such audited financial report the Finance Director will cause the annual financial information to be filed as required by this Agreement.

### **3. SPECIAL REQUESTS FOR INFORMATION.**

Upon the request of any Registered or Beneficial Owner of the Bonds or the original purchaser of the Bonds or any subsequent broker-dealer buying or selling said Bonds on the secondary market ("Underwriters"), the City shall cause financial information or operating data regarding the City to be made available on a timely basis following such request as set forth in Section 1.

### **4. DISCLAIMER OF LIABILITY.**

The City hereby disclaims any liability for monetary damages for any breach of the commitments set forth in this Agreement and remedies for any breach of the continuing disclosure undertaking shall be limited to an action for specific performance or mandamus in a court of competent jurisdiction in Kentucky following notice and an opportunity to cure such a breach.

### **5. FINAL OFFICIAL STATEMENT.**

That the Final Official Statement prepared by the Financial Advisor and approved by the authorized representatives of the City is hereby incorporated in this Agreement as fully as if copied herein and the "financial information" required under Section 1 hereof shall in summary form update the specific information set forth in said FOS.

### **6. DURATION OF THE AGREEMENT.**

This Agreement shall be in effect so long as any of the Bonds remain outstanding and unpaid; provided, however, that the right is reserved in the City to delegate its responsibilities under the Agreement to a competent agent or trustee, or to adjust the format of the presentation of annual financial information so long as the intent and purpose of the Rule to present adequate and accurate financial information regarding the City is served.

### **7. AMENDMENT; WAIVER**

Notwithstanding any other provision of this Agreement, the City may amend this Agreement, and any provision of this Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 1, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the holders of the Bonds in the same manner as provided in the Bond Ordinance for amendments to the Bond Ordinance with the consent of the holders of the Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Registered Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Agreement, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 15c2-12(b)(5)(i)(C) of the Rule, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**8. DEFAULT**

In the event of a failure of the City to comply with any provision of this Agreement, the Bank may and, at the request of any Underwriter or any Registered or Beneficial Owner of Bonds, shall, or any Registered or Beneficial Owner may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Bond Ordinance, and the sole remedy under this Agreement in the event of any failure of the City to comply with this Agreement shall be an action to compel performance.

In witness whereof the parties hereto have executed this Agreement as of the date first above written.

**CITY OF VERSAILLES, KENTUCKY**

\_\_\_\_\_  
Mayor

Attest:

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

**THE HUNTINGTON NATIONAL BANK**  
**Cincinnati, Ohio**

\_\_\_\_\_  
Trust Officer



**OFFICIAL TERMS AND CONDITIONS OF BOND SALE**

**\$14,230,000\* City of Versailles (Kentucky)  
Water and Sewer Revenue Bonds, Series of 2018  
Dated June 12, 2018**

**DATE OF SALE: 11:00 A.M., E.D.S.T., MAY 23, 2018**

As advertised in The Courier-Journal, published in Louisville, Kentucky, the City of Versailles, Kentucky, will until May 23, 2018, at the hour of 11:00 A.M., E.D.S.T., in the office of the City Clerk, City Hall, Versailles, Kentucky 40383, receive competitive bids for the Water and Sewer Revenue Bonds, Series of 2018, dated June 12, 2018 ("Bonds" or "Series 2018 Bonds") herein described. To be considered, a proposal for the purchase of such Bonds must be submitted on an Official Bid Form and must be delivered on the date of sale no later than the hour indicated submitted manually, by facsimile or electronically via PARITY. Bids will be considered by the Mayor and may be accepted without further action by the City Council.

\*The Bonds are offered subject to a Permitted Adjustment increasing or decreasing the principal amount of Bonds awarded by up to \$1,420,000.

**STATUTORY AUTHORITY, PURPOSE OF ISSUE, AND SECURITY**

These Bonds are authorized pursuant to the provisions of Chapter 58 of the Kentucky Revised Statutes, including KRS 58.010 through 58.140, and a Bond Ordinance passed and adopted by the City Council of the City of Versailles, Kentucky ("City"). The Bonds are revenue bonds and do not constitute a direct indebtedness of the City but are payable solely from and secured by a pledge of the first gross revenues derived from the operation of the combined and consolidated municipal water and sewer system (the "System").

The Series 2018 Bonds will rank on the basis of parity as to security and source of payment with the City's outstanding Water and Sewer Refunding and Improvement Revenue Bonds, Series of 2011, Water and Sewer Refunding and Improvement Revenue Bonds, Series of 2012, Water and Sewer Refunding Revenue Bonds, Series of 2013, Water and Sewer Revenue Bonds, Series of 2014 and Water and Sewer Revenue Bonds, Series of 2016 ("Outstanding Bonds"). Prior to the delivery of the Series 2018 Bonds, the City will obtain the required certification that the net income and revenues of the combined and consolidated municipal water and sewer System for twelve consecutive months out of the eighteen months preceding the issuance of the Series 2018 Bonds were equal to at least 1.20 times the maximum amount of principal and interest that will become due in any System fiscal year on all Outstanding Bonds and these Series 2018 Bonds.

**THE BONDS**

The Bonds shall be in denominations in multiples of \$5,000 within the same maturity, bearing interest from June 12, 2018, payable December 1, 2018 and semiannually thereafter, maturing on December 1 in each of the years as follows:

<u>YEAR</u>	<u>PRINCIPAL MATURITIES</u>
2026	\$650,000
2027	670,000
2028	690,000
2029	720,000
2030	745,000
2031	775,000
2032	805,000
2033	845,000
2034	875,000
2035	915,000
2036	950,000
2037	2,735,000
2038	2,855,000

The Bonds shall be subject to redemption by the City prior to maturity, in whole or in part, in the inverse order of their maturities (less than all of a single maturity to be selected by lot), on any date, on or after June 1, 2025, at a redemption price equal to the principal amount of the Bonds called for redemption, plus unpaid interest accrued to the date of redemption, without premium.

All of the Bonds, together with the interest thereon, and any additional bonds ranking on a parity therewith heretofore issued and outstanding or as may be hereafter issued and outstanding from time to time under the conditions and restrictions set forth in the Bond Ordinance, shall be payable only out of the Bond Fund established by the Ordinances authorizing the Outstanding Bonds and these Bonds, and shall be a valid claim of the Registered Owner thereof only against said Bond Fund and the portion or amount of the revenues of the combined and consolidated municipal water and sewer System of said City pledged to said Bond Fund.

The Bond Ordinance requires that there be established and maintained within the Bond Fund a Debt Service Reserve with a "required minimum balance" equal to the maximum annual principal and interest requirements of the Outstanding Bonds, these Bonds, and any parity bonds subsequently issued.

### **BOND PROCEEDS FOR SYSTEM IMPROVEMENTS**

The proceeds of these Series 2018 Bonds will be applied to improvements to the sewer system portion of the System and related plant improvements.

The Wastewater Treatment Plant Improvements Project consists of constructing new treatment facilities that will increase the City's average daily treatment capacity of the wastewater treatment plant from the current 3.0 Million Gallons per Day (MGD) to 4.5 MGD. The peak hydraulic capacity would be increased from 9.0 MGD to 12.5 MGD. New treatment facilities to be constructed as part of this project include: influent Parshall flume, screenings and grit removal building (including provisions for odor control), raw water influent/wet weather pump station, a (4) basin Sequencing Batch Reactor (SBR) system for primary treatment, ultraviolet disinfection system, post aeration basin, effluent Parshall flume, non-potable water pump station, electrical building and standby generator. Other improvements include converting the existing oxidation ditches to wet weather storage and the expansion of the administration building.

The Sanitary Sewer System Improvements project consists of the construction of a new Methodist Home Pump Station which would increase the existing pumping capacity from 250 gallons per minute (GPM) to 1,400 GPM. In addition to the pump station, the project will include 4,100 feet of new 12-inch diameter force main and 2,815 feet of 18-inch gravity sewer would be installed to carry the new flow to the City's existing interceptor sewer near the US 60 Bypass. Additionally, the project would include the construction of 1,460 feet of 24-inch diameter gravity sewer. This 24-inch sewer would act as a relief sewer for the existing 24-inch sewer flowing through Big Springs Park to the Wastewater Treatment Plant.

### **ADDITIONAL PARITY BONDS**

The City has reserved the right and privilege of issuing additional bonds from time to time payable from the income and revenues of said combined and consolidated municipal water and sewer System when the net annual revenues of said System for twelve consecutive months out of the eighteen months preceding the issuance of additional bonds, including the amount of increased net annual revenues by reason of rate changes or additional revenues generated by the extensions, betterments or improvements constructed from the proceeds of said additional bonds, are equal to at least 1.20 times the maximum amount of principal and interest that will become due in any System fiscal year on all Bonds then outstanding and the bonds proposed to be issued; all as certified by an independent state licensed accountant not in the regular employ of the City.

### **BOND REGISTRAR/BOOK-ENTRY-ONLY-SYSTEM**

The Bonds are to be issued in fully registered form (both principal and interest) in the name of Cede & Co. as nominee of The Depository Trust Company ("DTC") under DTC's Book-Entry-Only-System as hereinafter set forth. The Huntington National Bank, Cincinnati, Ohio, the Bond Registrar and Paying Agent, shall remit interest and principal by wire transfer to DTC on each due date and DTC shall be responsible for the distribution thereof to the Beneficial Owners of the Bonds. DTC shall administer the transfer of ownership of the Bonds.

## BIDDING CONDITIONS AND RESTRICTIONS

Bids must be on Official Bid Form, contained in Information for Bidders available from the undersigned or First Kentucky Securities Corporation, 377 East Main Street, Lexington, Kentucky 40507, or electronically at <http://www.firstky.com>, submitted manually, by facsimile or electronically via PARITY<sup>®</sup> *INFRA*.

Electronic bids for the Bonds must be submitted through PARITY<sup>®</sup> and no other provider of electronic bidding services will be accepted. Subscription to the PARITY<sup>®</sup> Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY<sup>®</sup> shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY<sup>®</sup> conflict with the terms of the Official Terms and Conditions of Bond Sale, this Official Terms and Conditions of Sale of Bonds shall prevail. Electronic bids made through the facilities of PARITY<sup>®</sup> shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY<sup>®</sup>. The use of PARITY<sup>®</sup> facilities are at the sole risk of the prospective bidders. For further information regarding PARITY<sup>®</sup>, potential bidders may contact PARITY<sup>®</sup>, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

The minimum bid shall be not less than \$13,945,400 (98% of par), (there being no accrued interest). Interest rates shall be in multiples of 1/8 or 1/20 of 1% or both. Only one interest rate shall be permitted per Bond, and all Bonds of the same maturity shall bear the same rate. Interest rates must be on an ascending scale, in that the interest rate stipulated in any year may not be less than that stipulated for any preceding maturity. There is no limit on the number of different interest rates.

The determination of the best purchase bid for said Bonds shall be made on the basis of all bids submitted for exactly \$14,230,000 principal amount of Bonds offered for sale hereunder, but the City may adjust the principal amount of Bonds upward or downward by \$1,420,000 (the "Permitted Adjustment") which may be awarded to such best bidder may be a minimum of \$12,810,000 or a maximum of \$15,650,000. In the event of such Permitted Adjustment, no rebidding or recalculation of a submitted bid will be required or permitted. The price of which such adjusted principal amount of Bonds will be sold will be the same price per \$5,000 of Bonds as the price per \$5,000 for the \$14,230,000 of Bonds bid.

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or (ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a) *Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

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

(c)*Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d)*Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 23, 2018.

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

The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each term bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on December 1 in accordance with the maturity schedule setting the actual size of the issue.

The successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded to the Paying Agent by close of business on the day following the sale. Wire transfer should be arranged through The Huntington National Bank, Bond Registrar/Paying Agent, Attn: Ms. Cheri Scott-Geraci (513-366-3073).

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

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

The City reserves the right to reject any or all bids or to waive any informality in any bid. The Bonds are offered for sale subject to the principal and interest not being subject to Federal or Kentucky ad valorem or income taxation on the date of their delivery to the successful bidder.

Delivery will be made utilizing the DTC Book-Entry-Only-System.

The City will furnish the Purchaser with the final approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky, subject to whose approving Legal Opinion said Bonds are sold.

#### **POTENTIAL LEGISLATION**

No assurance can be given that any future legislation, including amendments to the Code, if enacted into law, or changes in interpretation of the Code, will not cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax exemption of such interest. In addition, current and future legislative proposals, if enacted into law, may cause interest on state or local government bonds (whether issued before, on the date of, or after enactment of such legislation) to be subject, directly or indirectly, to federal income taxation by, for example, changing the current exclusion or deduction rules to limit the amount of interest on such bonds that may currently be treated as tax

exempt by certain individuals. Prospective purchasers of the Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation.

Further, no assurance can be given that the introduction or enactment of any such future legislation, or any action of the IRS, including but not limited to regulation, ruling, or selection of the Bonds for audit examination, or the course or result of any IRS examination of the Bonds or obligations which present similar tax issues, will not affect the market price for the Bonds.

### **CONTINUING DISCLOSURE**

As a result of the City and agencies acting on behalf of the City offering for public sale municipal securities in excess of \$1,000,000, the City and the Paying Agent will enter into a written agreement for the benefit of all parties who may become Registered or Beneficial Owners of the Bonds whereunder said City will agree to comply with the provisions of the Municipal Securities Disclosure Rules set forth in Securities and Exchange Commission Rule 15c2-12 by filing annual financial statements and material events notices with the Electronic Municipal Market Access (EMMA) System maintained by the Municipal Securities Rule Making Board.

Financial information regarding the City may be obtained from Allison B. White, City Clerk, City Hall, 196 S. Main Street, Versailles, Kentucky 40383 (859-873-5436).

### **TAX EXEMPTION**

Bond Counsel advises as follows:

(A) The Bonds and the interest thereon are exempt from income and ad valorem taxation by the Commonwealth of Kentucky and all of its political subdivisions.

(B) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law and is not an item of tax preference for purposes of the Federal alternative minimum tax; provided, that the corporate entities noted below are advised of certain tax consequences as follows:

(1) Property and casualty insurance companies may be denied certain loss reserve deductions to the extent of otherwise tax-exempt interest on the Bonds.

(C) As a result of designations and certifications by the City, indicating the issuance of more than \$10,000,000 of qualified tax-exempt obligations during the calendar year ending December 31, 2018, the Bonds may NOT be treated by financial institutions as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

(D) The interest income from the Bonds is excludable from the gross income of the recipient thereof for Federal income tax purposes under existing law for individuals; however, said income must be included in the calculation of "modified adjusted gross income" in the determination of whether and to what extent Social security benefits are subject to Federal income taxation.

### **BOOK-ENTRY-ONLY SYSTEM**

The Depository Trust Company ("DTC") will act as securities depository for the Bonds. The Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bonds Certificate will be issued, in the aggregate principal amount of the Bonds, and will be deposited with DTC.

DTC 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. DTC holds securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. "Direct Participants" include securities brokers and dealers, banks, trust companies,

clearing corporations, and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participant's records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds ("Beneficial Ownership Interest") are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their Beneficial Ownership interests in Bonds, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co., effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The 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.

Redemption notices, if any, shall be sent to Cede & Co. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Bonds to be redeemed.

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

Principal and interest payments of the Bonds will be made to DTC. DTC's practice is to credit Direct Participants' account on payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on payable date. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Issuer, or the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Issuer or the Trustee, disbursements of such payments to Direct Participants shall be the responsibility of DTC, and disbursements of such payment to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Beneficial Ownership Interests purchased or tendered, through its Participant, to the Bond Registrar/Paying Agent, and shall effect delivery of such Beneficial Ownership Interests by causing the Direct Participant to transfer the Participant's interest in the Beneficial Ownership Interests, on DTC's records, to the purchaser or the Bond Registrar/Paying Agent, as appropriate. The requirements for physical delivery of Bonds in connection with a demand for purchase or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Bond Registrar. Under such circumstances, in

the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered by the Bond Registrar.

NEITHER THE ISSUER, THE BOARD NOR THE BOND REGISTRAR/PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE BOND REGISTRAR/PAYING AGENT AS BEING AN OWNER WITH RESPECT TO: (1) THE BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (3) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PURCHASE PRICE OF TENDERED BONDS OR THE PRINCIPAL OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (4) THE DELIVERY BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE BOND RESOLUTION TO BE GIVEN TO HOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS HOLDER.

**CITY OF VERSAILLES, KENTUCKY**

By /s/ Allison B. White

City Clerk

## OFFICIAL BID FORM

As advertised in The Courier-Journal, published in Louisville, Kentucky, the City of Versailles, Kentucky, will until May 23, 2018, at the hour of 11:00 A.M., E.D.S.T., in the office of the City Clerk, City Hall, Versailles, Kentucky 40383 (Tel 859-873-5436 and Fax 859-873-5969), receive competitive bids for the \$14,230,000\* Water and Sewer Revenue Bonds, Series of 2018, dated June 12, 2018 ("Bonds" or "Series 2018 Bonds") herein described. To be considered, a proposal for the purchase of such Bonds must be submitted on an Official Bid Form and must be delivered on the date of sale no later than the hour indicated submitted manually, by facsimile or electronically via PARITY<sup>®</sup>. Bids will be considered by the Mayor and may be accepted without further action by the City Council.

We hereby bid for said \$14,230,000\* principal amount of Bonds, the total sum of \$ (not less than \$13,945,400 or 98% of par), plus accrued interest from June 12, 2018, at the following annual rate(s), payable semiannually beginning December 1, 2018 (rates on ascending scale in multiples of 1/8 or 1/20 of 1%; number of interest rates unlimited) and maturing on December 1 in each of the years as follows:

<u>Year</u>	<u>Amount*</u>	<u>Rate</u>
2026	\$650,000	_____%
2027	670,000	_____%
2028	690,000	_____%
2029	720,000	_____%
2030	745,000	_____%
2031	775,000	_____%
2032	805,000	_____%
2033	845,000	_____%
2034	875,000	_____%
2035	915,000	_____%
2036	950,000	_____%
2037	2,735,000	_____%
2038	2,855,000	_____%

\*The Bonds are offered subject to a Permitted Adjustment increasing or decreasing the principal amount of Bonds awarded by up to \$1,420,000.

It is understood that the City will furnish the final, approving Legal Opinion of Steptoe & Johnson PLLC, Bond Counsel, Louisville, Kentucky.

The successful bidder may elect to notify the Financial Advisor within twenty-four (24) hours of the award of the Bonds that certain serial maturities as awarded may be combined with immediately succeeding serial maturities as one or more Term Bonds; provided, however, (a) bids must be submitted to permit only a single interest rate for each Term Bond specified, and (b) Term Bonds will be subject to mandatory redemption by lot on December 1 in accordance with the maturity schedule setting the actual size of the issue.

We further understand that by submitting a bid we agree as follows:

If three (3) or more bids for the Bonds are received as a result of this competitive sale, the successful purchaser will be required to certify on or before the issue date the reasonably expected initial offering price to the public as of the Sale Date for each Maturity of the Bonds which prices are the prices for each Maturity of the Bonds used by the successful purchaser in formulating its bid to purchase the Bonds.

If less than three (3) bids for the Bonds are received as a result of this competitive sale, the successful purchaser, by submitting a bid pursuant to a published Notice of Sale, has agreed in writing that they will certify on or before the issue date (and provide reasonable supporting documentation for such Certification, such as a copy of the Pricing wire or equivalent communication) for each Maturity of the Bonds (i) the first price at which at least 10% of each Maturity of the Bonds was sold to the Public, or



(ii) that they will neither offer nor sell any of the Bonds of each Maturity to any person at a price that is higher than the Initial Offering Price for such maturity during the Holding Period for such Maturity.

Bids will not be subject to cancellation or withdrawal by the bidder in the event that three bids are not received and the Issuer determines to apply the hold-the-offering-price rule.

For purposes of the above the following terms are defined as follows:

(a) *Holding Period* means, with respect to a Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the successful purchaser has sold at least 10% of such Maturity to the Public at prices that are no higher than the Initial Offering Price for such Maturity.

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

(c) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50% common ownership, directly or indirectly.

(d) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is May 23, 2018.

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

The Bonds will be delivered utilizing the Book-Entry-Only-System administered by The Depository Trust Company.

Electronic bids for the Bonds must be submitted through PARITY<sup>®</sup> and no other provider of electronic bidding services will be accepted. Subscription to the PARITY<sup>®</sup> Competitive Bidding System is required in order to submit an electronic bid. The Corporation will neither confirm any subscription nor be responsible for the failure of any prospective bidders to subscribe. For the purposes of the bidding process, the time as maintained by PARITY<sup>®</sup> shall constitute the official time with respect to all bids whether in electronic or written form. To the extent any instructions or directions set forth in PARITY<sup>®</sup> conflict with the terms of the Official Terms and Conditions of Sale of Bonds, the Official Terms and Conditions of Bond Sale shall prevail. Electronic bids made through the facilities of PARITY<sup>®</sup> shall be deemed an offer to purchase in response to the Notice of Bond Sale and shall be binding upon the bidders as if made by signed, sealed written bids delivered to the Corporation. The Corporation shall not be responsible for any malfunction or mistake made by or as a result of the use of the electronic bidding facilities provided and maintained by PARITY<sup>®</sup>. The use of PARITY<sup>®</sup> facilities are at the sole risk of the prospective bidders. For further information regarding PARITY<sup>®</sup>, potential bidders may contact PARITY<sup>®</sup>, telephone (212) 404-8102. Notwithstanding the foregoing non-electronic bids may be submitted via facsimile or by hand delivery utilizing the Official Bid Form.

No certified or bank cashier's check will be required to accompany a bid, but the successful bidder shall be required to wire transfer an amount equal to 2% of the principal amount of Bonds awarded by the close of business on the date following the award. Said good faith amount will be applied (without interest) to the purchase price on delivery. Wire transfer procedures should be arranged through Huntington National Bank, Cincinnati, Ohio, Attention: Ms. Cheri Scott-Geraci (513) 366-3073.

Bids must be submitted only on this form and must be fully executed.

If we are the successful bidder, we agree to accept and make payment for the Bonds in Federal Funds on or about June 12, 2018.

Respectfully submitted,

\_\_\_\_\_  
Bidder

By \_\_\_\_\_  
Authorized Officer (Signature)

\_\_\_\_\_  
Address

Total interest cost from June 12, 2018 to final maturity \$ \_\_\_\_\_

Plus discount \$ \_\_\_\_\_

Net interest cost (Total interest cost plus discount) \$ \_\_\_\_\_

Average interest rate or cost \_\_\_\_\_%

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

Accepted by First Kentucky Securities Corporation as Agent for the City of Versailles, Kentucky for \$ \_\_\_\_\_ amount of Bonds at a price of \$ \_\_\_\_\_ as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2026	_____,000	_____ %
2027	_____,000	_____ %
2028	_____,000	_____ %
2029	_____,000	_____ %
2030	_____,000	_____ %
2031	_____,000	_____ %
2032	_____,000	_____ %
2033	_____,000	_____ %
2034	_____,000	_____ %
2035	_____,000	_____ %
2036	_____,000	_____ %
2037	_____,000	_____ %
2038	_____,000	_____ %

Dated: May 23, 2018.

\_\_\_\_\_  
First Kentucky Securities Corporation,  
Financial Advisor and Agent  
for the City of Versailles, Kentucky