

**CITY OF SOMERSET**  
**ORDINANCE NO. OG-04**

AN ORDINANCE APPROVING A LEASE WITH CUMBERLAND SECURITY BANK FOR THE FINANCING OF THE ACQUISITION, CONSTRUCTION AND INSTALLATION OF A WATER PARK; PROVIDING FOR THE PAYMENT AND SECURITY OF THE LEASE; ACKNOWLEDGING THE SINKING FUND; AUTHORIZING THE EXECUTION OF VARIOUS DOCUMENTS RELATED TO SUCH LEASE; AND MAKING CERTAIN DESIGNATIONS REGARDING SUCH LEASE.

WHEREAS, the City of Somerset, Kentucky (the "City"), a municipal corporation and political subdivision of the Commonwealth of Kentucky (the "Commonwealth") has heretofore determined to acquire, construct and install a water park (the "Project"); and

WHEREAS, the City has followed the procedures prescribed by law for the acquisition, construction and installation of the Project; and

WHEREAS, the City desires to finance the Project through a \$5,000,000 Lease Agreement (the "Lease") with Cumberland Security Bank (the "Lessor") pursuant to Section 65.940 et. seq. of the Kentucky Revised Statutes (the "Act");

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SOMERSET, KENTUCKY:

Section 1. Recitals and Authorization. The City, as lessee, hereby approves the Lease Agreement (the "Lease"), in substantially the form presented to this City Council (the "City Council"). It is hereby found and determined that the Project identified in the Lease is public property to be used for public purposes. It is further determined that it is necessary and desirable and in the best interests of the City to enter into the Lease for the purposes therein specified, and the execution and delivery of the Lease and all representations, certifications and other matters contained in the Closing Memorandum with respect to the Lease, or as may be required by Peck, Shaffer & Williams LLP, as Bond Counsel, prior to delivery of the Lease, are hereby approved, ratified and confirmed. The Mayor and Clerk of the City are hereby authorized to execute the Lease, together with such other agreements or certifications which may be necessary to accomplish the transaction contemplated by the Lease.

Section 2. General Obligation Pledge. Pursuant to the Constitution of the Commonwealth and KRS Chapter 66, the obligation of the City created by the Lease shall be a full general obligation of the City and, for the payment of the Lease Payments, the full faith, credit and revenue of the City are hereby pledged for the prompt payment thereof. During the period the Lease is outstanding, there shall be and there hereby is levied on all the taxable property in the City, in addition to all other taxes, but within applicable limitations, a direct tax annually in an amount sufficient to pay the Lease Payments when and as due. Said tax shall be and is hereby ordered computed, certified, levied and extended upon the tax duplicate and collected by the same officers in the same manner and at the same time that taxes for general purposes for each of said years are certified, extended and collected. Said tax shall be placed before and in preference to all other items and for the full amount thereof provided, however, that in each year to the extent that the other taxes of the Lessee are available for the payment of

the Lease Payments and are appropriated for such purpose, the amount of such direct tax upon all of the taxable property in the Lessee shall be reduced by the amount of such other taxes so available and appropriated.

There has heretofore been established by the City, by Ordinance No. 98-31, a sinking fund (the "Sinking Fund"), as required by law. The funds derived from said tax levy hereby required or other available taxes shall be placed in the Sinking Fund and, together with interest collected on the same, are irrevocably pledged for the payment of all bonds issued under KRS Chapter 66 and Tax Supported Leases, as defined in KRS Chapter 66, including the Lease, when and as the same fall due

Section 3. Designation as Qualified Tax-Exempt Obligation. Pursuant to Section 265(b)(3)(B)(ii) of the Internal Revenue Code of 1986 (the "Code"), the City hereby specifically designates the Lease as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Code. In compliance with Section 265(b)(3)(D) of the Code, the City hereby represents that the City (including all "subordinate entities" of the City within the meaning of Section 265(b)(3)(E) of the Code) reasonably anticipates that it will not issue in calendar year 2006, "qualified tax-exempt obligations" in an amount greater than \$10,000,000.

Section 4. Expectation Regarding the Lease. The City, by the adoption of this Ordinance, certifies that it does not reasonably anticipate that less than 95% of the proceeds of the Lease will be used for "local government activities" of the City or that the aggregate face amount of all tax-exempt bonds issued by the City during calendar year 2006 will exceed \$5,000,000.

Section 5. Severability. If any section, paragraph or provision of this Ordinance shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions of this Ordinance.

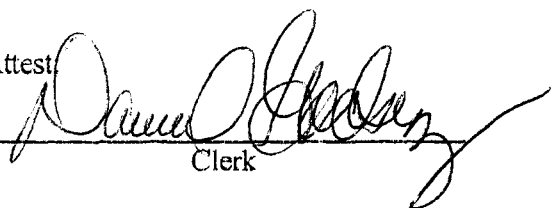
Section 6. Open Meetings Laws. This City Council hereby finds and determines that all formal actions relative to the adoption of this Ordinance were taken in an open meeting of this City Council and that all deliberations of this City Council of its committees, if any, which resulted in formal action, were in meetings open to the public, in full compliance with applicable legal requirements.

Section 7. Effective Date. This Ordinance shall take effect from and after its passage, as provided by law.

FIRST READING: February 27, 2006

SECOND READING AND ADOPTION: February 28, 2006

  
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Mayor

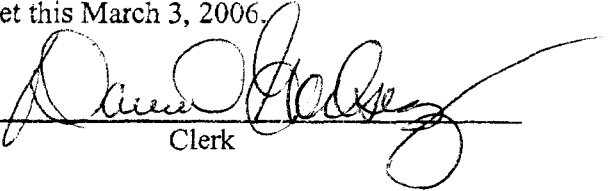
Attest   
\_\_\_\_\_  
Clerk

CERTIFICATE

I, the undersigned Clerk of the City of Somerset, certify that the foregoing is a true copy of an Ordinance adopted by the City Council of the City of Somerset at a meeting of the City Council held on February 28, 2006 after first reading on February 27, 2006.

I further certify that all actions taken in connection with the Ordinance were in compliance with the requirements of KRS 61.810, 61.815, 61.820 and 61.825, and that said Ordinance is now in full force and effect, all as appears from the official records of the City in my custody and under my control.

Witness my hand as Clerk of the City of Somerset this March 3, 2006.

  
Clerk

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