
ORDINANCE NO. 782

OF

NEW FRANKLIN, MISSOURI

PASSED DECEMBER 29, 2014

AUTHORIZING

\$1,353,000

**COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES C**

And

\$121,000

**COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND,
SERIES D**

ORDINANCE

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Exhibit A - Form of Bond

WHEREAS, plans and specifications for said Project and an estimate of the cost thereof have been prepared and made by the City's engineers and the same are hereby accepted and approved and are on file in the office of the City Clerk; and

WHEREAS, the City does not have outstanding any bonds or other obligations payable from the income and revenues derived from the ownership and operation of the System save and except the following:

<u>Issue Name</u>	<u>Date of Bonds</u>	<u>Amount Originally Issued</u>
Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 1999B	06/01/1999	\$ 505,000
Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2012	04/13/2012	407,000

said Series 1999B Bonds and Series 2012 Bonds being hereinafter referred to as the "Previously Issued Parity Bonds;" and

WHEREAS, it is hereby found and determined that it is necessary and advisable and in the best interest of the City and of its inhabitants at this time to authorize the issuance and delivery of revenue bonds pursuant to the Act as herein provided to provide funds for the Project;

NOW, THEREFORE, BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE CITY OF NEW FRANKLIN, MISSOURI, AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 101. Definitions of Words and Terms. In addition to words and terms defined elsewhere herein, the following capitalized words and terms as used in this Ordinance shall have the following meanings:

"Act" means Chapter 250, RSMo.

"Average Annual Debt Service" means the average of the Debt Service Requirements for the then current and all future fiscal years.

"Bond Counsel" means Gilmore & Bell, P.C., Kansas City, Missouri, or other attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing selected by the City.

"Bond Payment Date" means any date on which principal of or interest on any Bond is payable at the Maturity thereof or on any Interest Payment Date.

"Bond Register" means the books for the registration, transfer and exchange of Bonds kept at the office of the Paying Agent.

"Bondowner" or **"Registered Owner"** when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register.

"Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds, Series C and Series D, of the City, in the aggregate principal amount of \$1,474,000, consisting of the Series C Bond in the principal amount of \$1,353,000 and the Series D Bond in the principal amount of \$121,000, authorized and issued pursuant to this Ordinance.

"Business Day" means a day, other than a Saturday, Sunday or holiday, on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

"City" means the city of New Franklin, Missouri, and any successors or assigns.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations of the Treasury Department proposed or promulgated thereunder.

"Consultant" means an independent engineer or engineering firm having a favorable reputation for skill and experience in the construction, financing and operation of public utilities and the preparation of management studies and financial feasibility studies in connection therewith, selected by the City for the purpose of carrying out the duties imposed on the Consultant by this Ordinance.

"Debt Service Account" means the Debt Service Account for Combined Waterworks and Sewerage System Revenue Bonds, Series C and Series D, created by **Section 501** hereof.

"Debt Service Requirements" means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and net interest or interest-like payments (net of any Subsidy Payments) on all System Revenue Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with a commercial bank or trust company located in the State of Missouri and having full trust powers.

"Debt Service Reserve Account" means the Debt Service Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds, Series C and Series D, created by **Section 501** hereof.

"Debt Service Reserve Requirement" means the sum of \$68,880.

"Defaulted Interest" means interest on any Bond which is payable but not paid on any Interest Payment Date.

"Defeasance Obligations" means any of the following obligations:

- (a) United States Government Obligations that are not subject to redemption in advance of their maturity dates; or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations serving as security for the obligations, plus any cash in the escrow fund, are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations serving as security for the obligations, are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) the obligations are rated in a rating category by Moody's or Standard & Poor's Ratings Group that is no lower than the rating category then assigned by that rating agency to United States Government Obligations.

"Depreciation and Replacement Account" means the account referred to by that name ratified and confirmed by **Section 501** hereof.

"Expenses" means all reasonable and necessary expenses of operation, maintenance and repair of the System and keeping the System in good repair and working order (other than interest paid on System Revenue Bonds and depreciation and amortization charges during the period of determination), determined in accordance with generally accepted accounting principles, including without limiting the generality of the foregoing, current maintenance charges, expenses of reasonable upkeep and repairs, salaries, wages, costs of materials and supplies, Paying Agent fees and expenses, annual audits, periodic Consultant's reports, properly allocated share of charges for insurance, the cost of purchased water, gas and power, if any, obligations (other than for borrowed money or for rents payable under capital leases) incurred in the ordinary course of business, liabilities incurred by endorsement for collection or deposit of checks or drafts received in the ordinary course of business, short-term obligations incurred and payable within a particular fiscal year, other obligations or indebtedness incurred for the purpose of leasing (pursuant to a true or operating lease) equipment, fixtures, inventory or other personal property, and all other expenses incident to the operation of the System but shall exclude all general administrative expenses of the City not related to the operation of the System.

"Federal Tax Certificate" means the City's Federal Tax Certificate relating to the Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

"Government" means the United States of America, acting through the United States Department of Agriculture.

"Interest Payment Date" means the Stated Maturity of an installment of interest on any Bond.

"Maturity" when used with respect to any Bond or installment of principal thereof means the date on which the Bond or installment of principal of such Bond becomes due and payable as therein and herein provided, whether at the Stated Maturity thereof or call for redemption, declaration of acceleration or otherwise.

"Net Revenues" means all Revenues less all Expenses.

"Net Revenues Available for Debt Service" means, for the period of determination, all Revenues less all Expenses.

"Operation and Maintenance Account" means the account referred to by that name ratified and confirmed by **Section 501** hereof.

"Ordinance" means this Ordinance as from time to time amended in accordance with the terms hereof.

"Original Issue Date" means the date on which the Bonds are fully paid for and are delivered to the Purchaser.

"Outstanding" means, when used with reference to Bonds, as of any particular date, all Bonds theretofore issued and delivered hereunder, except the following Bonds:

(a) Bonds theretofore cancelled by the Paying Agent or delivered to the Paying Agent for cancellation;

(b) Bonds or installments of principal thereof deemed to be paid in accordance with the provisions of **Section 1101** hereof; and

(c) Bonds in exchange for or in lieu of which other Bonds have been registered and delivered hereunder.

"Parity Bonds" means the Previously Issued Parity Bonds and any additional parity bonds or other obligations hereafter issued or incurred pursuant to **Section 902** hereof and standing on a parity and equality with the Bonds with respect to the payment of principal and interest out of the Net Revenues of the System.

"Parity Ordinances" means the Previously Issued Parity Ordinances and the ordinances under which any additional Parity Bonds are hereafter issued pursuant to **Section 902** hereof.

"Paying Agent" means the party designated as Paying Agent pursuant to **Section 203** hereof and any successors and assigns.

"Permitted Investments" means any of the following securities and obligations, if and to the extent the same are at the time legal for investment of the City's moneys held in the funds and accounts referred to in **Section 501** hereof:

(a) United States Government Obligations;

(b) certificates of deposit or time deposits, whether negotiable or nonnegotiable, issued by any bank or trust company organized under the laws of the United States or any state, provided that such certificates of deposit or time deposits shall be either (1) continuously and fully insured by the Federal Deposit Insurance Corporation, or (2) continuously and fully secured by such securities as are described above in clause (a) which shall have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such certificates of deposit or time deposits; and

(c) any other securities or investments that are lawful for the investment of moneys held in such funds or accounts under the laws of the State of Missouri.

"Person" means any natural person, corporation, partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

"Previously Issued Parity Bonds" means the outstanding Series 1999B Bonds and the outstanding Series 2012 Bonds.

"Previously Issued Parity Ordinances" means the Series 1999B Ordinance and the Series 2012 Ordinance.

"Project" means extending and improving the City's combined waterworks and sewerage system.

"Project Fund" means the fund by that name created by **Section 501** hereof.

"Purchaser" means (1) the Government, or (2) if and to the extent any rights, privileges or duties of the Government hereunder are assigned by the Government pursuant to an assignment of the City's Loan Resolution (Form RUS Bulletin 1780-27).

"Record Date" for the interest payable on any Interest Payment Date means the 15th day (whether or not a Business Day) next preceding such Interest Payment Date.

"Redemption Date" when used with respect to any Bond or installments of principal thereof to be redeemed means the date fixed for such redemption pursuant to the terms of this Ordinance.

"Redemption Price" when used with respect to any Bond or installments of principal thereof to be redeemed means the price at which such Bond or installments of principal thereof is to be redeemed pursuant to the terms of this Ordinance, including the applicable redemption premium, if any, but excluding installments of principal whose Stated Maturity is on or before the Redemption Date.

"Reduced Rate" means an alternative rate of interest at which one or both of the Bonds may be issued by the City at the time the Bonds are originally purchased by and delivered to the Purchaser, such

Reduced Rate being different from the rate of interest specified in **Section 202** of this Ordinance. The Reduced Rate must meet the following requirements:

(a) The Reduced Rate shall be less than 3.00% with respect to the Series C Bond and shall be less than 3.25% with respect to the Series D Bond; and

(b) Written approval of the Reduced Rate, showing the reduced rate of interest and the amount of each annual installment of principal and interest, shall have been received by the City from the Purchaser prior to the original delivery of the Bonds to the Purchaser.

"Revenue Fund" means the fund referred to by that name ratified and confirmed by **Section 501** hereof.

"Revenues" means all income and revenues derived from the ownership and operation of the System, including investment and rental income, net proceeds from business interruption insurance, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of System facilities to be applied during the period of determination to pay interest on System Revenue Bonds, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

"Series 1999B Bonds" means the Combined Waterworks and Sewerage System Revenue Bonds (State Revolving Fund Program) Series 1999B, of the City dated June 1, 1999, originally issued in the principal amount of \$505,000.

"Series 1999B Ordinance" means Ordinance No. 641 of the City passed on May 19, 1999, authorizing the issuance of the Series 1999B Bonds.

"Series 2012 Bonds" means the Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2012, of the City dated April 13, 2012, originally issued in the principal amount of \$407,000.

"Series 2012 Ordinance" means Ordinance No. 760 passed on March 12, 2012, authorizing the issuance of the Series 2012 Bonds.

"Series C Bond" means the Combined Waterworks and Sewerage System Revenue Bond, Series C, in the principal amount of \$1,353,000 authorized by this Ordinance.

"Series D Bond" means the Combined Waterworks and Sewerage System Revenue Bond, Series D, in the principal amount of \$121,000 authorized by this Ordinance.

"Special Record Date" means the date fixed by the Paying Agent pursuant to **Section 204** hereof for the payment of Defaulted Interest.

"Stated Maturity" when used with respect to any Bond or any installment of principal thereof or installment of interest thereon means the date specified in such Bond and this Ordinance as the fixed date on which the principal or installment of principal of such Bond or such installment of interest is due and payable.

"Subsidy Payments" means funds received by the City that either (1) must be used, or (2) have been and are expected to continue to be used, to reduce the interest or principal payments on System

Revenue Bonds. Such Subsidy Payments would include, but are not limited to (a) payments received by the City through a federal or State of Missouri program, or (b) payments related to an interest rate swap, exchange, hedge or similar agreement.

"Surplus Account" means the account referred to by that name ratified and confirmed by **Section 501** hereof.

"System" means the entire combined waterworks plant and system and sewerage plant and system owned and operated by the City for the production, storage, treatment and distribution of water, and for the collection, treatment and disposal of sewage, to serve the needs of the City and its inhabitants and others, including all appurtenances and facilities connected therewith or relating thereto, together with all extensions, improvements, additions and enlargements thereto hereafter made or acquired by the City.

"System Revenue Bonds" means collectively the Bonds and all other revenue bonds or other obligations which are payable out of, or secured by an interest in, the Net Revenues.

"United States Government Obligations" means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation).

ARTICLE II

AUTHORIZATION OF BONDS

Section 201. Authorization of Bonds. There is hereby authorized and directed to be issued an issue of Combined Waterworks and Sewerage System Revenue Bonds, Series C and Series D, of the City, in the aggregate principal amount of \$1,474,000 (the "Bonds") for the purpose of providing funds for the Project, as provided in this Ordinance. The Series C Bond and the Series D Bond will be issued *pari passu*, neither the Series C Bond nor the Series D Bond having priority over the other.

Section 202. Description of Bonds. The Bonds shall consist of fully registered bonds without coupons, Series C being in the principal amount of \$1,353,000 and Series D being in the principal amount of \$121,000. The Bonds, as originally issued or issued upon transfer, exchange or substitution, shall be substantially in the form set forth in **Exhibit A** attached hereto, and shall be subject to registration, transfer and exchange as provided in **Section 205** hereof. The Series C Bond shall be dated as of its Original Issue Date and shall bear interest from the Original Issue Date at the rate of 3.00% per annum or, if the required conditions are met prior to original delivery of the Series C Bond, at the Reduced Rate, payable annually on the anniversary of the Original Issue Date in each year. The Series D Bond shall be dated as of its Original Issue Date and shall bear interest from the Original Issue Date at the rate of 3.25% per annum or, if the required conditions are met prior to original delivery of the Series C Bond, at the Reduced Rate, payable annually on the anniversary of the Original Issue Date in each year.

The Series C Bond shall be issued as a single fully registered Bond with principal and interest payable in annual installments of \$62,969.00 (unless reduced at the time of original delivery to comply

with a Reduced Rate approved by the Purchaser) beginning on the first (1st) anniversary of the Original Issue Date, and annually thereafter on each anniversary of the Original Issue Date except that the entire remaining principal and interest on such Bond, if not sooner paid, shall become due and payable on the 35th anniversary of the Original Issue Date.

The Series D Bond shall be issued as a single fully registered Bond with principal and interest payable in annual installments of \$5,840.00 (unless reduced at the time of original delivery to comply with a Reduced Rate approved by the Purchaser) beginning on the first (1st) anniversary of the Original Issue Date, and annually thereafter on each anniversary of the Original Issue Date except that the entire remaining principal and interest on such Bond, if not sooner paid, shall become due and payable on the 35th anniversary of the Original Issue Date.

Section 203. Designation of Paying Agent. The Treasurer of the City is hereby designated as the City's paying agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds (herein called the "Paying Agent"); provided, however, that upon the request of the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding, the City may by Ordinance authorize a bank or trust company having its principal office in Missouri to act as paying agent and bond registrar for the Bonds.

The City will at all times maintain a Paying Agent meeting the qualifications herein described for the performance of the duties hereunder. The City reserves the right to appoint a successor Paying Agent by (1) filing with the party then performing such function a certified copy of the proceedings giving notice of the termination of such party and appointing a successor, and (2) causing notice to be given by first class mail to each Bondowner. No resignation or removal of the Paying Agent shall become effective until (i) a successor has been appointed and has accepted the duties of the Paying Agent and (ii) as long as any of the Bonds are owned or insured by the Purchaser, such successor has been approved by the Purchaser.

Every Paying Agent appointed hereunder shall at all times be either (a) the Treasurer of the City or (b) a commercial banking association or corporation or trust company located in the State of Missouri organized and in good standing and doing business under the laws of the United States of America or of the State of Missouri and subject to supervision or examination by federal or state regulatory authority.

The Paying Agent shall be paid the usual fees and expenses for its services in connection therewith, which fees and expenses shall be paid as other Expenses are paid.

Section 204. Method and Place of Payment of Bonds. The installments of principal or Redemption Price of and interest on the Bonds shall be payable in any coin or currency of the United States of America that, on the respective dates of payment thereof, is legal tender for the payment of public and private debts.

The installments of principal, or Redemption Price of installments of principal, of each Bond shall be paid by check or draft mailed by the Paying Agent to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, provided that the final installment of principal or the Redemption Price of all remaining principal shall be paid upon presentation and surrender of such Bond at the office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Registered Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such

interest by check or draft mailed by the Paying Agent to such Registered Owner at the address shown on the Bond Register.

Notwithstanding the foregoing provisions of this Section, any Defaulted Interest with respect to any Bond shall cease to be payable to the Registered Owner of such Bond on the relevant Record Date and shall be payable to the Registered Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified in this paragraph. The City shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment. Following receipt of such funds, the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 days or less than 10 days prior to the date of the proposed payment. The Paying Agent shall promptly notify the City of such Special Record Date and, in the name and at the expense of the City, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed by first class mail, postage prepaid, to each Registered Owner of a Bond entitled to such notice at the address of such Registered Owner as it appears on the Bond Register not less than 10 days prior to such Special Record Date.

The Paying Agent shall keep a record of payment of principal and Redemption Price of and interest on all Bonds and shall at least annually forward a copy or summary of such records to the City.

Section 205. Registration, Transfer and Exchange of Bonds. The City covenants that, as long as any of the Bonds remain Outstanding, it will cause the Bond Register to be kept at the office of the Paying Agent for the registration, transfer and exchange of Bonds as herein provided. Each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register.

Bonds may be transferred and exchanged only on the Bond Register as provided in this Section. Upon surrender of any Bond at the office of the Paying Agent, the Paying Agent shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the principal amount of the outstanding and unpaid principal of the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Registered Owner thereof or by the Registered Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Ordinance. The City shall pay the fees and expenses of the Paying Agent for the registration, transfer and exchange of Bonds provided for by this Ordinance. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Paying Agent, are the responsibility of the Registered Owners of the Bonds. In the event any Registered Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Code, such amount may be deducted by the Paying Agent from amounts otherwise payable to such Registered Owner hereunder or under the Bonds.

The City and the Paying Agent shall not be required (a) to register the transfer or exchange of any Bond after notice calling such Bond or portion thereof for redemption has been given or during the period of 15 days next preceding the first mailing of such notice of redemption, or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the City of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest pursuant to **Section 204** hereof.

The City and the Paying Agent may deem and treat the Person in whose name any Bond is registered on the Bond Register as the absolute owner of such Bond, whether payments on such Bond are overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price of and interest on said Bond and for all other purposes. All payments so made to any such Registered Owner or upon the Registered Owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the City nor the Paying Agent shall be affected by any notice to the contrary.

At reasonable times and under reasonable regulations established by the Paying Agent, the Bond Register may be inspected and copied by the Registered Owners (or a designated representative thereof) of 10% or more in principal amount of the Bonds then Outstanding or any designated representative of such Registered Owners to be evidenced to the satisfaction of the Paying Agent.

Section 206. Execution, Authentication and Delivery of Bonds. Each of the Bonds, including any Bonds issued in exchange or as substitution for the Bonds initially delivered, shall be signed by the manual or facsimile signature of the Mayor, attested by the manual or facsimile signature of the City Clerk, and shall have the official seal of the City affixed thereto or imprinted thereon. In case any officer whose signature appears on any Bonds ceases to be such officer before the delivery of such Bonds, such signature shall nevertheless be valid and sufficient for all purposes, as if such person had remained in office until delivery. Any Bond may be signed by such persons who at the actual time of the execution of such Bond are the proper officers to sign such Bond although at the date of such Bond such persons may not have been such officers.

The Mayor and City Clerk are hereby authorized and directed to prepare and execute the Bonds as herein specified, and when duly executed, to deliver the Bonds to the Paying Agent for authentication.

The Bonds shall have endorsed thereon a certificate of authentication substantially in the form set forth in **Exhibit A** attached hereto, which shall be manually executed by (i) the Treasurer of the City or (ii) if a bank or trust company is serving as Paying Agent, an authorized officer or employee of the Paying Agent, but it shall not be necessary that the same officer or employee sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time. No Bond shall be entitled to any security or benefit under this Ordinance or be valid or obligatory for any purpose unless and until such certificate of authentication has been duly executed by the Paying Agent. Such executed certificate of authentication upon any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Ordinance. Upon authentication, the Paying Agent shall deliver the Bonds to the Purchaser, upon payment of the purchase price of 100% of the principal amount of the Bonds plus accrued interest thereon to the date of their delivery.

Section 207. Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Paying Agent, or the City and the Paying Agent receive evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Paying Agent such security or indemnity as may be required by the Paying Agent, then, in the absence of notice to the Paying Agent that

such Bond has been acquired by a bona fide purchaser, the City shall execute and, upon the City's request, the Paying Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount.

If the final installment of principal and interest of any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the City in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under this Section, the City may require the payment by the Registered Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

Every new Bond issued pursuant to this Section shall constitute a replacement of the prior obligation of the City, and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds.

Section 208. Cancellation and Destruction of Bonds Upon Payment. All Bonds that have been paid or redeemed or that otherwise have been surrendered to the Paying Agent, either at or before Maturity, shall be cancelled by the Paying Agent immediately upon the payment, redemption and surrender thereof to the Paying Agent and subsequently destroyed in accordance with the customary practices of the Paying Agent. The Paying Agent shall execute a certificate in duplicate describing the Bonds so cancelled and destroyed and shall file an executed counterpart of such certificate with the City.

ARTICLE III

REDEMPTION OF BONDS

Section 301. Redemption of Bonds. Bonds that are owned by the Purchaser (including the respective installments of principal corresponding thereto) shall be subject to redemption and prepayment prior to Stated Maturity, in whole or in part at any time at the option of the City, upon payment of the principal amount of the Bonds or of the installments of principal thereof to be redeemed or prepaid, plus accrued interest thereon to the Redemption Date, without premium.

Bonds that are not owned by the Purchaser (including the respective installments of principal corresponding thereto) shall be subject to redemption or prepayment prior to Stated Maturity at the option of the City, as follows:

(a) The Bonds or installments of principal thereof are not subject to redemption prior to the ninth (9th) anniversary of the Original Issue Date.

(b) Each of the Bonds or the respective installments of principal thereof becoming due on and after the tenth (10th) anniversary of the Original Issue Date shall be subject to redemption and payment at the option of the City, on the ninth (9th) anniversary of the Original Issue Date, or at any time thereafter in whole or in part, at the principal amount thereof, plus accrued interest thereon to the Redemption Date, without premium.

In the event of partial redemption of a Bond, the installments of principal to be redeemed shall be in the inverse order of the Maturity dates of such principal installments. The redemption of a portion of a Bond shall not reduce the amount of each annual installment of principal and interest due on the Bond.

Section 302. Instructions to Redeem Bonds.

(a) The Paying Agent shall call Bonds or installments of principal thereof for redemption and payment and shall give notice of such redemption as herein provided upon receipt by the Paying Agent at least 45 days prior to the Redemption Date of written instructions of the City specifying the principal amount, Stated Maturities, Redemption Date and Redemption Prices of the Bonds or installments of principal thereof to be called for redemption. The Paying Agent may in its discretion waive such notice period so long as the notice requirements set forth in **Section 303** hereof are met.

(b) A Bond may be redeemed in such portion of outstanding principal as shall be determined by the City. When less than all of an Outstanding Bond is to be redeemed, such Bond shall be redeemed in inverse order of installments of principal thereof.

Section 303. Notice and Effect of Call for Redemption. Unless waived by any Registered Owner of a Bond to be redeemed, official notice of any redemption of all or any portion of such Bond shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail at least 30 days prior to the Redemption Date, to the Purchaser of the Bond and the Registered Owner of the Bond to be redeemed at the address shown on the Bond Register.

All official notices of redemption shall be dated and shall contain the following information:

- (a) the Redemption Date;
- (b) the Redemption Price;
- (c) if less than all Outstanding principal of the Bond is to be redeemed, the portion of principal of the Bond to be redeemed;
- (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon the Bond or portion thereof called for redemption and that interest on such Bond or portion thereof shall cease to accrue from and after the Redemption Date; and
- (e) if the Bond is to be fully redeemed and retired, the place where such Bond may be surrendered for payment of the Redemption Price, which shall be the office of the Paying Agent.

The failure of any Registered Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the City shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on that date.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein

specified, and from and after the Redemption Date (unless the City defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest; provided, however, that the redemption of a portion of a Bond shall not reduce the amount of the annual installment of principal and interest on such Bond. Upon surrender of such Bonds for redemption in accordance with such notice, the Redemption Price of such Bonds shall be paid by the Paying Agent. Installments of principal and interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall, if requested by the Registered Owner thereof, be prepared for the Registered Owner a new Bond or Bonds paying the same annual installment of principal and interest, in the principal amount of the unpaid principal. All Bonds that have been redeemed shall be cancelled and destroyed by the Paying Agent as provided herein and shall not be reissued.

The Paying Agent is also directed to comply with any mandatory or voluntary standards established by the Securities and Exchange Commission then in effect for processing redemptions of municipal securities. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond or installments of principal thereof.

ARTICLE IV

SECURITY FOR BONDS

Section 401. Security for Bonds. The Bonds shall be special obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues of the System, and the City hereby pledges said Net Revenues to the payment of the principal of and interest on the Bonds. The Bonds shall not be or constitute a general obligation of the City, nor shall they constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction, and the taxing power of the City is not pledged to the payment of the Bonds, either as to principal or interest.

The covenants and agreements of the City contained herein and in the Bonds shall be for the equal benefit, protection and security of the legal owners of any or all of the Bonds, all of which Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the funds herein pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in this Ordinance. The Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the Net Revenues and in all other respects with any Parity Bonds. The Bonds shall not have any priority with respect to the payment of principal or interest from said Net Revenues or otherwise over the Parity Bonds and the Parity Bonds shall not have any priority with respect to the payment of principal or interest from said Net Revenues or otherwise over the Bonds.

ARTICLE V

CREATION AND RATIFICATION OF FUNDS AND ACCOUNTS; DEPOSIT AND APPLICATION OF BOND PROCEEDS

Section 501. Establishment of Funds and Accounts. There are hereby created or ratified and ordered to be established and maintained in the treasury of the City the following separate funds and accounts to be known respectively as the:

- (a) Combined Waterworks and Sewerage System Project Fund (the "Project Fund").
- (b) Combined Waterworks and Sewerage System Revenue Fund (the "Revenue Fund").
- (c) Combined Waterworks and Sewerage System Operation and Maintenance Account (the "Operation and Maintenance Account").
- (d) Debt Service Account for Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2012 (the "Series 2012 Debt Service Account").
- (e) Debt Service Account for Combined Waterworks and Sewerage System Revenue Bonds, Series C and Series D (the "Debt Service Account").
- (f) Debt Service Reserve Account for Combined Waterworks and Sewerage System Refunding Revenue Bonds, Series 2012 (the "Series 2012 Debt Service Reserve Account").
- (g) Debt Service Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds, Series C and Series D (the "Debt Service Reserve Account").
- (h) Combined Waterworks and Sewerage System Depreciation and Replacement Account (the "Depreciation and Replacement Account").
- (i) Combined Waterworks and Sewerage System Surplus Account (the "Surplus Account").

The City acknowledges the creation and continuing existence of the following accounts for the Series 1999B Bonds:

- (1) the Debt Service Account, the Principal Account and the Interest Account (hereinafter referred to collectively as the "Series 1999B Debt Service Account"), and
- (2) the Reserve Account (the "Series 1999B Debt Service Reserve Account").

The funds and accounts referred to in paragraphs (a), (b), (h) and (i) of this Section shall be maintained and administered by the City solely for the purposes and in the manner as provided in the Act and in this Ordinance and in the Previously Issued Parity Ordinances so long as any of the Bonds or the Previously Issued Parity Bonds remain Outstanding within the meaning of this Ordinance and the Previously Issued Parity Ordinances, respectively. The funds and accounts referred to in paragraphs (d) and (f) of this Section shall be maintained and administered by the City solely for the purposes and in the manner as provided in the Act and in the Series 2012 Ordinance so long as the Series 2012 Bonds remain

Outstanding within the meaning of the Series 2012 Ordinance. The funds and accounts referred to in paragraphs (e) and (g) of this Section shall be maintained and administered by the City solely for the purposes and in the manner as provided in the Act and in this Ordinance so long as any of the Bonds remain Outstanding.

Section 502. Deposit of Bond Proceeds. The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds, as follows:

(a) Any premium and accrued interest on the Bonds shall be deposited in the Debt Service Account and applied in accordance with **Section 602(b)** hereof.

(b) The remaining balance of the proceeds of the Bonds shall be deposited in the Project Fund and applied in accordance with **Section 503** hereof.

Section 503. Application of Moneys in the Project Fund. Moneys in the Project Fund shall be used solely for the purpose of (a) paying the cost of the Project as hereinbefore provided, in accordance with the plans and specifications therefor prepared by the Consultant for the Project and heretofore approved by the Board of Aldermen of the City and on file in the office of the City Clerk, including any alterations in or amendments to said plans and specifications deemed advisable by the Consultant and approved by the Board of Aldermen of the City, and (b) for paying the costs and expenses incident to the issuance of the Bonds.

Withdrawals from the Project Fund shall be made only when authorized by the Board of Aldermen and only on duly authorized and executed warrants or vouchers therefor accompanied by a certificate executed by the Consultant that such payment is being made for a purpose within the scope of this Ordinance and that the amount of such payment represents only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Nothing hereinbefore contained shall prevent the payment out of the Project Fund of all costs and expenses incident to the issuance of the Bonds and interest accruing on the Bonds during the period of acquisition and construction of the Project or withdrawals of sums for investment or reinvestment purposes under the terms of this Ordinance without a certificate from the Consultant.

Upon completion of the Project as hereinbefore provided, any surplus moneys remaining in the Project Fund and not required for the payment of unpaid costs thereof shall be used either to pay part of the first installment of interest on due on the Bonds or for the prepayment of principal of the Bonds.