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**BILL NO. \_\_\_\_\_**

**ORDINANCE NO. \_\_\_\_\_**

**OF THE**

**CITY COUNCIL**

**OF THE**

**CITY OF KIRKSVILLE, MISSOURI**

**PASSED FEBRUARY 1, 2016**

\_\_\_\_\_  
**AUTHORIZING**

**NOT TO EXCEED \$18,000,000**

**COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS  
(STATE OF MISSOURI – DIRECT LOAN PROGRAM)  
SERIES 2016**

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BILL NO. \_\_\_\_\_

ORDINANCE NO. \_\_\_\_\_

**AN ORDINANCE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$18,000,000 PRINCIPAL AMOUNT OF COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BONDS (STATE OF MISSOURI – DIRECT LOAN PROGRAM) SERIES 2016 OF THE CITY OF KIRKSVILLE, MISSOURI, FOR THE PURPOSE OF EXTENDING AND IMPROVING THE CITY’S COMBINED WATERWORKS AND SEWERAGE SYSTEM; PRESCRIBING THE FORM AND DETAILS OF THE BONDS AND THE AGREEMENTS MADE BY THE CITY TO FACILITATE AND PROTECT THEIR PAYMENT AND PRESCRIBING OTHER RELATED MATTERS**

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WHEREAS, the City of Kirksville, Missouri (the “City”), is a city of the third class organized and existing under the Constitution and laws of the State of Missouri; and

WHEREAS, the City now owns and operates a revenue producing combined waterworks and sewerage system, serving the City, its inhabitants and others within its service area, including connected and related appurtenances and facilities and extensions, improvements, additions and enlargements made or acquired by the City (the “System”), consisting of a waterworks subsystem (the “Waterworks Subsystem”) and a sewerage subsystem (the “Sewerage Subsystem”); and

WHEREAS, the City desires to extend and improve the System, such extensions and improvements to be financed in part by the issuance by the City pursuant to this Ordinance of its Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2016 (the “Bonds”), in the maximum principal amount of \$18,000,000 (the “Maximum Principal Amount”); and

WHEREAS, to provide for the most cost-effective financing of the Project, the City desires to participate in the State of Missouri Direct Loan Program (the “Direct Loan Program”) of the Missouri Department of Natural Resources (“DNR”) and the Clean Water Commission of the State of Missouri (the “Commission”); and

WHEREAS, the City is authorized under the provisions of Chapter 250 of the Revised Statutes of Missouri (the “Act”) to issue and sell revenue bonds for the purpose of paying all or part of the cost of extending and improving the System, with the cost of operation and maintenance of the System and the principal of and interest on revenue bonds payable solely from the Net Revenues (as defined below); and

WHEREAS, pursuant to the Act, a special bond election (the “Election”) was duly held in the City on April 2, 2013, on the following question:

**QUESTION**

Shall the City of Kirksville, Missouri, issue its combined waterworks and sewerage system revenue bonds in the amount of \$18,000,000 for the purpose of paying costs of improving and extending the combined waterworks and sewerage system of the City, including an extensive upgrade of the wastewater treatment facility to comply with state requirements and to increase treatment capacity, the cost of operation and maintenance of said combined waterworks and sewerage system and the principal of and interest on said revenue bonds

to be payable solely from the revenues derived by the City from the operation of its combined waterworks and sewerage system, including all future improvements and extensions thereto?

and it was found and determined that more than a simple majority of the qualified electors of the City voting on the question had voted in favor of the question, the vote having been 840 votes for the question and 178 votes against the question; and

WHEREAS, the City Council of the City (the "Governing Body") has caused plans and specifications for the Project and a cost estimate to be made by the Consulting Engineer (as defined below); and

WHEREAS, the plans and specifications and the cost estimate are accepted and approved and are on file in the office of the City Clerk, the amount of the estimated cost being not less than the Maximum Principal Amount; and

WHEREAS, none of the bonds authorized at the Election have been issued and the City finds and determines that it is necessary and advisable and in the best interest of the City and of its inhabitants to issue all of the bonds authorized at the Election; and

WHEREAS, by Ordinance No. 11316 adopted on November 13, 1997 (the "Series 1997 Ordinance"), the City has issued its Sewerage System Revenue Bonds (State Revolving Fund Program) Series 1997 (the "Series 1997 Bonds"), dated December 1, 1997, in the original principal amount of \$1,465,000, of which \$225,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11360 adopted on November 19, 1998 (the "Series 1998 Ordinance"), the City has issued its Sewerage System Revenue Bonds (State Revolving Fund Program) Series 1998 (the "Series 1998 Bonds"), dated December 1, 1998, in the original principal amount of \$1,180,000, of which \$255,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11422 adopted on November 18, 1999 (the "Series 1999 Ordinance"), the City has issued its Sewerage System Revenue Bonds (State Revolving Fund Program) Series 1999 (the "Series 1999 Bonds"), dated December 1, 1999, in the original principal amount of \$1,790,000, of which \$640,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11531 adopted on November 1, 2001 (the "Series 2001 Ordinance"), the City has issued its Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2001 (the "Series 2001 Bonds"), dated November 20, 2001, in the original principal amount of \$565,000, of which \$265,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11596 adopted on October 24, 2002 (the "Series 2002 Ordinance"), the City has issued its Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2002 (the "Series 2002 Bonds"), dated November 7, 2002, in the original principal amount of \$645,000, of which \$355,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11613 adopted on April 3, 2003 (the "Series 2003 Ordinance"), the City has issued its Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2003 (the "Series 2003 Bonds"), dated April 9, 2003, in the original principal amount of \$1,385,000, of which \$625,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11733 adopted on October 17, 2005 (the “Series 2005A Ordinance,” together with the Series 1997 Ordinance, the Series 1998 Ordinance, the Series 1999 Ordinance, the Series 2001 Ordinance, the Series 2002 Ordinance and the Series 2003 Ordinance, the “Outstanding Senior Sewer Bond Ordinance”), the City has issued its Sewerage System Revenue Bonds (State Revolving Fund Program) Series 2005A (the “Series 2005A Bonds,” together with the Series 1997 Bonds, the Series 1998 Bonds, the Series 1999 Bonds, the Series 2001 Bonds, the Series 2002 Bonds and the Series 2003 Bonds, the “Outstanding Senior Sewer Bonds), dated November 30, 2005, in the original principal amount of \$1,595,000, of which \$980,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11692 adopted on November 18, 2004 (the “Series 2004 Ordinance”), the City has issued its Waterworks System Revenue Bonds (State Revolving Fund Program) Series 2004 (the “Series 2004 Bonds”), dated December 9, 2004, in the original principal amount of \$695,000, of which \$390,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11732 adopted on October 17, 2005 (the “Series 2005B Ordinance,” together with the Series 2004 Ordinance, the “Outstanding Senior Water Bond Ordinance”), the City has issued its Waterworks System Revenue Bonds (State Revolving Fund Program) Series 2005B (the “Series 2005B Bonds,” together with the Series 2004 Bonds, the “Outstanding Senior Water Bonds”), dated November 30, 2005, in the original principal amount of \$1,805,000, of which \$1,180,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11797 adopted on April 4, 2007 (the “Series 2007 Ordinance”), the City has issued its Combined Waterworks and Sewerage System Revenue Bonds, Series 2007 (the “Series 2007 Bonds”), dated May 1, 2007, in the original principal amount of \$3,500,000, of which \$2,295,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11829 adopted on April 1, 2008 (the “Series 2008 Ordinance”), the City has issued its Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2008 (the “Series 2008 Bonds”), dated April 29, 2008, in the original principal amount of \$1,500,000, of which \$953,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11902 adopted on December 21, 2009 (the “Series 2009 Ordinance”), the City has issued its Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program – ARRA) Series 2009 (the “Series 2009 Bonds”), dated December 29, 2009, in the original principal amount of not to exceed \$515,000, of which \$497,601.40 was finally issued and \$376,001.40 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 11927 adopted on June 21, 2010 (the “Series 2010 Ordinance”), the City has issued its Taxable Combined Waterworks and Sewerage System Revenue Bonds (Recovery Zone Economic Development Bonds) Series 2010 (the “Series 2010 Bonds”), dated June 30, 2010, in the original principal amount of \$2,274,000, of which \$1,830,000 remains outstanding as of the date of adoption of this Ordinance; and

WHEREAS, by Ordinance No. 12134 adopted on November 17, 2014 (the “Series 2014 Ordinance,” together with the Series 2007 Ordinance, the Series 2008 Ordinance, the Series 2009 Ordinance and the Series 2010 Ordinance, the “Outstanding Parity Bond Ordinance”), the City has issued its Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2014 (the “Series 2014 Bonds,” together with the Series 2007 Bonds, the Series 2008 Bonds, the Series 2009 Bonds and the Series 2010 Bonds, the “Outstanding Parity Bonds”), dated December 10, 2014, in the

original principal amount of not to exceed \$1,485,000, of which \$1,485,000 of voted authorization is considered to have been issued as of the date of adoption of this Ordinance because Completion of Funding (within the meaning of the Series 2014 Ordinance) has not been filed by the City with DNR; and

WHEREAS, the City, upon the issuance of the Bonds, will not have outstanding any other bonds or other obligations payable from the applicable portion of the Net Revenues other than the Outstanding Senior Sewer Bonds, the Outstanding Senior Water Bonds, the Outstanding Parity Bonds and the Bonds; and

WHEREAS, under the provisions of the Outstanding Senior Sewer Bond Ordinance, the City may issue additional bonds payable out of the Sewer Net Revenues that are junior and subordinate to the Outstanding Senior Sewer Bonds only if certain conditions are met; and

WHEREAS, under the provisions of the Outstanding Senior Water Bond Ordinance, the City may issue additional bonds payable out of the Water Net Revenues that are junior and subordinate to the Outstanding Senior Water Bonds only if certain conditions are met; and

WHEREAS, under the provisions of the Outstanding Parity Bond Ordinance, the City may issue additional bonds payable out of the Net Revenues that are on a parity with the Outstanding Parity Bonds only if certain conditions are met; and

WHEREAS, it is hereby found and determined that it is necessary and advisable and in the best interest of the City and its inhabitants that revenue bonds be issued and secured in the form and manner provided in this Ordinance and be sold to DNR under the Direct Loan Program, and to provide the remainder of costs of extending and improving the System which may be required from subsequent issues of bonds, grants or funds of the City otherwise available.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF KIRKSVILLE, MISSOURI, AS FOLLOWS:

## **ARTICLE I**

### **DEFINITIONS**

Section 101. Definition of Words and Terms. Capitalized words and terms not otherwise defined in this Ordinance have the meanings set forth in the Purchase Agreement and the Escrow Agreement (each as defined below). In addition to the foregoing and words and terms defined in the Recitals and elsewhere in this Ordinance, capitalized words and terms have the following meanings in this Ordinance:

“Administrative Expense Fund” means the fund designated as such and established by Section 4 of the Escrow Agreement. The Administrative Expense Fund does not constitute part of the Direct Loan Program.

“Administrative Fee” means the semiannual administrative fee of DNR equal to 0.50% of the aggregate amount of the Bonds Outstanding as of each Administrative Fee Calculation Date (including the final maturity date of the Bonds), payable to the Paying Agent within 30 days after the City’s receipt of a statement from the Paying Agent for deposit to the Administrative Expense Fund and subsequent transfers to DNR as described in Section 9 of the Escrow Agreement.



“Administrative Fee Calculation Date” means the Business Day preceding each Principal Payment Date.

“Authority” means the State Environmental Improvement and Energy Resources Authority, a body corporate and politic and a governmental instrumentality of the State.

“Authority Program Bonds” means any bonds of the Authority issued under the SRF Leveraged Program, all or a portion of the proceeds of which are loaned to the City pursuant to the SRF Leveraged Program.

“Authorized Representative” means the representative of the City designated as such by the City in accordance with the Regulations.

“BABs Interest Subsidy Payments” means any payments to be received by the City from the U.S. Department of the Treasury under Section 54AA or Section 6431 of the Internal Revenue Code of 1986, as amended, in connection with the payments of interest on System Revenue Bonds.

“Bond Debt Service” means the amount of the principal of and interest due on the Bonds on the date of calculation required in this Ordinance.

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

“Bonds” means the Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2016, authorized and issued under this Ordinance.

“Closing Date” means the date of the initial issuance and delivery of the Bonds.

“Construction Fund” means the Construction Fund established by Section 4 of the Escrow Agreement.

“Consultant” means the Consulting Engineer, a registered municipal advisor, an independent certified public accountant or a firm of independent certified public accountants.

“Consulting Engineer” means each independent engineer or engineering firm with experience in designing and constructing wastewater treatment, sanitary sewerage or water pollution control facilities, and retained by the City.

“Cumulative Principal Amount Outstanding” means the sum of (a) the purchase price of the Bonds paid by the Owner to the Paying Agent on the Closing Date in accordance with the Purchase Agreement and deposited into the funds pursuant to Section 403, and (b) each additional Purchase Price Installment, as notated on the Bonds by the Paying Agent, less the principal amount redeemed pursuant to Article III.

“Current Expenses” means all reasonable and necessary expenses of ownership, operation, maintenance and repair of the System and keeping the System in good repair and working order, determined in accordance with accounting principles generally accepted in the United States of America, including 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, 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, obligations 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 ownership and operation of the System, but excluding interest paid on, and swap, hedge or other interest-like payments made with respect to, System Revenue Bonds, depreciation, amortization and other noncash charges (including payments into the Depreciation and Replacement Account), and all general administrative expenses of the City not related to the operation of the System.

“Debt Service Fund” means the Debt Service Fund established by Section 4 of the Escrow Agreement.

“Defeasance Securities” means:

- (a) Federal Securities;
- (b) obligations of the Resolution Funding Corporation or any successor, but only if the use of the obligations to pay and discharge Bonds pursuant to Article X will cause the discharged Bonds to be rated in the highest long-term category by the Rating Agency; or
- (c) obligations of any state of the United States of America or of any agency, instrumentality or local government unit of any state that:
  - (i) are not callable at the option of the obligor prior to maturity or for which irrevocable instructions have been given by the obligor to call on the date specified in the instructions, and
  - (ii) are fully secured as to principal, redemption premium and interest by a fund, consisting of cash or Federal Securities, that:
    - (A) may be applied only to the payment of principal, redemption premium and interest on the obligations, and
    - (B) is sufficient, as verified by an independent certified public accountant, to pay the principal, redemption premium and interest on the obligations.

“Depreciation and Replacement Account” means the fund or account designated as such and created or ratified by Section 401.

“Escrow Agreement” means the Escrow Trust Agreement dated as of February 1, 2016, between the City and the Paying Agent, as supplemented, modified or amended in accordance with its terms, related to the Bonds.

“Federal Securities” means any direct obligation of, or obligation the timely payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America and backed by its full faith and credit.

“Funds Transfer Method” means electronic transfer in immediately available funds, automated clearing house (ACH) funds, or other method approved by DNR at the written request of the City with written notice to the Paying Agent.

“Interest Payment Date” means each January 1 and July 1, commencing July 1, 2017.

“Interest Rate” means the fixed annual rate equal to 30% of the Revenue Bond Index as published in *The Bond Buyer* most recently prior to the Closing Date, rounded up to the nearest 0.01%.

“Investment Securities” means any of the following securities that are legal for the investment of funds of the City at the time of purchase:

- (a) Federal Securities;
- (b) Direct and general obligations of the State, the payment of the principal of and interest on which the full faith and credit of the State is pledged;
- (c) Obligations of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Financing Bank, the Federal Intermediate Credit Corporation, Federal Banks for Cooperatives, Federal Land Banks, Federal Home Loan Banks, Farmers Home Administration and Federal Home Loan Mortgage Corporation;
- (d) Deposits which are 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 clauses (a) through (c), which shall have a market value at all times at least equal to the principal amount of such certificates of deposit or time deposits, in one or more of the following institutions: banks, trust companies or savings and loan associations (including without limitation, the Paying Agent or any bank affiliated with the Paying Agent) organized under the laws of the United States of America or any state thereof;
- (e) Money market mutual funds that are invested in Federal Securities or repurchase agreements that are collateralized by Federal Securities; and
- (f) 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.

“Net Revenues” means Revenues less Current Expenses.

“Operation and Maintenance Account” means the fund or account designated as such and created or ratified by Section 401.

“Ordinance” means this Ordinance as from time to time amended in accordance with its terms.

“Outstanding” means, as of the date of determination, all Bonds issued and delivered under this Ordinance, except:

- (a) Bonds canceled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds for the payment of the principal or redemption price of and interest on which money or Defeasance Securities are held under Section 1001;
- (c) Bonds in exchange for which, or in lieu of which, other Bonds have been registered and delivered pursuant to this Ordinance; and

(d) Bonds allegedly mutilated, destroyed, lost, or stolen and paid under Section 208.

“Outstanding Senior Bonds” means, collectively, the Outstanding Senior Sewer Bonds and the Outstanding Senior Water Bonds.

“Outstanding Senior Bond Ordinance” means, collectively, the Outstanding Senior Sewer Bond Ordinance and the Outstanding Senior Water Bond Ordinance.

“Owner” means DNR or any assignee, successor or transferee of DNR under the Direct Loan Program or the SRF Leveraged Program.

“Parity Bonds” means the Outstanding Parity Bonds and any other parity bonds or other obligations issued under Section 802 payable from the Net Revenues on a parity basis with the Bonds.

“Parity Ordinance” means the Outstanding Parity Bond Ordinance and the ordinances of the City under which any other Parity Bonds are issued.

“Paying Agent” means UMB Bank, N.A., the paying agent and escrow agent, and its successors and assigns acting at any time as Paying Agent and Escrow Agent under this Ordinance and the Escrow Agreement.

“Principal Payment Date” means each January 1 and July 1, commencing July 1, 2018, and any date on which the Bonds are optionally redeemed in accordance with Section 301.

“Purchase Agreement” means the Purchase Agreement dated as of February 1, 2016, between the City and DNR, as supplemented, modified or amended in accordance with its terms, related to the Bonds.

“Purchase Price Installment” means the amount paid by DNR from time to time in accordance with Section 3.3 of the Purchase Agreement and deposited in the Construction Fund or otherwise in accordance with Section 403.

“Quarterly Payment Date” means each March 15, June 15, September 15 and December 15, commencing March 15, 2017.

“Rating Agency” means Moody’s Investors Service, Inc. or Standard & Poor’s Ratings Services, a division of McGraw-Hill Financial, Inc., and their respective successors.

“Record Date” means the 25th day (whether or not a Business Day) of the calendar month next preceding the applicable Interest Payment Date.

“Repayment Fund” means the fund designated as such and established by Section 4 of the Escrow Agreement. The Repayment Fund does not constitute part of the Direct Loan Program.

“Revenue Fund” means the fund or account designated as such and created or ratified by Section 401.

“Revenues” means all income and revenues derived by the City from the System, including investment and rental income, net proceeds from business interruption insurance, sales tax revenues which have been annually appropriated by the City or which are limited solely to the payment of improvements to or expenses of the System, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of 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 of investments or fixed or capital assets not in the ordinary course of business.

“Sewer Current Expenses” means Current Expenses derived from the operation of the Sewerage Subsystem.

“Sewer Net Revenues” means Sewer Revenues less Sewer Current Expenses.

“Sewer Revenues” means Revenues derived from the operation of the Sewerage Subsystem.

“SRF Leveraged Program” means the Missouri Leveraged State Drinking Water Revolving Fund Program and the Missouri Leveraged State Water Pollution Control Revolving Fund Program.

“SRF Leveraged Program Bonds” means any bonds of the City issued in connection with the City’s participation in the SRF Leveraged Program.

“SRF Subsidy” means the amount of investment earnings which will accrue on the Reserve Account during each Fiscal Year (taking into account scheduled transfers from the Reserve Account which will occur upon the payment of principal on Authority Program Bonds and assuming that the construction for the applicable project has been completed), if the balance in the Reserve Account is equal to the Reserve Percentage of the principal amount of the SRF Leveraged Program Bonds outstanding, the Reserve Account is invested in an investment agreement at a fixed rate during the calculation period and earnings are reduced by the Administrative Fee payable to DNR. Administrative Fee, Reserve Account and Reserve Percentage as used in this definition have the respective meanings set forth in the bond indentures for the applicable Authority Program Bonds.

“State” means the State of Missouri.

“Stated Maturity” means July 1, 2037, the final maturity date of the Bonds.

“Subsidy Payments” means the BABs Interest Subsidy Payments, the SRF Subsidy and any similar interest subsidy payments provided through a federal or State program that reduces the interest expense on System Revenue Bonds during the applicable calculation period.

“Surplus Account” means the fund or account created or ratified in Section 401.

“System Revenue Bonds” means, collectively, the Bonds, the Outstanding Senior Bonds, the Parity Bonds and all other revenue bonds or obligations that are payable from the Net Revenues.

“User Charge Ordinance” means the applicable provisions of Chapter 25 of the Code of Ordinances of the City of Kirksville, Missouri, as amended by Ordinance No. 12176 adopted on October 19, 2015, as further amended, supplemented, consolidated or replaced.

“Water Current Expenses” means Current Expenses derived from the operation of the Waterworks Subsystem.

“Water Net Revenues” means Water Revenues less Water Current Expenses.

“Water Revenues” means Revenues derived from the operation of the Waterworks Subsystem.

## ARTICLE II

### AUTHORIZATION OF BONDS

Section 201. Authorization of Bonds. The Bonds are authorized and directed to be issued in the Maximum Principal Amount subject to the terms and for the purposes of this Ordinance. Upon the Completion of Funding pursuant to the Purchase Agreement, the principal amount of the Bonds issued under this Ordinance will be the Cumulative Principal Amount Outstanding as of the Completion of Funding plus the principal amount previously redeemed pursuant to Article III. The remaining voted authorization, if any, under the Election will be the voted amount less the principal amount issued as determined pursuant to the preceding sentence.

Section 202. Security for Bonds.

(a) The Bonds are special, limited obligations of the City payable solely from, and secured by a pledge of, the Net Revenues. The taxing power of the City is not pledged to the payment of the Bonds. The Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

(b) The Bonds are junior and subordinate to the Outstanding Senior Sewer Bonds with respect to payment of principal and interest from the Sewer Net Revenues. In the event of any default in the payment of either principal or interest on any of the Outstanding Senior Sewer Bonds, the Sewer Net Revenues will be applied solely to the payment of the principal and interest on the Outstanding Senior Sewer Bonds until the default is cured.

(c) The Bonds are junior and subordinate to the Outstanding Senior Water Bonds with respect to payment of principal and interest from the Water Net Revenues. In the event of any default in the payment of either principal or interest on any of the Outstanding Senior Water Bonds, the Water Net Revenues will be applied solely to the payment of the principal and interest on the Outstanding Senior Water Bonds until the default is cured.

(d) The Bonds are issued on a parity with the Outstanding Parity Bonds.

Section 203. Description of Bonds. The Bonds consist of fully-registered bonds, without coupons, numbered from R-1 consecutively upward, in the denomination of \$100 or any integral multiple of \$0.01 in excess thereof. The Bonds will be issued in substantially the form of Exhibit A and will be registered, transferred and exchanged as provided in Section 206. The Bonds are dated the Closing Date. The Bonds will mature and become due on the Stated Maturity (subject to optional and mandatory redemption prior to Stated Maturity as provided in Article III). The Bonds will bear interest on the Cumulative Principal Amount Outstanding at the Interest Rate from the Closing Date and the date of receipt of each Purchase Price Installment by the Paying Agent pursuant to the Purchase Agreement (as set forth on Schedule A to a Bond) or from the most recent Interest Payment Date to which interest has been paid or provided for. Interest is computed on the basis of a 360-day year of twelve 30-day months and is payable on each Interest Payment Date.

Section 204. Designation of Paying Agent. The City has designated the Paying Agent as the City's paying agent for the payment of the principal and interest on the Bonds, bond registrar for the registration, transfer and exchange of Bonds and escrow agent with respect to the funds established with the Paying Agent under the Escrow Agreement.

Section 205. Method and Place of Payment of Bonds.

(a) Payment of the Bonds will be made with any coin or currency that is legal tender for the payment of debts due the United States of America on the payment date.

(b) The payment of the principal of and redemption premium, if any, payable on each Bond at Stated Maturity or upon earlier redemption and the interest payable on each Bond on any Interest Payment Date will be made by check or draft mailed by the Paying Agent to the address of the Owner shown in the Bond Register. The principal of and redemption premium, if any, and interest on the Bonds is payable by electronic transfer in immediately available federal funds to a bank in the continental United States of America pursuant to instructions from any Owner received by the Paying Agent prior to the Record Date.

(c) Payments of principal on the Bonds pursuant to Article III may be made directly to the Owner without surrender of any Bond to the Paying Agent. Accordingly, any transferee of a Bond should verify with the Paying Agent the principal of the Bond outstanding prior to such purchase or transfer, and the records of the Paying Agent shall be conclusive for such purposes.

(d) The Paying Agent will keep a record of payment of principal of, redemption premium, if any, and interest on all Bonds and, at least annually at the request of the City, will forward a copy or summary of the record of payments to the City.

(e) The Bonds will be held by the Paying Agent in trust for each Owner, unless the Paying Agent is otherwise directed in writing by an Owner.

Section 206. Registration, Transfer and Exchange of Bonds.

(a) The City will cause the Paying Agent to keep the Bond Register. Each Bond when issued will be registered in the name of the Owner on the Bond Register. Bonds will be transferred and exchanged only upon the Bond Register.

(b) Upon surrender of any Bond at the payment office of the Paying Agent in St. Louis, Missouri (or other office designated by the Paying Agent), the Paying Agent will transfer or exchange the Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond which was presented for transfer or exchange. All Bonds presented for transfer or exchange must be accompanied by a written instrument of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Paying Agent, duly executed by the Owner or by the Owner's authorized agent. All Bonds presented for transfer or exchange must be surrendered to the Paying Agent for cancellation.

(c) For every exchange or transfer of Bonds the City or the Paying Agent may levy a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid for the exchange or transfer. The person requesting the exchange or transfer must pay the charge. Payment of the charge is a condition precedent to the exchange or transfer. If any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against the Owner sufficient to pay any governmental charge required to be paid as a result of such failure. In compliance with Section 3406 of the Internal Revenue Code of 1986, as amended, this amount may be deducted by the Paying Agent from amounts payable to the Owner under this Ordinance and the Bonds.

(d) The City and the Paying Agent will treat the person in whose name any Bond is registered on the Bond Register as the absolute owner of the Bond, whether or not payment of the Bond is overdue, for the purpose of receiving payment of the principal of, redemption premium, if any, and interest on the

Bond and for all other purposes. All payments made to any Owner or upon the Owner's order will be valid and effectual to satisfy and discharge the City's liability for payment of the Bond to the extent of the sum or sums paid. Neither the City nor the Paying Agent will be affected by any notice to the contrary.

(e) At reasonable times and under reasonable rules established by the Paying Agent, the Owners of 25% or more in principal amount of the Outstanding Bonds, or their representative designated in a manner satisfactory to the Paying Agent, may inspect and copy the Bond Register.

Section 207. Execution, Authentication and Delivery of Bonds.

(a) Each Bond must be signed by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, and have the official seal of the City affixed or imprinted thereon. If any officer whose manual or facsimile signature appears on any Bond ceases to be an officer before the delivery of any Bond signed by the officer, the manual or facsimile signature on the Bond will be valid and sufficient for all purposes of this Ordinance.

(b) The Mayor and the City Clerk are directed to prepare and execute the Bonds as specified in this Article, and when executed, to deliver the Bonds to the Paying Agent for authentication. Each Bond will be authenticated by any authorized signatory of the Paying Agent. No Bond is entitled to any security or benefit under this Ordinance or is valid or obligatory for any purpose until authenticated by the Paying Agent.

(c) Prior to the Completion of Funding, promptly upon the receipt by the Paying Agent of each Purchase Price Installment paid by the Owner in accordance with the Purchase Agreement, an authorized signatory of the Paying Agent will endorse Schedule A to a Bond with the date of receipt of the Purchase Price Installment, the amount of the Purchase Price Installment and the resulting Cumulative Principal Amount Outstanding. No further entries to Schedule A will be made after the Completion of Funding.

Section 208. Mutilated, Destroyed, Lost and Stolen Bonds.

(a) If (i) any mutilated Bond is surrendered to the Paying Agent, or the City and the Paying Agent receive evidence to their satisfaction of the mutilation, destruction, loss or theft of any Bond, and (ii) there is delivered to the City and the Paying Agent security or indemnity as required by them, in the absence of notice to the City or the Paying Agent that the Bond has been acquired by a bona fide purchaser, the City will execute and the Paying Agent will register and deliver, in exchange for or in lieu of any mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If the Bond has become or is about to become due, the City may pay the Bond instead of issuing a new Bond.

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

(c) Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost or stolen Bond will constitute a replacement of the prior obligation of the City, whether or not the mutilated, destroyed, lost or stolen Bond is enforceable by anyone at any time, and will be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds.

Section 209. Cancellation and Destruction of Bonds Upon Payment. All Bonds which have been paid or redeemed or which have otherwise been surrendered to the Paying Agent, either at or before



Stated Maturity, will be canceled immediately upon the payment or redemption and the Paying Agent's receipt of the Bonds. The Paying Agent will periodically destroy canceled Bonds. The Paying Agent will execute a certificate in duplicate describing the destroyed Bonds and file an executed counterpart of the certificate with the City.

Section 210. Sale of the Bonds; Authorization and Execution of Documents.

(a) The Bonds will be sold to the Owner at the purchase price of 100% of the initial installment paid on the Closing Date plus each Purchase Price Installment made by the Owner thereafter pursuant to Section 3.3 of the Purchase Agreement, without accrued interest.

(b) The City is authorized to enter into the Purchase Agreement and the Escrow Agreement, in substantially the forms presented to the Governing Body. The Mayor is authorized to execute the Purchase Agreement and the Escrow Agreement for and on behalf of and as the act and deed of the City, with changes approved by the Mayor, which approval will be conclusively evidenced by the signature of the Mayor of the City. The Mayor is further authorized and directed to execute other documents, certificates and instruments that are necessary or desirable to carry out the intent of this Ordinance. The City Clerk is authorized and directed to attest the execution of the Purchase Agreement and the Escrow Agreement and any other documents, certificates and instruments that are necessary or desirable to carry out the intent of this Ordinance.

Section 211. Administrative Fee and Paying Agent's Fee. Subject to Section 202, the City will pay to the Paying Agent, within 30 days after receipt of a statement from the Paying Agent, (a) the Administrative Fee, and (b) an amount equal to the Paying Agent's fees and expenses as provided in the Escrow Agreement.

### ARTICLE III

#### REDEMPTION OF BONDS

Section 301. Optional Redemption. At the option of the City, with the prior written consent of the Owner, Bonds may be called for redemption and payment prior to Stated Maturity in whole or in part at any time, at the redemption price of 100% of the principal amount thereof plus accrued interest thereon to the date of redemption. If an optional redemption is in part, the principal amount for each Principal Payment Date following the optional redemption will be reduced on a proportionate basis (to the nearest \$0.01).

Section 302. Mandatory Redemption Provisions.

(a) The Bonds are subject to mandatory sinking fund redemption in part, at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, on the Principal Payment Dates and in the principal amounts as set forth on Exhibit B.

(b) If upon the Completion of Funding, the Cumulative Principal Amount Outstanding is less than the Maximum Principal Amount (disregarding any scheduled redemptions above that have occurred prior to the Completion of Funding), the principal amount for each Principal Payment Date following the Completion of Funding will be reduced on a proportionate basis (to the nearest \$0.01). The Owner will provide a replacement Exhibit B reflecting the reductions to the principal amounts to the Paying Agent and the City, which will be binding on the City absent manifest error and will replace the previous Exhibit B without any further action on the part of the City. The revised Exhibit B is subject to such verification requirements as may be reasonably established by the Paying Agent.

Section 303. Revisions to Exhibit B; Selection of Bonds Upon Partial Redemption.

(a) Upon the partial redemption of the Bonds pursuant to Section 301 or if Section 302(b) is applicable, the Owner will provide a replacement Exhibit B, reflecting the reductions to the principal amounts, to the Paying Agent and the City, which will be binding on the City absent manifest error and will replace the previous Exhibit B without any further action on the part of the City. The revised Exhibit B is subject to such verification requirements as may be reasonably established by the Paying Agent.

(b) The redemption of the Bonds in part will be reflected in the records maintained by the Paying Agent.

Section 304. Notice and Effect of Call for Redemption.

(a) No notice of the mandatory redemption of Bonds is required to be given. If the Bonds are being optionally redeemed, notice of redemption will be given in the manner described below. Unless waived by any Owner of Bonds to be redeemed, the Paying Agent, on behalf of the City, will give notice by mailing a redemption notice, at least 15 days, but not more than 30 days, prior to the date fixed for redemption, to the Owner of Bonds to be redeemed at the address shown on the Bond Register.

(b) All redemption notices will be dated and include the following information:

(1) the redemption date,

(2) the redemption price, consisting of the principal amount, redemption premium, if any, and interest to the redemption date,

(3) if less than all Outstanding Bonds are to be redeemed, the identification number, Stated Maturity and, in the case of partial redemption of any Bond, the respective principal amounts of the Bonds to be redeemed,

(4) a statement that on the redemption date the redemption price will become due and payable upon each Bond or portion of a Bond called for redemption, and that interest ceases to accrue on the redeemed amount from and after the redemption date, and

(5) the address of the principal office of the Paying Agent where the Bonds must be surrendered for payment of the redemption price.

(c) If notice of redemption has been given or waived, the Bonds or portions to be redeemed will become due and payable on the redemption date at the redemption price specified in the notice. From and after the redemption date (unless the City defaults in the payment of the redemption price), the called Bonds will cease to bear interest. Upon the surrender of Bonds for payment of the redemption price in accordance with the notice, the Paying Agent will pay the redemption price to the applicable Owners.

## ARTICLE IV

### RATIFICATION AND ESTABLISHMENT OF FUNDS AND ACCOUNTS

Section 401. Ratification and Establishment of Funds and Accounts.

(a) The separate funds and accounts created in, or ratified and confirmed by, the Outstanding Senior Bond Ordinance and the Outstanding Parity Bond Ordinance, known respectively as the:

(1) Combined Waterworks and Sewerage System Revenue Fund (the “Revenue Fund”);

(2) Combined Waterworks and Sewerage System Operation and Maintenance Account (the “Operation and Maintenance Account”);

(3) Principal Accounts, Interest Accounts and Debt Service Accounts under the Outstanding Senior Sewer Bond Ordinance (collectively, the “Outstanding Senior Sewer Bond Debt Service Account”);

(3a) Principal Accounts, Interest Accounts and Debt Service Accounts under the Outstanding Senior Water Bond Ordinance (collectively, the “Outstanding Senior Water Bond Debt Service Account” and, together with the Outstanding Senior Sewer Bond Debt Service Account, the “Outstanding Senior Bond Debt Service Account”);

(3b) Principal Accounts, the Interest Accounts and Debt Service Accounts under the Outstanding Parity Bond Ordinance (collectively, the “Outstanding Parity Bond Debt Service Account”);

(4) Reserve Accounts under the Outstanding Senior Sewer Bond Ordinance (collectively, the “Outstanding Senior Sewer Bond Debt Service Reserve Account”);

(4a) Reserve Accounts under the Outstanding Senior Water Bond Ordinance (collectively, the “Outstanding Senior Water Bond Debt Service Reserve Account” and, together with the Outstanding Senior Sewer Bond Debt Service Reserve Account, the “Outstanding Senior Bond Debt Service Reserve Account”);

(4b) Reserve Accounts under the Outstanding Parity Bond Ordinance (collectively, the “Outstanding Parity Bond Debt Service Reserve Account”);

(5) Combined Waterworks and Sewerage System Depreciation and Replacement Account (the “Depreciation and Replacement Account”); and

(6) Combined Waterworks and Sewerage System Surplus Account (the “Surplus Account”),

are hereby ratified and confirmed.

(b) While any of the Outstanding Senior Bonds are outstanding:

(1) the Revenue Fund will consist of a Sewerage System Account and a Waterworks System Account;

(2) the Operation and Maintenance Account will consist of a Sewerage System Subaccount (formerly the Operation and Maintenance Account under the Outstanding Senior Sewer Bond Ordinance) and a Waterworks System Subaccount (formerly the Operation and Maintenance Account under the Outstanding Senior Water Bond Ordinance);

(3) the Depreciation and Replacement Account will consist of a Sewerage System Subaccount (formerly the Depreciation and Replacement Account under the Outstanding Senior Sewer Bond Ordinance) and a Waterworks System Subaccount (formerly the Depreciation and Replacement Account under the Outstanding Senior Water Bond Ordinance); and

(4) the Surplus Account will consist of a Sewerage System Subaccount (formerly the Surplus Account under the Outstanding Senior Sewer Bond Ordinance) and a Waterworks System Subaccount (formerly the Surplus Account under the Outstanding Senior Water Bond Ordinance).

(c) The City hereby establishes the following special funds and accounts with the Paying Agent under the Escrow Agreement:

(1) the Debt Service Fund;

(2) the Construction Fund;

(3) the Repayment Fund, consisting of the Principal Account and the Interest Account;  
and

(4) the Administrative Expense Fund.

Section 402. Administration of Funds and Accounts. The funds and accounts described in Subsections 401(a)(1), (2), (5) and (6) will be maintained and administered by, or on behalf of, the City under this Ordinance while any of the Bonds or Parity Bonds are outstanding. The funds and accounts described in Subsections 401(a)(3), (3a), (3b), (4), (4a) and (4b) will be maintained and administered by the City while any of the Outstanding Senior Bonds or Outstanding Parity Bonds, as applicable, are outstanding. The funds and accounts described in Section 401(b) will be maintained and administered by the City while any of the Outstanding Senior Bonds are outstanding. The funds and accounts described in Section 401(c) will be maintained and administered by the Paying Agent pursuant to the Escrow Agreement while the Bonds are Outstanding.

Section 403. Deposits and Application of Bond Proceeds.

(a) The proceeds received from the sale of the Bonds on the Closing Date will be deposited upon the delivery of the Bonds into the Construction Fund and the Administrative Expense Fund as provided in the Escrow Agreement. Thereafter, each Purchase Price Installment will be deposited into the Construction Fund.

(b) Moneys in the Construction Fund will be disbursed to the City for the sole purpose of paying the Eligible Costs of the Project in accordance with the plans and specifications prepared by the Consulting Engineer, previously approved by the Governing Body and DNR and on file in the office of the City Clerk, including any alterations in or amendments to the plans and specifications approved by the Governing Body and DNR with the advice of the Consulting Engineer.

(c) Requisitions will be submitted for funding of the Purchase Price Installments and resulting withdrawals from the Construction Fund in accordance with Article III of the Purchase Agreement. Funds will be disbursed from the Administrative Expense Fund as provided in the Escrow Agreement.

## ARTICLE V

### APPLICATION OF REVENUES

#### Section 501. Revenue Fund.

(a) The City covenants and agrees that from and after the delivery of the Bonds and so long as any of the Bonds remain outstanding and unpaid, all Revenues derived and collected by the City will be deposited into the Revenue Fund when received. The Revenues will be segregated from all other moneys, revenues, funds and accounts of the City. The Revenue Fund will be administered and applied solely for the purposes and in the manner provided in the Outstanding Senior Bond Ordinance, the Outstanding Parity Bond Ordinance, this Ordinance and any Parity Ordinance.

(b) While any of the Outstanding Senior Bonds are outstanding, the City will deposit all Sewer Revenues in the Sewerage System Account of the Revenue Fund and all Water Revenues will be deposited into the Waterworks System Account of the Revenue Fund. So long as any of the Outstanding Senior Bonds are outstanding, no Sewer Revenues shall be deposited in any Waterworks Subsystem account or subaccount or used for the purpose of making payments of the principal of and interest on the Outstanding Senior Water Bonds and no Water Revenues shall be deposited in any Sewerage Subsystem account or subaccount or used for the purpose of making payments of the principal of and interest on the Outstanding Senior Sewer Bonds.

Section 502. Application of Moneys in Funds and Accounts. The provisions of this Section are applicable while any of the Outstanding Senior Bonds remain outstanding.

(a) the City will apply moneys in the Revenue Fund on the dates, in the amounts and in the order as follows:

(1) on the first day of each month, (A) from the Sewerage System Account, to the Sewerage System Subaccount of the Operation and Maintenance Account, an amount sufficient to pay the estimated cost of operating and maintaining the Sewerage Subsystem during the month, and (B) from the Waterworks System Account, to the Waterworks Subaccount of the Operation and Maintenance Account, an amount sufficient to pay the estimated cost of operating and maintaining the Waterworks Subsystem during the month;

(2) solely from the Sewerage System Account, on the dates required under the Outstanding Senior Sewer Bond Ordinance, to the Outstanding Senior Sewer Bond Debt Service Account and the Outstanding Senior Sewer Bond Debt Service Reserve Account, the amounts required under the Outstanding Senior Sewer Bond Ordinance;

(2a) solely from the Waterworks System Account, on the dates required under the Outstanding Senior Water Bond Ordinance, to the Outstanding Senior Water Bond Debt Service Account and the Outstanding Senior Water Bond Debt Service Reserve Account, the amounts required under the Outstanding Senior Water Bond Ordinance;

(3) on a parity basis (i) at the times required under the Outstanding Parity Bond Ordinance, to the Outstanding Parity Bond Debt Service Account the amount required under the Outstanding Parity Bond Ordinance and (ii) by the Funds Transfer Method, on each Quarterly Payment Date, to the Paying Agent for credit to the Interest Account and the Principal Account:

(A) to the Interest Account, on March 15, 2017 and each Quarterly Payment Date thereafter, 1/2 of the amount of interest due on the Bonds on the next Interest Payment Date, with the balance in the Debt Service Fund and the Interest Account on an Interest Payment Date after the payment of the principal of and interest due on the Bonds on the Interest Payment Date to be credited against the next succeeding Quarterly Payment; provided that prior to the Completion of Funding;

(i) the investment earnings on the Construction Fund for the preceding calendar quarter will be credited against the next Quarterly Payment,

(ii) for purposes of the first Quarterly Payment of each Interest Period, the amount of interest due on the next Interest Payment Date will be estimated based upon an expected disbursement schedule for the Interest Period provided by the City to DNR and the Paying Agent, and

(iii) for purposes of the second Quarterly Payment of each Interest Period, the interest due on the next Interest Payment Date will be calculated by the Paying Agent based upon Purchase Price Installments funded at least three Business Days prior to the Quarterly Payment Date and the second Quarterly Payment calculated so that the amount on deposit in the Interest Account after receipt of the second Quarterly Payment will equal interest payable on the Bonds on the Interest Payment Date; and

(B) to the Principal Account, on March 15, 2018, and each Quarterly Payment Date thereafter, 1/2 of the principal due on the Bonds on the next succeeding Principal Payment Date, whether at Stated Maturity or upon mandatory sinking fund redemption. If the Initiation of Operations specified in the certificate delivered by the City under Section 3.5 of the Purchase Agreement is earlier than the expected Initiation of Operations, (i) the first quarterly installment of principal of the Bonds will be paid no later than the Quarterly Payment Date which is not more than 12 months after the Initiation of Operations, and (ii) on the Quarterly Payment Date which is not more than 20 years after the Initiation of Operations, all remaining unpaid principal installments of the Bonds will be paid;

(4) at the times required under the Outstanding Parity Bond Ordinance, to the Outstanding Parity Bond Debt Service Reserve Account the amount required under the Outstanding Parity Bond Ordinance;

(5) on the dates required by Section 211, to the Paying Agent for deposit to the Administrative Expense Fund, the amounts required to pay the Administrative Fee and the Paying Agent's Fees and expenses;

(6) on the first day of each month, to the applicable subaccount of the Depreciation and Replacement Account, the amount required by the applicable User Charge Ordinance (if the Outstanding Senior Bonds are outstanding, any deposits made pursuant to this paragraph are subject to the applicable restrictions in the Outstanding Senior Bond Ordinance); and

(7) on each Quarterly Payment Date, the remaining balance to the Surplus Account.

(b) Except as provided in Section 503, and subject to any more restrictive provision of the Outstanding Senior Bond Ordinance, (1) moneys in the Sewerage System Subaccount of the Depreciation and Replacement Account will be used by the City for the purpose of making replacements and repairs to

the Sewerage Subsystem in order to keep the Sewerage Subsystem in good repair and working order and to assure the continued effective and efficient operation of the Sewerage Subsystem, and (2) moneys in the Waterworks Subaccount of the Depreciation and Replacement Account will be used by the City for the purpose of making replacements and repairs to the Waterworks Subsystem in order to keep the Waterworks Subsystem in good repair and working order and to assure the continued effective and efficient operation of the Waterworks Subsystem.

(c1) Subject to any more restrictive provision of the Outstanding Senior Sewer Bond Ordinance, moneys in the Sewerage System Subaccount of the Surplus Account are to be expended for the following purposes as determined by the Governing Body:

(1) paying the cost of the operation, maintenance and repair of the Sewerage Subsystem to the extent necessary after the application of the moneys held in the Sewerage System Subaccount of the Operation and Maintenance Account;

(2) paying the cost of extending, enlarging or improving the Sewerage Subsystem;

(3) preventing default in, anticipating payments into or increasing the amounts in the accounts confirmed or established in Section 401, the Principal Account, the Interest Account, the Outstanding Senior Sewer Bond Debt Service Account or the Sewerage System Subaccount of the Depreciation and Replacement Account, or establishing or increasing the amount of any debt service account or debt service reserve account created by the City for the payment of any System Revenue Bonds subsequently issued;

(4) redeeming and paying prior to Stated Maturity, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the call price (if any bonds are callable), the Bonds, the Outstanding Senior Sewer Bonds, the Outstanding Parity Bonds or any other System Revenue Bonds hereafter issued under the conditions hereinafter specified and standing on a parity with the Bonds or the Outstanding Senior Sewer Bonds, including principal, redemption premium, if any, and interest; or

(5) any other lawful purpose in connection with the operation of the Sewerage Subsystem and benefiting the Sewerage Subsystem including, but not limited to, payments with respect to bonds or other obligations of the Sewerage Subsystem other than System Revenue Bonds.

(c2) Subject to any more restrictive provision of the Outstanding Senior Water Bond Ordinance, moneys in the Waterworks System Subaccount of the Surplus Account are to be expended for the following purposes as determined by the Governing Body:

(1) paying the cost of the operation, maintenance and repair of the Waterworks Subsystem to the extent necessary after the application of the moneys held in the Waterworks System Subaccount of the Operation and Maintenance Account;

(2) paying the cost of extending, enlarging or improving the Waterworks Subsystem;

(3) preventing default in, anticipating payments into or increasing the amounts in the accounts confirmed or established in Section 401, the Principal Account, the Interest Account, the Outstanding Senior Water Bond Debt Service Account or the Waterworks System Subaccount of the Depreciation and Replacement Account, or establishing or increasing the amount of any debt service account or debt service reserve account created by the City for the payment of any System Revenue Bonds subsequently issued;

(4) redeeming and paying prior to Stated Maturity, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the call price (if any bonds are callable), the Bonds, the Outstanding Senior Water Bonds, the Outstanding Parity Bonds or any other System Revenue Bonds hereafter issued under the conditions hereinafter specified and standing on a parity with the Bonds or the Outstanding Senior Water Bonds, including principal, redemption premium, if any, and interest; or

(5) any other lawful purpose in connection with the operation of the Waterworks Subsystem and benefiting the Waterworks Subsystem including, but not limited to, payments with respect to bonds or other obligations of the Waterworks Subsystem other than System Revenue Bonds.

(d) All amounts paid and credited to the Sewerage System Subaccount of the Operation and Maintenance Account will be expended solely for the purpose of paying the Current Expenses of the Sewerage Subsystem. All amounts paid and credited to the Waterworks System Subaccount of the Operation and Maintenance Account will be expended solely for the purpose of paying the Current Expenses of the Waterworks Subsystem

(e) No moneys derived by the City from the System will be diverted to the general governmental or municipal functions of the City.

(f) If the deposits to the Operation and Maintenance Account (the "OM Deposits") required under this Section are greater than the OM Deposits required in the User Charge Ordinance, the OM Deposits under the User Charge Ordinance will be deemed a credit toward OM Deposits required under this Section. If the OM Deposits required under this Section are less than those required in the User Charge Ordinance, OM Deposits under this Section will be deemed a credit to OM Deposits required under the User Charge Ordinance.

Section 502A. Alternative Application of Moneys in Funds and Accounts. The provisions of this Section 502A are applicable upon payment in full of the Outstanding Senior Bonds pursuant to the Outstanding Senior Bond Ordinance. References elsewhere in this Ordinance to Section 502 mean this Section 502A when applicable.

(a) The City will apply moneys in the Revenue Fund on the dates, in the amounts and in the order as follows:

(1) on the first day of each month to the Operation and Maintenance Account an amount sufficient to pay the estimated cost of operating and maintaining the System during the month;

(2) on a parity basis (i) at the times required under the Outstanding Parity Bond Ordinance, to the Outstanding Parity Bond Debt Service Account the amount required under the Outstanding Parity Bond Ordinance and (ii) by the Funds Transfer Method, on each Quarterly Payment Date, to the Paying Agent for credit to the Interest Account and the Principal Account:

(A) to the Interest Account, on each Quarterly Payment Date, 1/2 of the amount of interest due on the Bonds on the next Interest Payment Date, with the balance in the Debt Service Fund and the Interest Account on an Interest Payment Date after the payment of the principal of and interest due on the Bonds on the Interest Payment Date to



be credited against the next succeeding Quarterly Payment; provided that prior to the Completion of Funding,

(i) the investment earnings on the Construction Fund for the preceding calendar quarter will be credited against the next Quarterly Payment,

(ii) for purposes of the first Quarterly Payment of each Interest Period, the amount of interest due on the next Interest Payment Date will be estimated based upon an expected disbursement schedule for the Interest Period provided by the City to DNR and the Paying Agent, and

(iii) for purposes of the second Quarterly Payment of each Interest Period, the interest due on the next Interest Payment Date will be calculated by the Paying Agent based upon Purchase Price Installments funded at least three Business Days prior to the Quarterly Payment Date and the second Quarterly Payment calculated so that the amount on deposit in the Interest Account after receipt of the second Quarterly Payment will equal interest payable on the Bonds on the Interest Payment Date; and

(B) to the Principal Account, on each Quarterly Payment Date, 1/2 of the principal due on the Bonds on the next succeeding Principal Payment Date, whether at Stated Maturity or upon mandatory sinking fund redemption. If the Initiation of Operations specified in the certificate delivered by the City under Section 3.5 of the Purchase Agreement is earlier than the expected Initiation of Operations, (i) the first quarterly installment of principal of the Bonds will be paid no later than the Quarterly Payment Date which is not more than 12 months after the Initiation of Operations, and (ii) on the Quarterly Payment Date which is not more than 20 years after the Initiation of Operations, all remaining unpaid principal installments of the Bonds will be paid;

(3) at the times required under the Outstanding Parity Bond Ordinance, to the Outstanding Parity Bond Debt Service Reserve Account the amount required under the Outstanding Parity Bond Ordinance;

(4) on the dates required by Section 211, to the Paying Agent for deposit to the Administrative Expense Fund, the amounts required to pay the Administrative Fee and the Paying Agent's Fees and expenses;

(5) to the Depreciation and Replacement Account, the amounts on the dates required by the User Charge Ordinance; and

(6) on each Quarterly Payment Date, the remaining balance to the Surplus Account.

(b) Except as provided in Section 503, moneys in the Depreciation and Replacement Account will be used by the City for the purpose of making replacements and repairs to the System in order to keep the System in good repair and working order and to assure the continued effective and efficient operation of the System.

(c) Moneys in the Surplus Account are to be expended for the following purposes as determined by the Governing Body:

(1) paying the cost of the operation, maintenance and repair of the System to the extent necessary after the application of the moneys held in the Operation and Maintenance Account;

(2) paying the cost of extending, enlarging or improving the System;

(3) preventing default in, anticipating payments into or increasing the amounts in the accounts confirmed or established in Section 401(a), the Principal Account, the Interest Account or the Depreciation and Replacement Account, or establishing or increasing the amount of any debt service account or debt service reserve account created by the City for the payment of any System Revenue Bonds subsequently issued;

(4) redeeming and paying prior to Stated Maturity, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the call price (if any bonds are callable), the Bonds, the Outstanding Parity Bonds or any other System Revenue Bonds hereafter issued under the conditions hereinafter specified and standing on a parity with the Bonds, including principal, redemption premium, if any, and interest; or

(5) any other lawful purpose in connection with the operation of the System and benefiting the System including, but not limited to, payments with respect to bonds or other obligations of the System other than System Revenue Bonds.

(d) All amounts paid and credited to the Operation and Maintenance Account will be expended solely for the purpose of paying the Current Expenses of the System.

(e) No moneys derived by the City from the System will be diverted to the general governmental or municipal functions of the City.

(f) If the deposits to the Operation and Maintenance Account (the "OM Deposits") required under this Section are greater than the OM Deposits required in the User Charge Ordinance, the OM Deposits under the User Charge Ordinance will be deemed a credit toward OM Deposits required under this Section. If the OM Deposits required under this Section are less than those required in the User Charge Ordinance, OM Deposits under this Section will be deemed a credit to OM Deposits required under the User Charge Ordinance.

Section 503. Deficiency of Payments into Funds and Accounts.

(a) If the Revenues are insufficient to make any payment on any date specified in this Article, the City will make good the amount of the deficiency by making additional payments out of the first available Revenues for application in the order specified in Section 502.

(b) If the moneys in the Outstanding Senior Bond Debt Service Account, the Outstanding Senior Bond Debt Service Reserve Account, the Outstanding Parity Bond Debt Service Account, the Outstanding Parity Bond Debt Service Reserve Account, the Principal Account or the Interest Account are not sufficient to pay the principal of and interest on the Outstanding Senior Bonds, the Outstanding Parity Bonds and the Bonds, as applicable, as and when the same become due, the City will apply moneys in the Surplus Account and the Depreciation and Replacement Account, subject to the provisions of Section 501(b) with respect to the Outstanding Senior Bonds, first, to the Outstanding Senior Bond Debt Service Account and, then, on a proportionate basis (based upon the outstanding principal amounts of the Bonds and the Outstanding Parity Bonds) to the Outstanding Parity Bond Debt Service Account, the Principal Account and the Interest Account to prevent any default in the payment of the principal of and interest on the Outstanding Senior Bonds, the Outstanding Parity Bonds and the Bonds.

Section 504. Transfer of Funds to Paying Agent. The City Manager is authorized and directed to make the payments to the Principal Account and the Interest Account as provided in Section 502 or Section 502A, and, to the extent necessary to prevent a default in the payment of any System Revenue Bonds, subject to the provisions of Section 501(b) with respect to the Outstanding Senior Bonds, from the Surplus Account and from the Depreciation and Replacement Account as provided in Section 502 or Section 502A and Section 503, sums sufficient to pay the System Revenue Bonds when due, and to forward amounts to the Paying Agent by the Funds Transfer Method which ensures the Paying Agent will have sufficient available funds on or before the second Business Day immediately preceding the dates when payments on the Bonds are due. Upon the payment of all principal and interest on the Bonds, the Paying Agent will return any excess funds to the City. Except as otherwise provided in the Escrow Agreement, all moneys deposited by the City with the Paying Agent are subject to the provisions of this Ordinance.

Section 505. Business Days. If any date for the payment of principal of, or redemption premium, if any, or interest on the Bonds or the taking of any other action hereunder is not a Business Day, then such payment shall be due, or such action shall be taken, on the first Business Day thereafter with the same force and effect as if made on the date fixed for payment or performance.

## ARTICLE VI

### INVESTMENT OF MONEYS

Section 601. Investment of Moneys.

(a) Moneys held in any fund or account referred to in this Ordinance may be invested in Investment Securities; provided, however, that any fund or account held by the Paying Agent shall be invested as provided in Section 11 of the Escrow Agreement. No such investment will be made for a period extending longer than the date when the money invested may be needed. All earnings on any investments held in any fund or account will accrue to the applicable fund or account. In determining the amount held in any fund or account under this Ordinance, obligations will be valued at the lower of cost or market value. If the amount in any fund or account held within the Treasury of the City is greater than the required amount, the City may transfer the excess to the Revenue Fund.

(b) If the Outstanding Senior Sewer Bonds or Outstanding Senior Water Bonds are outstanding, any investments made in the funds, accounts and subaccounts made pursuant to this Section are subject to the restrictions in the Outstanding Senior Sewer Bond Ordinance or the Outstanding Senior Water Bond Ordinance, as applicable.

## ARTICLE VII

### PARTICULAR COVENANTS OF THE CITY

Section 701. Efficient and Economical Operation; User Charge Ordinance. The City will continuously own and will operate the System in an efficient and economical manner and will keep and maintain the System in good repair and working order. The City has duly approved the User Charge Ordinance and will enforce the provisions thereof.

Section 702. Rate Covenant. The City will fix, establish, maintain and collect rates and charges for the use and services furnished by or through the System to produce income and revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the principal of and interest on the Bonds as and when due; (c) enable the City to have in each Fiscal Year Net Revenues of not less than

110% of the amount required to be paid by the City in the Fiscal Year on account of both principal of and interest on all System Revenue Bonds at the time outstanding, provided that (i) interest on any System Revenue Bonds will be reduced by Subsidy Payments, if any, and (ii) principal and/or interest on any System Revenue Bonds will be reduced by amounts deposited in trust or escrowed for the payment thereof with the Owner or commercial bank or trust company located in the State of Missouri having full trust powers and acting as trustee or escrow agent and that are reasonably expected to be used for the payment of principal and/or interest on any System Revenue Bonds during the calculation period; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in this Ordinance. The City will require the prompt payment of accounts for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges.

Section 703. Reasonable Charges for all Services. None of the facilities or services provided by the System will be furnished to any user (excepting the City itself) without a reasonable charge being made therefor. If the income and revenues derived by the City from the System are insufficient to pay the reasonable expenses of operation and maintenance of the System and the principal of and interest on the Bonds when due, the City will pay into the Revenue Fund a fair and reasonable payment in accordance with effective applicable rates and charges for all services or other facilities furnished to the City or any of its departments by the System.

Section 704. Annual Budget. Prior to the commencement of each Fiscal Year, the City will cause a budget setting forth the estimated receipts and expenditures of the System for the next succeeding Fiscal Year to be prepared and filed with the City Clerk. The City Clerk, within 30 days after the end of the current Fiscal Year, will mail a copy of the budget to the Owner. The annual budget will be prepared in accordance with the laws of the State.

Section 705. Annual Audit.

(a) Promptly after the end of each Fiscal Year, the City will cause an audit of the System for the preceding Fiscal Year to be made by a certified public accountant or firm of certified public accountants employed for that purpose and paid from the Revenues. The annual audit will cover in reasonable detail the operation of the System during the Fiscal Year.

(b) As soon as possible after the completion of the annual audit, the Governing Body will review the annual audit, and if the annual audit reveals any breach of this Ordinance, the City agrees to promptly cure the breach.

(c) Within 30 days after the acceptance of the audit by the Governing Body, a copy of the annual audit will be filed in the office of the City Clerk, and a copy of the audit will be delivered (via regular mail or electronically) to the Owner. The annual audit will be open to examination and inspection during normal business hours by any taxpayer, any user of the services of the System, the Owner, or anyone acting for or on behalf of the taxpayer, user or Owner.

(d) The City acknowledges its undertakings set forth in Section 2.1(v) of the Purchase Agreement.

Section 706. Performance of Duties. The City will faithfully and punctually perform all duties and obligations with respect to the operation of the System, including all extensions and improvements thereto, now or hereafter imposed upon the City by the constitution and laws of the State and by the provisions of this Ordinance.

Section 707. Operation of Combined System. The City shall operate the Waterworks Subsystem and the Sewerage Subsystem, including all future improvements and extensions, whether to the Waterworks Subsystem or to the Sewerage Subsystem or to both, as a combined waterworks and sewerage system, which shall constitute the System, subject to the terms of this Ordinance, the Outstanding Senior Bond Ordinance and the Outstanding Parity Bond Ordinance.

## ARTICLE VIII

### ADDITIONAL BONDS

Section 801. Prior Lien Bonds. Except as provided in Section 804, the City will not issue any debt obligations payable out of the Net Revenues which are superior in lien, security or otherwise to the Bonds.

Section 802. Parity Lien Bonds or Obligations.

(a) The City will not issue any additional bonds or other long-term obligations payable out of the Net Revenues of the System that stand on parity or equality with the Bonds unless the following conditions are met:

(1) the City is not in default in the payment of principal or interest on the Bonds, the Outstanding Senior Bonds or any Parity Bonds or in making any deposit into the funds and accounts under this Ordinance, the Outstanding Senior Bond Ordinance or any Parity Ordinance; and

(2) the City provides to the Owner a certificate showing either of the following:

(A) the average annual Net Revenues as set forth in the two most recent annual audits for Fiscal Years preceding the issuance of additional bonds, are at least 110% of the average annual debt service on the System Revenue Bonds, including the additional bonds proposed to be issued, to be paid out of the Net Revenues in all succeeding Fiscal Years. Interest to be paid on any System Revenue Bonds will be reduced by Subsidy Payments, if any. Principal and/or interest to be paid on any System Revenue Bonds will be reduced by amounts deposited in trust or escrowed for the payment thereof with the Owner or commercial bank or trust company located in the State of Missouri having full trust powers and acting as trustee or escrow agent and that are reasonably expected to be used for the payment of principal and/or interest on any System Revenue Bonds during the calculation period. If the City has made any increase in rates for the use and services of the System and the increase has not been in effect during all of the two Fiscal Years for which annual audits are available, the City may add the additional Net Revenues which would have resulted if the rate increase had been in effect for the entire period to the audited Net Revenues, as certified by a Consultant; or

(B) the estimated average annual Net Revenues for the two Fiscal Years immediately following the issuance of the additional bonds or, if improvements are to be made to the System with the proceeds of the additional bonds, for the two Fiscal Years immediately following the Fiscal Year in which the improvements to the System being financed by the additional bonds are to be in commercial operation, as certified by a Consultant, is at least 110% of the average annual debt service on the System Revenue Bonds, including the additional bonds proposed to be issued, to be paid out of the Net Revenues in succeeding Fiscal Years following the commencement of commercial operation of the improvements. Interest to be paid on any System Revenue Bonds will be

reduced by Subsidy Payments, if any. Principal and/or interest to be paid on any System Revenue Bonds will be reduced by amounts deposited in trust or escrowed for the payment thereof with the Owner or commercial bank or trust company located in the State of Missouri having full trust powers and acting as trustee or escrow agent and that are reasonably expected to be used for the payment of principal and/or interest on any System Revenue Bonds during the calculation period. In determining the amount of estimated Net Revenues for the purpose of this subsection, a Consultant may adjust the estimated net income and revenues by adding the estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System approved by the City and to become effective during the two Fiscal Years immediately following the Fiscal Year in which the improvements to the System being financed by the additional bonds are to be in commercial operation.

(b) If the conditions set forth in this Section are satisfied, the City (i) may issue additional revenue bonds or other obligations of the City on a parity with the Bonds and that enjoy complete equality of the lien on the Net Revenues with the Bonds, (ii) may make equal provision for paying the additional revenue bonds or other obligations from the Revenue Fund, and (iii) may secure the additional revenue bonds or other obligations by funding reasonable System debt service accounts and debt service reserve accounts from the Net Revenues.

Section 803. Junior Lien Bonds. Nothing in this Article prohibits or restricts the right of the City to issue additional revenue obligations, including revenue bonds, for the purpose of extending, improving, enlarging, repairing or altering the System, or refunding obligations issued for such purposes, that are subordinate to the Bonds if at the time of the issuance of the additional revenue obligations the City is not in default in the performance of any covenant or agreement in this Ordinance. If the City is in default in paying either interest on or principal of the Bonds, the City will not make any payments on the subordinate revenue obligations until the default is cured. Subject to the limitations in this Section, the City may make provision for paying the principal of and interest on the subordinate revenue bonds or obligations from moneys in the Revenue Fund.

Section 804. Refunding Bonds.

(a) The City may, without complying with the provisions of Section 802, refund any of the Bonds or any Parity Bonds in a manner that provides debt service savings to the City, and the refunding bonds so issued will be on a parity with any of the Bonds or Parity Bonds that are not refunded. If the Bonds or any Parity Bonds are refunded in part and the refunding bonds bear a higher average rate of interest or become due on a date earlier than that of the Bonds or Parity Bonds that are refunded, the City must obtain the prior written consent of the Owner to the issuance of the refunding bonds.

(b) The City may refund any of the Outstanding Senior Bonds in a manner that provides debt service savings to the City in each subsequent Fiscal Year, and the refunding bonds so issued may have a priority lien on the Sewer Net Revenues or Water Net Revenues, applicable.

## **ARTICLE IX**

### **DEFAULT AND REMEDIES**

Section 901. Events of Default. If (a) the City defaults in the payment of the principal of or interest on any of the Bonds, or (b) the City or its Governing Body or any of its officers, agents or employees fails or refuses to comply with any provision of this Ordinance, the Constitution or statutes of the State, the

Purchase Agreement or the Escrow Agreement and default continues for a period of 60 days after written notice specifying the non-payment default has been given to the City by the Owner of any Bond then Outstanding, at any time thereafter and while the default continues, the City shall pay to DNR the penalties assessed by DNR in accordance with the Regulations.

Section 902. Remedies.

(a) The provisions of this Ordinance constitute a contract between the City and the Owners of the Bonds. The Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(1) by any proceeding at law or in equity to enforce the rights of the Owner or Owners against the City and its officers, agents and employees, and to compel the performance by the City of its duties and obligations under this Ordinance, the Constitution and the laws of the State;

(2) by any proceeding at law or in equity to require the City, its officers, agents and employees to account as if they were the trustees of an express trust; and

(3) by any proceeding at law or in equity to enjoin any act or thing which is unlawful or in violation of the rights of the Owners of the Bonds.

(b) Any amounts paid on the Bonds to the Owners will be applied first to interest and second to principal, to the extent due and payable.

Section 903. Limitation on Rights of Owners. No Owner has any right in any manner whatever by the Owner's action to affect, disturb or prejudice the security granted and provided for in, or enforce any right under, this Ordinance, except in the manner provided in this Ordinance. All proceedings at law or in equity will be for the equal benefit of all Owners.

Section 904. Remedies Cumulative. No remedy conferred upon the Owners is intended to be exclusive of any other remedy. Each remedy is in addition to every other remedy and may be exercised without exhausting any other remedy conferred under this Ordinance. No waiver by any Owner of any default or breach of duty or contract of the City under this Ordinance will affect any subsequent default or breach of duty or contract by the City or impair any rights or remedies thereon. No delay or omission of any Owner to exercise any right or power accruing upon any default will impair any right or power or will be construed to be a waiver of any default. Every substantive right and every remedy conferred upon the Owners of the Bonds by this Ordinance may be enforced and exercised from time to time and as often as may be expedient. If any Owner discontinues any proceeding or the decision in the proceeding is against the Owner, the City and the Owners of the Bonds will be restored to their former positions and rights under this Ordinance.

Section 905. No Obligation to Levy Taxes. Nothing in this Ordinance imposes any duty or obligation on the City to levy any taxes either to meet any obligation incurred under this Ordinance or to pay the principal of or interest on the Bonds.

## **ARTICLE X**

### **DEFEASANCE**

Section 1001. Defeasance. When all of the Bonds shall have been paid and discharged, then the requirements contained in this Ordinance and the pledge of revenues made hereunder and all other rights

granted hereby shall terminate. Bonds shall be deemed to have been paid and discharged within the meaning of this Ordinance if there shall have been deposited with the Paying Agent, or other bank or trust company located in the State of Missouri, having full trust powers and meeting the requirements of a successor Paying Agent (as set forth in the Escrow Agreement) impressed with a first lien to the Paying Agent for the benefit of the Owners, at or prior to Stated Maturity or redemption date of said Bonds, in trust for and irrevocably appropriated thereto, moneys and/or non-callable Defeasance Securities (the "Defeasance Escrow") which, together with the interest to be earned on any such obligations, will be sufficient for the payment of the principal of said Bonds and interest to accrue to the Stated Maturity or date of redemption, as the case may be, or if default in such payment shall have occurred on such date, then to the date of the tender of such payments; provided, however, that if any such Bonds shall be redeemed prior to Stated Maturity, (a) the City shall have elected to redeem such Bonds, and (b) either notice of such redemption shall have been given or the City shall have given irrevocable instructions to the Paying Agent to redeem such Bonds; and provided further, however, there shall be filed with the City, the Owner and the Paying Agent (1) an opinion of Bond Counsel to the effect that the conditions for the defeasance of the Bonds pursuant to this Section have been complied with and (2) if the payment of the Bonds at Stated Maturity or upon redemption will occur more than 90 days after the deposit of the Defeasance Escrow and interest on the Defeasance Escrow is to be used to pay debt service on the Bonds, the written report of an independent certified public accountant evidencing the sufficiency of the Defeasance Escrow. Any moneys and obligations which at any time shall be deposited with the Paying Agent, or other bank by or on behalf of the City, for the purpose of paying and discharging any of the Bonds shall be and are hereby assigned, transferred and set over to the Paying Agent or other bank in trust for the respective Owners of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge of this Ordinance. All moneys deposited with the Paying Agent or other bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Ordinance.

## **ARTICLE XI**

### **AMENDMENTS**

#### Section 1101. Amendments.

(a) Any provision of the Bonds or of this Ordinance may be amended by an ordinance with the prior written consent of the Owners. Consent must be evidenced by an instrument executed by the Owners, acknowledged or proved in the manner of a deed to be recorded, and filed with the City Clerk.

(b) No amendment will be effective until (i) the City has delivered to the Owners and the Paying Agent an opinion of Bond Counsel stating that the amendment is permitted by this Ordinance and the Act, complies with their respective terms and is valid and binding upon the City in accordance with its terms, and (ii) the City Clerk has on file a copy of the amendment and all required consents.

## **ARTICLE XII**

### **MISCELLANEOUS PROVISIONS**

Section 1201. Further Authority. The officers of the City, including the Mayor, the City Manager and the City Clerk, are authorized and directed to execute all documents and take the actions as are necessary or advisable in order to carry out and perform the purposes of this Ordinance and to make ministerial changes in the documents approved by this Ordinance which they may approve. The execution of any document or taking of any related action constitutes conclusive evidence of the necessity or advisability of the action or change.



Section 1202. Electronic Transactions. The transactions described in this Ordinance and the Bonds may be conducted and related documents may be sent, received or stored by electronic means. Copies, telecopies, facsimiles, electronic files and other reproductions of original executed documents shall be deemed to be authentic and valid counterparts of such original documents for all purposes, including the filing of any claim, action or suit in the appropriate court of law.

Section 1203. Severability. If any section or other part of this Ordinance is for any reason held invalid, the invalidity will not affect the validity of the other provisions of this Ordinance.

Section 1204. Governing Law. This Ordinance is governed by and will be construed in accordance with the laws of the State.

Section 1205. Effective Date. This Ordinance is in full force and effect from and after its passage by the City Council and approval by the Mayor.

*[Remainder of Page Intentionally Left Blank]*

**PASSED** by the City Council of the City of Kirksville, Missouri, on February 1, 2016.

(SEAL)

\_\_\_\_\_  
Mayor

ATTEST:

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

**APPROVED** by the Mayor of the City of Kirksville, Missouri, on February 1, 2016.

(SEAL)

\_\_\_\_\_  
Mayor

ATTEST:

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

**EXHIBIT A**

**FORM OF BOND**

[THIS BOND IS TRANSFERABLE ONLY TO ANY SUCCESSOR TO THE MISSOURI DEPARTMENT OF NATURAL RESOURCES OR ITS ASSIGNS]

Registered  
No. R-\_\_\_\_\_

Registered  
[Not to exceed] \$\_\_\_\_\_

**UNITED STATES OF AMERICA  
STATE OF MISSOURI**

**CITY OF KIRKSVILLE, MISSOURI**

**COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND  
(STATE OF MISSOURI – DIRECT LOAN PROGRAM)  
SERIES 2016**

Closing Date

Interest Rate

Stated Maturity

**July 1, 2037**

**REGISTERED OWNER:** \_\_\_\_\_

**PRINCIPAL AMOUNT: [NOT TO EXCEED] \_\_\_\_\_ DOLLARS**

The **CITY OF KIRKSVILLE, MISSOURI**, a city of the third class and political subdivision of the State of Missouri (the “City”), for value received, hereby promises to pay to the Owner shown above, or registered assigns, the Cumulative Principal Amount Outstanding set forth on **Schedule A** to this Bond on the Maturity Date shown above, and to pay interest thereon at the Interest Rate per annum shown above, on January 1 and July 1 in each year, commencing July 1, 2017 (each an “Interest Payment Date”), from the date shown on **Schedule A** or from the most recent Interest Payment Date to which interest has been paid or duly provided for, computed on the basis of a 360-day year of twelve 30-day months. Terms not otherwise defined in this Bond have the respective meanings as set forth in the Ordinance.

The principal of this Bond shall be paid at maturity or upon earlier redemption to the person in whose name this Bond is registered on the Bond Register at the maturity or redemption date thereof, upon presentation and surrender of this Bond at the payment office of UMB BANK, N.A., St. Louis, Missouri (the “Paying Agent”). The payment of the principal of and redemption premium, if any, payable on this Bond at maturity or upon earlier redemption and the interest payable on this Bond on any Interest Payment Date will be made by check or draft mailed by the Paying Agent to the address of the Owner shown in the Bond Register. The principal of and redemption premium, if any, and interest on the Bonds is payable by electronic transfer in immediately available federal funds to a bank in the continental United States of America pursuant to instructions from any Owner received by the Paying Agent prior to the Record Date. The principal of and interest on this Bond is payable in lawful money of the United States of America.

This Bond is one of a duly authorized series of bonds of the City designated Combined Waterworks and Sewerage System Revenue Bonds (State of Missouri – Direct Loan Program) Series 2016” (the “Bonds”), issued by the City for the purpose of extending and improving the combined waterworks and sewerage system owned and operated by the City (said combined waterworks and sewerage system, together with all future improvements and extensions thereto hereafter constructed or acquired by the City, being herein called the “System”), under the authority of and in full compliance with Chapter 250 of the Revised Statutes of Missouri, as amended, and pursuant to an election duly held in the City and an ordinance duly adopted by the governing body of the City (the “Ordinance”).

At the option of the City, the Bonds may be called for redemption and payment prior to maturity in whole or in part as provided in the Ordinance, with the prior written consent of the Owners.

The Bonds are subject to mandatory redemption and payment prior to maturity pursuant to the mandatory redemption requirements of the Ordinance, at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

Except as otherwise provided in the Ordinance, notice of redemption, unless waived, is to be given by the Paying Agent by mailing an official redemption notice by registered or certified mail at least 15 days, but not more than 30 days, prior to the date fixed for redemption, to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Owner to the Paying Agent. Notice of redemption having been given or waived as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

The Bonds are limited obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues. The taxing power of the City is not pledged to the payment of the Bonds either as to principal or interest. The Bonds do not constitute a general obligation of the City or an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction.

The Bonds are junior and subordinate to the Outstanding Senior Sewer Bonds with respect to payment of principal and interest from the Sewer Net Revenues. In the event of any default in the payment of either principal or interest on any of the Outstanding Senior Sewer Bonds, the Sewer Net Revenues will be applied solely to the payment of the principal and interest on the Outstanding Senior Sewer Bonds until the default is cured.

The Bonds are junior and subordinate to the Outstanding Senior Water Bonds with respect to payment of principal and interest from the Water Net Revenues. In the event of any default in the payment of either principal or interest on any of the Outstanding Senior Water Bonds, the Water Net Revenues will be applied solely to the payment of the principal and interest on the Outstanding Senior Water Bonds until the default is cured.

The Bonds are issued on parity with the Outstanding Parity Bonds.

Under the conditions set forth in the Ordinance, the City has the right to issue additional bonds payable from the Net Revenues; provided, however, that such additional bonds may be so issued only in accordance with and subject to the covenants, conditions and restrictions relating thereto set forth in the Ordinance.

The City covenants with the Owner of this Bond to keep and perform all covenants and agreements contained in the Ordinance, and the City will fix, establish, maintain and collect rates, fees and charges for the use and services furnished by or through the System to produce Revenues sufficient to pay the operation and maintenance costs of the System, pay the principal of and interest on the Bonds and provide reasonable and adequate reserve funds. Reference is made to the Ordinance for a description of the agreements made by the City with respect to the collection, segregation and application of the Revenues, the nature and extent of the security for the Bonds, the rights, duties and obligations of the City with respect to the Bonds, and the rights of the Owners.

The Bonds are issuable in the form of fully-registered Bonds without coupons in the denomination of \$100 or any integral multiple of \$0.01 in excess thereof.

This Bond may be transferred or exchanged, as provided in the Ordinance, only upon the registration books kept for that purpose at the above-mentioned office of the Paying Agent, upon surrender of this Bond together with a written instrument of transfer or exchange satisfactory to the Paying Agent duly executed by the Owner or the Owner's duly authorized agent, and thereupon a new Bond or Bonds in any authorized denomination of the same maturity and in the same aggregate principal amount shall be issued to the transferee in exchange therefor as provided in the Ordinance, and upon payment of the charges therein prescribed. The City and the Paying Agent may deem and treat the person in whose name this Bond is registered on the Bond Register as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or redemption price hereof and interest due hereon and for all other purposes.

This Bond will not be valid or be entitled to any security or benefit under the Ordinance until the Paying Agent has executed the Certificate of Authentication.

*[Remainder of Page Intentionally Left Blank]*

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to the issuance of the Bonds have existed, happened and been performed in due time, form and manner as required by law, and that before the issuance of the Bonds, provision has been duly made for the collection, segregation and application of the income and revenues of the System as provided in the Ordinance.

IN WITNESS WHEREOF, the City of Kirksville, Missouri, has executed this Bond by causing it to be signed by the manual signature of its Mayor and attested by the manual signature of its City Clerk, and its official seal to be affixed hereto or imprinted hereon.

(SEAL)

CITY OF KIRKSVILLE, MISSOURI

ATTEST:

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

By \_\_\_\_\_  
Mayor

**CERTIFICATE OF AUTHENTICATION**

This Bond is one of the Bonds of the issue described in the within-mentioned Ordinance.

Registration Date: \_\_\_\_\_

UMB BANK, N.A., Paying Agent

By \_\_\_\_\_  
Authorized Signatory

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**RECORD OF PRINCIPAL PAYMENTS AND PREPAYMENTS**

Under the provisions of the Ordinance, payments of the principal installments of this Bond and partial prepayments of the principal of this Bond will be made directly to the Owner without surrender of this Bond to the Paying Agent. Accordingly, any purchaser or other transferee of this Bond should verify with the Paying Agent the principal of this Bond outstanding prior to such purchase or transfer, and the records of the Paying Agent shall be conclusive for such purposes.

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**ASSIGNMENT**

**FOR VALUE RECEIVED**, the undersigned hereby sells, assigns and transfers unto

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Print or Type Name of Transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints UMB Bank, N.A., agent to transfer the within Bond on the books kept by the Paying Agent for the registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

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NOTICE: The name of the Owner must correspond with the name that appears upon the face of the within Bond in every particular.

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_





**EXHIBIT B**

**MANDATORY SINKING FUND REDEMPTION SCHEDULE**

<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
July 1, 2018	\$372,000	July 1, 2028	\$463,000
January 1, 2019	376,000	January 1, 2029	468,000
July 1, 2019	380,000	July 1, 2029	473,000
January 1, 2020	384,000	January 1, 2030	479,000
July 1, 2020	389,000	July 1, 2030	484,000
January 1, 2021	393,000	January 1, 2031	489,000
July 1, 2021	397,000	July 1, 2031	494,000
January 1, 2022	402,000	January 1, 2032	500,000
July 1, 2022	406,000	July 1, 2032	505,000
January 1, 2023	411,000	January 1, 2033	511,000
July 1, 2023	415,000	July 1, 2033	517,000
January 1, 2024	420,000	January 1, 2034	522,000
July 1, 2024	424,000	July 1, 2034	528,000
January 1, 2025	429,000	January 1, 2035	534,000
July 1, 2025	434,000	July 1, 2035	540,000
January 1, 2026	438,000	January 1, 2036	546,000
July 1, 2026	443,000	July 1, 2036	552,000
January 1, 2027	448,000	January 1, 2037	558,000
July 1, 2027	453,000	July 1, 2037 <sup>†</sup>	565,000
January 1, 2028	458,000		

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<sup>†</sup> Maturity

**CERTIFICATE**

I, the undersigned, City Clerk of the City of Kirksville, Missouri, hereby certify that the above and foregoing constitutes a full, true and correct copy of the ordinance duly passed by the City Council of the City at a meeting duly and regularly held, after proper notice thereof, on February 1, 2016; that said Ordinance has not been modified, amended or repealed, and is in full force and effect as of the date hereof; and that the same is on file in my office.

WITNESS my hand and official seal this \_\_\_\_ day of \_\_\_\_\_, 2016.

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City Clerk

(Seal)