

December 1, 2020

ALLIANCE CITY COUNCIL

REGULAR MEETING, TUESDAY, DECEMBER 1, 2020

STATE OF NEBRASKA)
)
COUNTY OF BOX BUTTE) §
)
CITY OF ALLIANCE)

The Alliance City Council met in a Regular Meeting, December 1, 2020, at 7:00 p.m. in the Alliance Learning Center Community Meeting Room, 1750 Sweetwater Avenue, Alliance, Nebraska. A notice of meeting was published in the Alliance Times Herald on November 25, 2020. The notice stated the date, hour and place of the meeting, that the meeting was open to the public, and that an agenda of the meeting, kept continuously current, was available for public inspection at the office of the City Clerk in City Hall; provided the Council could modify the agenda at the meeting if it determined an emergency so required. A similar notice, together with a copy of the agenda, also had been delivered to each of the City Council Members. An agenda, kept continuously current, was available for public inspection at the office of the City Clerk during regular business hours from the publication of the notice to the time of the meeting.

City Clerk Johnson opened the December 1, 2020 regular meeting of the Alliance, Nebraska City Council at 7:00 p.m. Present were Council Members, Dafney, Mischnick, Jones, Bentley and McGhehey. Also present were, Finance Director Waggener, City Attorney Hoelsing and City Clerk Johnson.

- Reorganization of the City Council was the first item to come before the Council.

City Clerk Johnson announced she has received the certification from Box Butte County Clerk Judy Messersmith on the election results and acknowledged Brian Mischnick and John McGhehey were elected to the Alliance City Council.

City Clerk Johnson administered the Oath of Office to Councilman Mischnick and Councilman McGhehey.

City Clerk Johnson conducted the election of President (Ex-officio Mayor). Four ballots were cast for Councilman Dafney and one ballot was cast for Councilman Jones.

Councilman Dafney was reelected to serve as Mayor.

City Clerk Johnson next conducted the election of Vice President (Ex-officio Vice Mayor). Five ballots were cast for Councilman Mischnick.

Councilman Mischnick was reelected to serve as Vice Mayor.

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- Mayor Dafney read the Open Meetings Act Announcement.
- The next item before City Council was the Consent Calendar. A motion was made by Councilman Jones, seconded by Councilman Mischnick to approve the Consent Calendar as follows:

CONSENT CALENDAR – DECEMBER 1, 2020

1. Approval: Minutes of the Council Meeting from November 17, 2020 and Special Meeting on November 18, 2020.
2. Approval: Payroll Costs for the period October 31, 2020 through November 13, 2020: \$231,154.97.
3. Approval: Claims against the following funds for November 11, 2020 through November 19, 2020: General, General Debt Service, Trust and Agency, Street, Electric, Refuse Collection and Disposal, Sanitary Sewer, Water, Golf Course, Downtown Improvement Districts, R.S.V.P., Keno, and Capital Improvement; \$228,906.60.
4. Approval: Authorizes the issuance of the following Cemetery Certificates:

The sale of the West Half of Lot Sixteen (16), Section One (1), Block Twenty-two (22), Alliance Cemetery Fourth Addition to Arthur Dale Lawrenz.

The transfer of The East Half of Lot Twenty-five (25), Section Six (6), Block Eighteen (18), Third Addition to the Alliance Cemetery from Cliff Brown, Roger Brown, and Dan Brown back to the City of Alliance and the same lots reissued to Don Bentz and Veris Bentz.
5. Approval: Resolution No. 20-118 will authorize staff to submit a grant application to the Nebraska Department of Transportation for a small bus with a wheelchair lift that is available with 100% Federal funding.

NOTE: Interim Managers Johnson and Waggener have reviewed these expenditures and to the best of their knowledge confirms that they are within budgeted appropriations to this point in the fiscal year.

Any item listed on the Consent Calendar may, by the request of any single Council Member, be considered as a separate item in the Regular Agenda.

Roll call vote with the following results:

Voting Aye: Dafney, Mischnick, Jones, Bentley, McGhehey.

Voting Nay: None.

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Motion carried.

- The next item on the agenda was the first reading of Ordinance No. 2916 which will authorize the issuance of up to \$2 million Water Revenue Refunding Bonds with First National Capital Markets and Resolution No. 20-119 which authorizes the budget transfer of \$180,000 from System Contingency to Revenue Bond Principal to reduce bond refinancing amounts. The following information was provided:

[The current market financing rates afford the City of Alliance an opportunity to save interest on borrowings by refinancing. Further potential savings exist by using reserves to reduce the outstanding debt and/or increase annual payments and ultimately shorten the term of the borrowing. Several options were prepared by Mr. Craig Jones of First National Capital Markets and presented at the November 17 council meeting in regard to the refinancing of the NDEQ 20-year water loans that started in 2010 in the amount of \$4.1 million at a 3% interest rate. NDEQ does not offer refinancing of their loans and there is still ten years remaining on the debt. After the water bonds were paid in 2018, debt payments were decreased by almost \$300,000 annually resulting in increased cash reserves over the past couple of years. The water cash reserves at the end of the most recent fiscal year were just over \$1.8 million (around 18 months) with overall yields of .69%. Two avenues of refinancing are available with the public bond issue generally resulting in a lower yield but more administrative and reporting requirements than the private placement which would be a slightly higher yield (cost) but less administrative burden.

Staff is recommending refinancing the debt by means of a private placement bond issue and reducing the principal from the current debt level of \$2,240,240.45 by prepaying \$120,000 of the budgeted June 2021 principal payment along with \$180,000 from water contingency to reduce the balance to less than \$2.0 million. The anticipated coupon rate would be around 1.25% with closing costs of \$23,640 and interest savings of just over \$230,000. Waiver of the three readings is suggested to expedite the process.]

A motion was made by Councilman Mischnick, seconded by Councilman Bentley to approve the first reading of Ordinance No. 2916. City Clerk Johnson read the ordinance by title which follows in its entirety:

ORDINANCE NO. 2916

AN ORDINANCE OF THE CITY OF ALLIANCE, NEBRASKA AUTHORIZING THE ISSUANCE BY THE CITY OF ITS WATER REVENUE REFUNDING BONDS, IN ONE OR MORE SERIES AND IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED \$2,000,000; PRESCRIBING THE FORM AND DETAILS OF THE BONDS AND THE COVENANTS AND AGREEMENTS TO PROVIDE FOR THE PAYMENT AND SECURITY THEREOF; AUTHORIZING CERTAIN OFFICIALS TO DETERMINE THE PRINCIPAL AMOUNT, THE MATURITIES, THE INTEREST RATES, THE REDEMPTION

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PROVISIONS, THE FINANCIAL COVENANTS AND OTHER TERMS AND PROVISIONS RELATING TO THE BONDS AND TO ENTER INTO A CONTRACT ON BEHALF OF THE CITY WITH THE PURCHASER OF SAID BONDS; PLEDGING THE REVENUES OF THE CITY'S WATER SYSTEM TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE BONDS; DESIGNATING THE BONDS AS QUALIFIED TAX-EXEMPT OBLIGATIONS; ADOPTING CERTAIN POST-ISSUANCE TAX COMPLIANCE AND CONTINUING DISCLOSURE POLICIES AND PROCEDURES WITH RESPECT TO THE BONDS; PROVIDING FOR THE PUBLICATION OF THE ORDINANCE IN PAMPHLET FORM; AND AUTHORIZING CERTAIN ACTIONS AND DOCUMENTS AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, The City of Alliance, Nebraska (the "**Issuer**"), is a political subdivision and city of the first class duly organized and existing under the laws of the State of Nebraska (the "**State**"); and

WHEREAS, The Issuer owns and operates a revenue-producing water system serving the Issuer and its inhabitants within the Issuer's service area (collectively, the "**System**," as hereinafter more fully defined); and

WHEREAS, The Issuer previously entered into a loan agreement with the Nebraska Department of Environmental Quality ("**NDEQ**") dated December 17, 2009 in the original principal amount of \$5,158,662 to pay the costs of certain additions and improvements to the System (the "**Series 2009A Note**"), of which \$1,928,030.56 is presently outstanding; and

WHEREAS, The Issuer also previously entered into a loan agreement with NDEQ dated December 17, 2009 in the original principal amount of \$696,258 to pay the costs of certain additions and improvements to the System (the "**Series 2009B Note**", and together with the Series 2009A Note, the "**NDEQ Notes**"), of which \$312,209.89 is presently outstanding; and

WHEREAS, Since the issuance of the NDEQ Notes, the rates of interest available in the markets have declined such that the Issuer can effect a savings in interest costs by providing for the prepayment of the NDEQ Notes through the issuance of its water revenue refunding bonds pursuant to Sections 10-142 and 18-1803 through 18-1805 Reissue Revised Statutes of Nebraska, as amended (collectively, the "**Act**"); and

WHEREAS, The NDEQ Notes are subject to prepayment at any time at a price equal to the outstanding principal amount, plus accrued interest on such principal amount to the date of redemption; and

WHEREAS, The Issuer has on hand no debt service or other sinking fund monies for the payment of principal and interest on the NDEQ Notes other than monies, if any, which are to be deposited in accordance with Section 5.02 hereof; and

WHEREAS, To provide funds for the prepayment of the NDEQ Notes, it is necessary and advisable that the Issuer issue its water revenue refunding bonds in accordance with the provisions of the Act, which bonds will be payable from the revenues of the System; and

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WHEREAS, On the delivery date of the Bonds authorized by this Ordinance, the Issuer will not have outstanding any bonds or other obligations payable from the revenues derived from the operation of the System; and

WHEREAS, It is necessary that the Issuer adopt (i) policies and procedures to satisfy all applicable requirements of federal income tax law in order to preserve, post-issuance, the tax-exempt status of the Bonds described herein and (ii) policies and procedures to satisfy the issuance and post-issuance disclosure requirements of Rule 15c2-12 (as described herein); and

WHEREAS, All conditions, acts and things required by law to exist or to be done precedent to the issuance of bonds pursuant to the Act do exist and have been done as required by law.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF ALLIANCE, NEBRASKA, AS FOLLOWS:

DEFINITIONS

In addition to words and terms defined elsewhere herein, the following capitalized words and terms as used in this Ordinance shall have the following meanings:

“*Act*” means Sections 18–1803 through 18–1805 and Section 10-142 of the Reissue Revised Statutes of Nebraska, as amended.

“*Authorized Denominations*” means \$5,000 or whole multiples thereof, unless otherwise determined by any Authorized Officer in accordance with Section 2.12.

“*Authorized Officer*” means the Mayor, the Manager, the Clerk, the Treasurer or any individual authorized to act on behalf of any such officer.

“*Bond Counsel*” means Kutak Rock LLP, Omaha, Nebraska, or other attorney or firm of attorneys with a nationally recognized standing in the field of municipal bond financing selected by the Issuer.

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

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

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

“*Bonds*” means the Issuer’s Water Revenue Refunding Bonds, Series 2020, in the original aggregate principal amount of not to exceed \$2,000,000, authorized to be issued pursuant to this Ordinance.

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

“*Cede & Co.*” means Cede & Co., as nominee name of The Depository Trust Company, New York, New York.

“*Council*” means the Mayor and Council Members who governs the actions of the Issuer.

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

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

“*Debt Service Fund*” means the fund by that name created by Section 5.01 hereof.

“*Debt Service Requirements*” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on all System Revenue Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts released from the Debt Service Reserve Fund as provided herein or deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company having full trust powers.

“*Debt Service Reserve Fund*” means the fund by that name created by Section 5.01 hereof.

“*Debt Service Reserve Requirement*” means the amount on the date of original issuance and delivery of the Bonds equal to or less than the least of (i) 10% of the stated principal amount of the Bonds, (ii) the maximum Debt Service Requirements for the Bonds during any fiscal year, or (iii) 125% of the average annual Debt Service Requirements for the Bonds over the term of the Bonds, subject to adjustment as described herein. The initial Debt Service Reserve Requirement for the Bonds shall be determined in accordance with Section 2.12 herein.

“*Defaulted Interest*” means interest on any Bond that is payable but not paid on any Interest Payment Date.

“*Defeasance Obligations*” means any of the following obligations:

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

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

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

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

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

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

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

the obligations are rated in at least the second highest rating category by Moody's Investors Service, Inc. (presently "Aa") or S&P Global Ratings (presently "AA").

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

"Insurance Consultant" means an individual or firm selected by the Issuer qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to

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those of the System and having a favorable reputation for skill and experience in making such surveys and recommendations.

“Interest Payment Date” means such dates as determined by an Authorized Officer in accordance with Section 2.12 hereof, until maturity or earlier redemption, or any other date on which interest shall be paid.

“Issuer” has the meaning set forth in the recitals hereto.

“Lender” has the meaning set forth in Section 2.11 hereof.

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

“Maximum Annual Debt Service” means the maximum amount of Debt Service Requirements as computed for the then current or any future fiscal year.

“NDEQ Notes” has the meaning set forth in the recitals hereto.

“Net Revenues Available for Debt Service” means, for the period of determination, all Revenues less all Expenses as determined in accordance with generally accepted accounting principles.

“Operation and Maintenance Fund” means the fund by that name created by Section 5.01 hereof.

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

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

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

Bonds deemed to be paid in accordance with the provisions of Article XI hereof;
and

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

“Parity Bonds” means any parity bonds or other long-term obligations payable out of the net income and revenues of the System hereafter issued or incurred in accordance with the provisions of this Ordinance and standing on a parity and equality with the Bonds with respect to the payment of principal and interest out of the net income and Revenues of the System, so long as any such bonds remain outstanding and unpaid or until provision is made for the payment and defeasance of such bonds.

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“*Parity Ordinance*” means the ordinances under which any Parity Bonds are hereafter issued.

“*Participants*” means those financial institutions for which the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“*Paying Agent*” means the Treasurer of the Issuer or such financial institution as determined by an Authorized Officer in accordance with Section 2.12 hereof, and its successors and assigns.

“*Permitted Investments*” means any securities and obligations permitted under the laws, statutes and Constitution of the State for investment of the Issuer’s moneys held in the funds referred to in Section 5.01 hereof.

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

“*Placement Agent*” has the meaning set forth in Section 2.11 hereof.

“*Private Purchaser*” has the meaning set forth in Section 2.11 hereof.

“*Purchaser*” means the Underwriter, the Private Purchaser or the Lender, as specified by an Authorized Officer in accordance with the provisions of Section 2.11 hereof.

“*Record Date*” for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) immediately preceding each Interest Payment Date.

“*Redemption Date*,” when used with respect to any Bond to be redeemed, means the date fixed for such redemption pursuant to the terms of this Ordinance; and when used with respect to the NDEQ Note, means the date of delivery of the Bonds.

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

“*Replacement Bonds*” means Bonds issued to the beneficial owners of the Bonds in accordance with Section 2.09(b) hereof.

“*Revenue Fund*” means the fund by that name created by Section 5.01 hereof.

“*Revenues*” means all income and revenues derived from the operation of the System, including investment and rental income, net proceeds from business interruption insurance (if any) the principal of gifts, bequests, contributions, grants and donations available to pay debt service of System Revenue Bonds and actually received during such period, and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of

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facilities to be applied during the period of determination to pay interest on System Revenue Bonds, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets, and also excluding the principal of gifts, bequests, contributions, grants and donations which are specifically restricted by the donor, testator or grantor to a particular purpose which is inconsistent with their use for the payment of debt service on System Revenue Bonds.

“*Securities Depository*” means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

“*Special Record Date*” means the date fixed by the Paying Agent pursuant to Section 2.04 hereof for the payment of Defaulted Interest.

“*State*” means the State of Nebraska.

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

“*Surplus Fund*” means the fund by that name created by Section 5.01 hereof.

“*System*” means the water system of the Issuer presently serving the water users, including the plants and all appurtenances thereto, together with all extensions, improvements and repairs thereto hereafter made or acquired by the Issuer.

“*System Revenue Bonds*” means, collectively, the Bonds, the Parity Bonds and all other revenue bonds which are payable out of, or secured by an interest in, the income and Revenues derived from the operation of the Systems.

“*Underwriter*” has the meaning set forth in Section 2.11 hereof.

“*United States Government Obligations*” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service, and such obligations are held in a custodial or trust account for the benefit of the Issuer.

AUTHORIZATION OF BONDS

Authorization of Bonds. At such time as Issuer can effect a savings in interest costs with respect to the NDEQ Notes from the issuance of the Bonds herein authorized, the Issuer is authorized and directed to issue one or more series of Bonds, designated “Water Revenue

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Refunding Bonds, Series 2020”, with such other designations as may be appropriate, in an aggregate principal amount not to exceed \$2,000,000, for the purpose of providing funds to redeem and prepay the NDEQ Note.

Description of Bonds. The Bonds shall consist of fully registered bonds without coupons, numbered from R-1 upward, with such other designation as the Authorized Officers, or each individually, shall deem appropriate, in Authorized Denominations. The Bonds, as originally issued or issued upon transfer, exchange or substitution, shall be substantially in the form set forth in Exhibit A attached hereto, with such changes acceptable to the Authorized Officers, or each individually, and bond counsel. All of the Bonds shall be dated the date of delivery thereof, shall become due and payable in the amounts on the Stated Maturities, subject to redemption and payment prior to their Stated Maturities as provided in Article III hereof and as determined by an Authorized Officer, and shall bear interest at the rates determined by the Authorized Officer in accordance with the provisions of Section 2.12 hereof. Unless otherwise determined by an Authorized Officer, the Bonds shall bear interest computed on the basis of a 360-day year of twelve 30-day months from the date thereof or from the most recent Interest Payment Date to which interest has been paid.

Designation of Paying Agent. The Paying Agent shall be the paying agent for the payment of the principal or Redemption Price of and interest on the Bonds and the bond registrar with respect to the registration, transfer and exchange of the Bonds. If the Paying Agent is other than the Treasurer of the Issuer, the Paying Agent shall serve in such capacities under the terms of an agreement entitled “Bond Registrar and Paying Agent Agreement” between the Issuer and the Paying Agent (the “**Paying Agent Agreement**”) in the such form as the Authorized Officers, or each individually, shall deem appropriate and necessary. The Authorized Officers, or each individually, may execute the Paying Agent Agreement on behalf of the Issuer. The Paying Agent shall have only such duties and obligations as are expressly specified by this Ordinance and the Registrar and Paying Agent Agreement, and no other duties or obligations shall be implied to the Paying Agent.

The Issuer will at all times maintain a Paying Agent meeting the qualifications herein described for the performance of the duties hereunder. The Issuer reserves the right, and does hereby authorize the Authorized Officers, or each individually, to appoint a successor Paying Agent by (a) filing with the Paying Agent then performing such function notice of the termination of such Paying Agent and appointing a successor, and (b) causing notice of the appointment of the successor Paying Agent to be given by first-class mail to each Registered Owner. No resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Paying Agent.

Unless the Paying Agent is the Treasurer of the Issuer, every Paying Agent appointed hereunder shall at all times be a commercial banking association or corporation or trust company organized and doing business under the laws of the United States or of a state of the United States, authorized under such laws to exercise trust powers and subject to supervision or examination by federal or state regulatory authority

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

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Method and Place of Payment of Bonds. The principal or Redemption Price of and interest on the Bonds shall be payable in any coin or currency of the United States of America that, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Bond shall be paid at Maturity by check or draft to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the designated office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Registered Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest by check or draft mailed by the Paying Agent to such Registered Owner at the address shown on the Bond Register or in the case of an interest payment to any Registered Owner of \$100,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Registered Owner upon written notice given to the Paying Agent by such Registered Owner not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions, including the bank (which shall be in the continental United States), ABA routing number and account number to which such Registered Owner wishes to have such transfer directed.

Notwithstanding the foregoing provisions of this Section, any Defaulted Interest with respect to any Bond shall cease to be payable to the Registered Owner of such Bond on the relevant Record Date and shall be payable to the Registered Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified in this paragraph. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent at the time of such notice an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Paying Agent for such deposit prior to the date of the proposed payment. Following receipt of such funds, the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall promptly notify the Issuer of such Special Record Date and, in the name and at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed by first-class mail, postage prepaid, to each Registered Owner of a Bond entitled to such notice at the address of such Registered Owner as it appears on the Bond Register not less than 10 days prior to such Special Record Date.

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

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

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

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Paying Agent shall authenticate and deliver Bonds in accordance with the provisions of this Ordinance. The Issuer shall pay the fees and expenses of the Paying Agent for the registration, transfer and exchange of Bonds provided for by this Ordinance and the cost of printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Paying Agent, are the responsibility of the Registered Owners of the Bonds. If any Registered Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Registered Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The Issuer and the Paying Agent shall not be required (a) to register the transfer or exchange of any Bond after notice calling such Bond or portion thereof for redemption has been given or during the period of 15 days immediately preceding the first mailing of such notice of redemption (b) to issue, transfer or exchange Bonds from the Record Date to the next Interest Payment Date, or (c) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest pursuant to Section 2.04 hereof.

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

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

Execution, Authentication and Delivery of Bonds. The Mayor and the Clerk (including anyone authorized to act on his or her behalf) are hereby authorized and directed to prepare and execute the Bonds as herein specified and, when duly executed, to deliver the Bonds to the Paying Agent for authentication. Each of the Bonds, including any Bonds issued in exchange or as substitution for the Bonds initially delivered, shall be signed by the manual or facsimile signature

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of the Mayor and attested by the manual or facsimile signature of the Clerk. In case any officer whose signature appears on any Bonds ceases to be such officer before the delivery of such Bonds, such signature shall nevertheless be valid and sufficient for all purposes, as if such person had remained in office until delivery. Any Bond may be signed by such Persons who at the actual time of the execution of such Bond are the proper officers to sign such Bond although at the date of such Bond such Persons may not have been such officers.

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

Mutilated, Destroyed, Lost and Stolen Bonds. If (a) any mutilated Bond is surrendered to the Paying Agent, or the Issuer and the Paying Agent receive evidence to their satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Paying Agent such security or indemnity as may be required by the Paying Agent, then, in the absence of notice to the Paying Agent that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer request, the Paying Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer in its discretion may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond under this Section, the Issuer may require the payment by the Registered Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith. Every new Bond issued pursuant to this Section shall constitute a replacement of the prior obligation of the Issuer and shall be entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds.

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

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Book-Entry Bonds; Securities Depository.

Unless otherwise directed by the Purchaser, the Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no beneficial owner will receive certificates representing their respective interests in the Bonds, except if the Paying Agent issues Replacement Bonds as provided in paragraph (b) hereof. It is anticipated that during the term of the Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Bonds to the Participants until and unless the Paying Agent authenticates and delivers Replacement Bonds to the beneficial owners as described in paragraph (b).

(i) If the Issuer determines (A) that the Securities Depository is unable to properly discharge its responsibilities, or (B) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended (the "*Exchange Act*"), or (C) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Bondowner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Bonds, or (ii) if the Paying Agent receives written notice from Participants having interests in not less than 50% of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Bondowner other than Cede & Co. is no longer in the best interests of the beneficial owners of the Bonds, then the Paying Agent shall notify the Bondowners of such determination or such notice and of the availability of certificates to Owners requesting the same, and the Paying Agent shall register in the name of and authenticate and deliver Replacement Bonds to the beneficial owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under clause (i)(A) or (i)(B) of this paragraph (b), the Issuer, with the consent of the Paying Agent, may select a successor securities depository in accordance with Section 2.09(c) hereof to effect book-entry transfers. In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Paying Agent, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Paying Agent or Bondowners are unable to locate a qualified successor of the Securities Depository in accordance with Section 2.09(c) hereof, then the Paying Agent shall authenticate and cause delivery of Replacement Bonds to Bondowners, as provided herein. The Paying Agent may rely on information from the Securities Depository and its Participants as to the names of the beneficial owners of the Bonds. The cost of printing Replacement Bonds shall be paid for by the Issuer.

If the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Exchange Act, the Issuer may appoint a successor Securities Depository provided the Paying Agent receives written evidence satisfactory to the Paying Agent with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the

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Exchange Act or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Paying Agent upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of Bonds to the successor Securities Depository in appropriate denominations and form as provided herein.

Offering Documents. The use and public distribution of any official statement, offering circular, term sheet, request for lenders or any other offering document (including any preliminary thereof, the “**Offering Document**”) by the Purchaser in connection with the reoffering or placement of the Bonds is hereby authorized. Any Authorized Officer is authorized to approve the final Offering Document as so supplemented, amended and completed, and the use and distribution of the final Offering Document by the Purchaser in connection with the reoffering or placement of the Bonds is hereby authorized. Any Authorized Officer is hereby authorized to execute and deliver a certificate pertaining to such Offering Document as prescribed therein, dated as of the date of payment for and delivery of the Bonds.

The Issuer agrees to provide to the Purchaser within seven Business Days of the date of the sale of Bonds sufficient copies of the final Offering Document to enable the Underwriter or the Placement Agent to comply with the requirements of Rule 15c2-12(b)(4) of the Securities and Exchange Commission and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board, if applicable.

Sale of Bonds. In accordance with and subject to the provisions of Section 2.12, the Authorized Officers, or each individually, are hereby authorized to sell the Bonds pursuant to one or more of the following methods:

(a) The Issuer is authorized to sell the Bonds to First National Capital Markets, Inc., as original purchaser of the Bonds (the “**Underwriter**”), in accordance with Section 2.12 of this Ordinance. Delivery of the Bonds shall be made to the Underwriter as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of sale. The Issuer is authorized to enter into a Bond Purchase Agreement (the “**Purchase Agreement**”) between the Issuer and the Underwriter in form and substance acceptable to the Authorized Officers, or each individually. Such Authorized Officer is authorized to execute the Purchase Agreement, in form and substance acceptable to such Authorized Officer, for and on behalf of the Issuer, such officer’s signature thereon being conclusive evidence of such official’s and the Issuer’s approval thereof. The Underwriter shall have the right to direct the registration of the Bonds and the denominations thereof within each maturity, subject to the restrictions of this Ordinance. Such Underwriter and its agents, representatives and counsel (including bond counsel) are hereby authorized to take such actions on behalf of the Issuer as are necessary to effectuate the closing of the issuance and sale of the Bonds, including, without limitation, authorizing the release of the Bonds by the Depository at closing.

(b) The Issuer is further authorized to place the Bonds with a private purchaser (the “**Private Purchaser**”) with the assistance of First National Capital Markets, Inc., as placement agent of the Bonds (the “**Placement Agent**”) in accordance with Section 2.12 of this Ordinance. The Private Purchaser shall have the right to direct the

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registration of the Bonds and the denominations thereof within each maturity, subject to the restrictions of this Ordinance. The Placement Agent and its agents, representatives and counsel (including bond counsel) are hereby authorized to take such actions on behalf of the Issuer as are necessary to effectuate the closing of the issuance and placement of the Bonds.

(c) The Issuer is further authorized to (i) issue the Bonds directly to a bank or other institutional lender (the "Lender") to evidence or secure a loan from such Lender to the Issuer or (ii) enter into a loan agreement with a Lender in lieu of issuing the Bonds, in accordance with Section 2.12 of this Ordinance and subject to the other restrictions of this Ordinance. Such Lender may be identified with the assistance of the Placement Agent. The Lender shall have the right to direct the registration of the Bonds and the denominations thereof within each maturity, and shall have the right to sell participation interests in the Bonds to other banks and institutional lenders, all subject to the restrictions of this Ordinance. The Placement Agent and its agents, representatives and counsel (including bond counsel) are hereby authorized to take such actions on behalf of the Issuer as are necessary to effectuate the closing of the issuance of the Bonds.

Parameters and Authorization of Award Certificate. The Authorized Officers, or each individually, is authorized and directed, in the exercise of his or her independent judgment and absolute discretion, to hereafter, from time to time, specify, set, designate, determine, establish and appoint, as the case may be, and in each case in accordance with and subject to the provisions of this Ordinance pursuant to a certificate executed by an Authorized Officer (the "Award Certificate"): (a) the dates of original issue, (b) the aggregate principal amount of Bonds to be issued, not exceeding aggregate principal amount set forth in Section 2.01, (c) the Maturity Dates and the principal amount of the Bonds to mature on each of such dates, (d) the final Maturity Date of the Bonds, which shall in no event be later than December 31, 2030, (e) the dates upon which the Bonds shall be sold, (f) the rate or rates of interest to be carried by each maturity of the Bonds, provided that such rates generate positive debt service savings, (g) the method by which such rate or rates of interest shall be calculated, (h) the Interest Payment Dates for the Bonds, (i) the redemption dates and prices and all terms relating thereto, including the amount and maturity date of any Bonds issued as "term bonds" and the amount of each sinking fund installment therefor, and all terms relating thereto, if any, (j) the identity of the Paying Agent; (k) any financial covenants, including modification of those set forth herein; (l) the form, content, terms and provisions of the Purchase Agreement entered into by the Issuer with the Underwriter or any loan agreement between the District and the Lender, all as set forth in Section 2.11 hereof, (m) the identity of the Purchaser, in accordance with Section 2.11 hereof, (n) the fee of the Purchaser, which shall not be more than 1.00% of the aggregate principal amount of the Bonds, (o) the purchase price for the Bonds, which shall not be less than 96.00% of the aggregate principal amount thereof (inclusive of the Purchaser's discount or fee and any original issue discount), (p) the form and contents of any Offering Document, (q) the types and the amounts of any reserves as may be required by the Purchaser, (r) such covenants and other security as may be necessary in addition to those set forth in this Ordinance; (s) the initial Debt Service Reserve Requirement; (t) the form, content, terms, and provisions of any closing and other documentation executed and delivered by the Issuer in connection with the authorization, issuance, sale and delivery of the Bonds, and (u) all of the other terms of the Bonds not otherwise determined or fixed by the provisions of this Ordinance.

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REDEMPTION OF BONDS

Optional and Mandatory Redemption of Bonds.

(a) **Optional Redemption by the Issuer.** At the option of the Issuer, the Bonds or portions thereof may be called for redemption and payment prior to their Stated Maturity on the dates and at the Redemption Prices determined by the Authorized Officers, or each individually, in accordance with the provisions of **Section 2.12** hereof.

(b) **Mandatory Redemption.** The Authorized Officers, or each individually, may designate in the Award Certificate certain Bonds as “**Term Bonds**”, portions of which are to be redeemed on the dates (each such date being herein referred to as a “**Sinking Fund Payment Date**”) and in the amounts (hereinafter referred to as a “**Mandatory Sinking Fund Payment**”) set forth in such certificate. The Paying Agent shall select and call for redemption, in accordance with this subsection (b), from the Term Bonds the amounts specified by such Authorized Officer in the Award Certificate, and the Term Bonds selected by the Paying Agent shall become due and payable on such date.

At its option, to be exercised on or before the 45th day next preceding any mandatory Redemption Date, the Issuer may: (i) deliver to the Paying Agent for cancellation Term Bonds subject to mandatory redemption on said mandatory Redemption Date, in any aggregate principal amount desired; or (ii) furnish the Paying Agent funds, together with appropriate instructions, for the purpose of purchasing any Term Bonds subject to mandatory redemption on said mandatory Redemption Date from any Registered Owner thereof whereupon the Paying Agent shall expend such funds for such purpose to such extent as may be practical; or (iii) receive a credit with respect to the mandatory redemption obligation of the Issuer under this Section for any Term Bonds subject to mandatory redemption on such mandatory Redemption Date which, prior to such date, have been redeemed (other than through the operation of the mandatory redemption requirements of this **Section 301(b)**) and cancelled by the Paying Agent and not theretofore applied as a credit against any redemption obligation under this **Section 301(b)**. Each Term Bond so delivered or previously purchased or redeemed shall be credited at 100% of the principal amount thereof on the obligation of the Issuer to redeem Term Bonds of the same Stated Maturity on such mandatory Redemption Date, and any excess of such amount shall be credited on future mandatory redemption obligations for Term Bonds of the same Stated Maturity in chronological order, and the principal amount of Term Bonds of the same Stated Maturity to be redeemed by operation of the requirements of this Section shall be accordingly reduced. If the Issuer intends to exercise any option granted by the provisions of clauses (i), (ii) or (iii) above, the Issuer will, on or before the 45th day next preceding each mandatory Redemption Date, furnish the Paying Agent a written certificate indicating to what extent the provisions of said clauses (i), (ii) and (iii) are to be complied with respect to such mandatory redemption payment.

Selection of Bonds To Be Redeemed.

The Paying Agent shall call Bonds for redemption and payment and shall give notice of such redemption as herein provided upon receipt by the Paying Agent at least

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45 days prior to the Redemption Date of written instructions of the Issuer specifying the principal amount, Stated Maturities, Redemption Date and Redemption Prices of the Bonds to be called for redemption. The Paying Agent may in its discretion waive such notice period so long as the notice requirements set forth in Section 3.03 hereof are met. The foregoing provisions of this paragraph shall not apply in the case of any mandatory redemption of Bonds hereunder, and Bonds shall be called by the Paying Agent for redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Issuer and whether or not the Paying Agent holds moneys available and sufficient to effect the required redemption.

Bonds shall be redeemed only in Authorized Denominations. When less than all of the Outstanding Bonds are to be redeemed, such Bonds shall be redeemed from the Stated Maturities selected by the Issuer, and Bonds of less than a full Stated Maturity shall be selected by the Paying Agent in Authorized Denominations in such equitable manner as the Paying Agent may determine.

In the case of a partial redemption of Bonds when Bonds of denominations greater than \$5,000 are then Outstanding, then for all purposes in connection with such redemption, each \$5,000 of face value shall be treated as though it were a separate Bond of the denomination of \$5,000. If it is determined that one or more, but not all, of the \$5,000 units of face value represented by any Bond are selected for redemption, then upon notice of intention to redeem such \$5,000 unit or units, the Registered Owner of such Bond or the Registered Owner's duly authorized agent shall present and surrender such Bond to the Paying Agent (i) for payment of the Redemption Price and interest to the Redemption Date of such \$5,000 unit or units of face value called for redemption, and (ii) for exchange, without charge to the Registered Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Registered Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the Redemption Date to the extent of the \$5,000 unit or units of face value called for redemption (and to that extent only).

Notice and Effect of Call for Redemption. Unless waived by any Registered Owner of Bonds to be redeemed, official notice of any redemption shall be given by the Paying Agent on behalf of the Issuer by mailing a copy of an official redemption notice by first-class mail at least 30 days prior to the Redemption Date (or such shorter period as may be acceptable to the then-Registered Owner), to the Purchaser of the Bonds and each Registered Owner of the Bonds to be redeemed at the address shown on the Bond Register.

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

the Redemption Date;

the Redemption Price;

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

a statement that on the Redemption Date, the Redemption Price will become due and payable upon each Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and

the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the designated corporate trust office of the Paying Agent.

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

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

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price), such Bonds or portion of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with such notice, the Redemption Price of such Bonds shall be paid by the Paying Agent. Installments of interest due on or prior to the Redemption Date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Registered Owner a new Bond or Bonds of the same Stated Maturity in the amount of the unpaid principal as provided herein. All Bonds that have been redeemed shall be cancelled and destroyed by the Paying Agent as provided herein and shall not be reissued.

In addition to the foregoing notice, further notice shall be given by the Paying Agent on behalf of the Issuer as set out below, but no defect in said further notice or any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if official notice thereof is given as above prescribed.

(a) Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (i) the CUSIP numbers of all Bonds being redeemed; (ii) the date of issue of the Bonds as originally issued; (iii) the rate of interest borne by each Bond being redeemed; (iv) the Stated Maturity of each Bond being redeemed; and (v) any other descriptive information needed to identify accurately the Bonds being redeemed; and

Each check or other transfer of funds issued for the payment of the Redemption Price of Bonds being redeemed shall bear or have enclosed the CUSIP number of the Bonds being redeemed with the proceeds of such check or other transfer.

The Paying Agent is also directed to comply with any mandatory or voluntary standards established by the Securities and Exchange Commission then in effect for processing redemptions

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of municipal securities. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

So long as the Securities Depository is effecting book-entry transfers of the Bonds, the Issuer or the Paying Agent shall provide the notices specified in this Section to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been mailed notice from the Paying Agent, a Participant or otherwise) to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

SECURITY FOR BONDS

The Bonds are limited, special obligations of the Issuer payable solely from, and secured as to the payment of principal, premium and interest by a pledge of the Revenues, which include all income and revenues derived from the operation of the System, including investment and rental income, net proceeds from business interruption insurance (if any) the principal of gifts, bequests, contributions, grants and donations available to pay debt service of System Revenue Bonds and actually received during such period, 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, not in the ordinary course of business, of investments or fixed or capital assets, and also excluding the principal of gifts, bequests, contributions, grants and donations which are specifically restricted by the donor, testator or grantor to a particular purpose which is inconsistent with their use for the payment of debt service on System Revenue Bonds. The Issuer hereby pledges said Revenues to the payment of the principal of, the premium and the interest on the Bonds.

The Bonds are further secured by any amounts in the Debt Service Reserve Fund.

The Bonds shall not be or constitute a general obligation of the Issuer, nor shall they constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision, limitation or restriction. The taxing power of the Issuer is not pledged to the payment of debt service on the Bonds. Nothing contained in this Ordinance shall be construed as imposing on the Issuer any duty or obligation to levy any taxes either to meet any obligation incurred herein or to pay the principal of or interest on the Bonds.

The covenants and agreements of the Issuer contained in this Ordinance and in the Bonds shall be for the equal benefit, protection and security of the legal owners of any or all of the Bonds, all of which Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the funds herein pledged to the payment of the principal of, the premium and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in this Ordinance. The Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal, premium and interest from

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the net income and revenues derived from the operation of the System and in all other respects with any Parity Bonds. The Bonds shall not have any priority with respect to the payment of principal, premium or interest from said net income and revenues or otherwise over the Parity Bonds, and the Parity Bonds shall not have any priority with respect to the payment of principal, premium or interest from said net income and revenues or otherwise over the Bonds.

FUNDS; DEPOSIT AND APPLICATION OF BOND PROCEEDS

Establishment of Funds. There are hereby created and ordered to be established and maintained by the Treasurer of the Issuer the following separate funds to be known respectively as follows:

System Cost of Issuance Fund (the “**Cost of Issuance Fund**”);

System Revenue Fund (the “**Revenue Fund**”);

System Operation and Maintenance Fund (the “**Operation and Maintenance Fund**”);

Debt Service Fund for Water Revenue Refunding Bonds, Series 2020 (the “**Debt Service Fund**”);

Debt Service Reserve Fund for Water Revenue Refunding Bonds, Series 2020 (the “**Debt Service Reserve Fund**”); and

System Surplus Fund (the “**Surplus Fund**”).

The funds referred to in paragraphs (a) through (f) of this Section shall be maintained and administered by the Issuer solely for the purposes and in the manner as provided in this Ordinance so long as any of the Bonds remain Outstanding within the meaning of this Ordinance.

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

All accrued interest received from the sale of the Bonds shall be deposited in the Debt Service Fund and applied in accordance with Section 6.02(b) hereof.

An amount equal to the Debt Service Reserve Requirement from the proceeds of the Bonds (with a credit for funds of the Issuer or moneys related to the NDEQ Notes deposited in the debt service reserve fund related to such obligations, if any) shall be deposited in the Debt Service Reserve Fund and applied in accordance with Section 6.02(c) hereof.

Certain proceeds, together with certain moneys currently held in the debt service reserve fund with respect to the NDEQ Note, shall be deposited with the Treasurer of the

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Issuer and applied in accordance with Section 5.04 hereof to prepay the NDEQ Notes on the Redemption Date together with all interest thereon accrued to such date.

The remaining balance of the proceeds of the Bonds shall be deposited in the Cost of Issuance Fund and applied in accordance with Section 5.03 hereof.

Application of Moneys in the Cost of Issuance Fund. Moneys in the Cost of Issuance Fund shall be used solely for the purposes of paying the costs of issuing the Bonds. Upon the prepayment of the NDEQ Note, but in no event later than six months from the date of issuance of the Bonds, any surplus moneys remaining in the Cost of Issuance Fund and not required for the payment of unpaid costs thereof shall be deposited in the Debt Service Fund.

Prepayment of NDEQ Note. The outstanding aggregate principal amount of the NDEQ Notes is hereby called for prepayment on the delivery date of the Bonds, or such other date as may be determined by an Authorized Officer in accordance with Section 2.12 hereof, at a prepayment price equal to the outstanding aggregate principal amount of the NDEQ Notes on such date of prepayment plus all accrued and unpaid interest to such date. The Authorized Officers, or each individually, is directed to take any and all actions necessary to effect the prepayment of the NDEQ Note.

APPLICATION OF REVENUES

Revenue Fund. The Issuer covenants and agrees that from and after the delivery of the Bonds, and continuing as long as any of the Bonds remain Outstanding hereunder, all of the Revenues derived and collected from the operation of the System shall as and when received be paid and deposited into the Revenue Fund. Said Revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the Issuer and shall not be commingled with any other moneys, revenues, funds and accounts of the Issuer. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in this Ordinance.

Application of Moneys in Funds. The Issuer covenants and agrees that from and after the delivery of the Bonds and continuing, so long as any of the Bonds shall remain Outstanding, it will on the first day of each month administer and allocate all of the moneys then held in the Revenue Fund as follows:

Operation and Maintenance. From the Revenue Fund of the Issuer, shall first pay

- (i) the Expenses of the System as the same become due and payable and the reasonable and
- (ii) the customary charges of the Registrar.

Debt Service Fund. There shall next be paid and credited to the Debt Service Fund, to the extent necessary to meet on each Bond Payment Date the payment of all interest on and principal of the Bonds, the following sums:

Beginning with the month following the month in which the Bonds are issued and delivered, and continuing each month thereafter so long as any of the

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Bonds remain Outstanding and unpaid, an amount not less than one-sixth (or such equal pro rata percentage for any shorter or longer period) of the amount of interest that will become due on the Bonds on the next succeeding Interest Payment Date; and

Beginning with the month following the month in which the Bonds are issued and delivered, and continuing each month thereafter so long as any of the Bonds remain Outstanding and unpaid, an amount not less than one-twelfth (or such equal pro rata percentage for any shorter or longer period) of the amount of principal that will become due on the Bonds on the next succeeding Maturity Date.

Any amounts deposited in the Debt Service Fund as accrued interest in accordance with Section 5.02(a) hereof shall be credited against the Issuer's payment obligations as set forth in Section 6.02(b)(i) above. All amounts paid and credited to the Debt Service Fund shall be expended and used by the Issuer for the sole purpose of paying the interest on and the principal of the Bonds as and when the same become due at Maturity and on each Interest Payment Date, as applicable.

The amounts required to be paid and credited to the Debt Service Fund pursuant to this Section shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service funds established for the payment of principal and interest on any Parity Bonds pursuant to the provisions of the respective Parity Ordinances. If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Fund and to the debt service funds established to pay the principal of and interest on any Parity Bonds, the available moneys in the Revenue Fund shall be divided among such debt service funds in proportion to the respective principal amounts of said series of bonds at the time outstanding which are payable from the moneys in said debt service funds.

Debt Service Reserve Fund. After all payments and credits required at the time to be made under the provisions of paragraphs (a) and (b) of this Section have been made, there shall next be paid and credited to the Debt Service Reserve Fund the sum, if any, necessary to maintain the balance of the Debt Service Reserve Fund at the Debt Service Reserve Requirement. The amounts required to be paid and credited to the Debt Service Reserve Fund shall be made at the same time and on a parity with the amounts at the time required to be paid and credited to the debt service reserve funds established for the Parity Bonds, if any, under the provisions of the related Parity Ordinances.

All income derived from the investment of amounts on deposit in the Debt Service Reserve Fund shall remain in, and be credited to, such fund until such time as the amount on deposit in the Debt Service Reserve Fund is equal to the Debt Service Reserve Requirement, and thereafter all such investment income shall be transferred to the Debt Service Fund.

Except as hereinafter provided in this Section, all amounts paid and credited to the Debt Service Reserve Fund shall be expended and used by the Issuer solely to prevent any default in the payment of interest on, premium, if any, or principal of the Bonds on any

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Maturity date or Interest Payment Date if the moneys in the Debt Service Fund are insufficient to pay the interest on, premium, if any, or principal of said Bonds when due.

Moneys in the Debt Service Reserve Fund may be used to call the Bonds for redemption and payment prior to their Stated Maturity, provided all of the Bonds at the time Outstanding are called for payment and funds are available to pay the same according to their terms. If fewer than all Bonds are to be redeemed and prepaid, on such such redemption date the Debt Service Reserve Requirement shall be recalculated as of such date, and all moneys in excess of such requirement shall be used to redeem and prepay Bonds on such date. In addition, moneys in the Debt Service Reserve Fund shall be transferred to the Debt Service Fund and applied to pay the principal of the Bonds on the dates and in the amounts set forth in the Award Certificate described in Section 2.12 hereof. Moneys in the Debt Service Reserve Fund shall be used to pay and retire the last Outstanding Bonds unless such Bonds and all interest thereon are otherwise paid.

If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Reserve Fund and to the debt service reserve funds established to protect the payment of any Parity Bonds, the available moneys in the Revenue Fund shall be divided among such debt service reserve funds in proportion to the respective principal amounts of said series of bonds at the time outstanding which are payable from the moneys in such debt service reserve funds.

Surplus Fund. After all payments and credits required at the time to be made under the provisions of paragraphs (a), (b) and (c) of this Section have been made, all moneys remaining in the Revenue Fund shall be paid and credited to the Surplus Fund. Moneys in the Surplus Fund may be expended and used for the following purposes as determined by the Authorized Officers, or each individually:

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 Fund under the provisions of paragraph (a) of this Section;

Paying the cost of extending, enlarging, improving and/or repairing the Systems;

Preventing default in, anticipating payments into or increasing the amounts in the Debt Service Fund or the Debt Service Reserve Fund referred to in paragraphs (b) or (c) of this Section, or any one of them, or establishing or increasing the amount of any debt service fund or debt service reserve fund created by the Issuer for the payment of any Parity Bonds;

Calling, redeeming and paying prior to Stated Maturity, or, at the option of the Issuer, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), the Bonds or any Parity Bonds, including principal, interest and redemption premium, if any; or

Any other lawful purpose in connection with the operation of the System and benefiting the System.

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So long as any of the Bonds remain Outstanding, no moneys derived from the operation of the System shall be diverted to the general governmental or municipal functions of the Issuer.

Deficiency of Payments Into Funds. If at any time the revenues derived from the operation of the System are insufficient to make any payment on the date or dates hereinbefore specified, the Issuer will make good the amount of such deficiency by making additional payments or credits out of the first available revenues thereafter received from the operation of the Systems, such payments and credits being made and applied in the order hereinbefore specified in this Section.

Transfer of Funds to Paying Agent. The Treasurer of the Issuer or other Authorized Officer is hereby authorized and directed to withdraw from the Debt Service Fund, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Bonds, from the Debt Service Reserve Fund and the Surplus Fund as provided in Section 6.02 hereof, sums sufficient to pay the principal of, premium, if any, and interest on the Bonds as and when the same become due on any Bond Payment Date, and to forward such sums to the Paying Agent in a manner which ensures the Paying Agent will have available funds in such amounts on or before the Business Day immediately preceding each Bond Payment Date. If, through lapse of time or otherwise, the Registered Owners of Bonds are no longer entitled to enforce payment of their obligations, it shall be the duty of the Paying Agent forthwith to return said funds to the Issuer. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Ordinance.

Payments Due on Saturdays, Sundays and Holidays. In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Nonpresentment of Bonds. If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent, all liability of the Issuer to the Registered Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Registered Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Ordinance or on, or with respect to, said Bond. If any Bond is not presented for payment within four years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Registered Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

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DEPOSIT AND INVESTMENT OF MONEYS

Money in each of the funds and accounts created by and referred to in this Ordinance shall be deposited in a bank or banks that are members of the Federal Deposit Insurance Corporation. All such deposits shall be continuously and adequately secured by the banks holding such deposits as provided by the laws of the United States of America or their state of incorporation.

Money held in any fund or account referred to in this Ordinance may be invested in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than the date when the money invested may be needed for the purpose for which such fund or account was created. All earnings on any investments held in any fund or account shall accrue to and become a part of such fund or account. All earnings on investments held in the Debt Service Reserve Fund shall accrue to and become a part of such Fund until the amount on deposit in the Debt Service Reserve Fund shall aggregate the Debt Service Reserve Requirement; thereafter, all such earnings shall be credited to the Debt Service Fund. In determining the amount held in any fund or account under any of the provisions of this Ordinance, obligations shall be valued at the lower of the cost or the market value thereof; provided, however, that investments held in the Debt Service Reserve Fund shall be valued at market value only. If and when the amount held in any fund or account shall be in excess of the amount required by the provisions of this Ordinance, the Issuer shall direct that such excess be paid and credited to the Debt Service Fund.

So long as any Parity Bonds remain outstanding and unpaid, any investments made pursuant to this Article shall be subject to any restrictions in the Parity Ordinance with respect to the funds and accounts created by and referred to in the Parity Ordinance.

GENERAL COVENANTS AND PROVISIONS

The Issuer covenants and agrees with each of the Registered Owners of any of the Bonds that so long as any of the Bonds remain Outstanding and unpaid, it will, acting by and through the Council, comply with each of the following covenants.

Efficient and Economical Operation. The Issuer will continuously own and will operate the System as revenue-producing facilities in an efficient and economical manner and will keep and maintain the same in good repair and working order. The Issuer will establish and maintain such rules and regulations for the use of the System as may be necessary to assure maximum utilization and most efficient operation of the System.

Rate Covenant. The Issuer in accordance with and subject to applicable legal requirements will fix, establish, maintain and collect such rates and charges for the use and services furnished by or through the System as will produce revenues sufficient to (a) pay the costs of the operation and maintenance of the System, (b) pay the principal of and interest on the System Revenue Bonds then outstanding as and when the same become due at the Maturity thereof or on

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any Interest Payment Date, (c) enable the Issuer to have in each fiscal year Net Revenues Available for Debt Service not less than 110% of Maximum Annual Debt Service on all System Revenue Bonds at the time outstanding and (d) provide reasonable and adequate reserves for the payment of all System Revenue Bonds then outstanding and the interest thereon and for the protection and benefit of the System as provided in this Ordinance. The Issuer 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. The Issuer will, from time to time as often as necessary, in accordance with and subject to applicable legal requirements, revise the rates and charges aforesaid in such manner as may be necessary or proper so that the Net Revenues Available for Debt Service will be sufficient to cover the obligations under this Section and otherwise under the provisions of this Ordinance. If in any fiscal year the Net Revenues Available for Debt Service are less than 110% of Maximum Annual Debt Service on all System Revenue Bonds then outstanding, the Issuer will immediately employ a Consultant to make recommendations with respect to such rates and charges. A copy of the Consultant's report and recommendations shall be filed with the Clerk of the Issuer and the Purchaser of the Bonds and shall be furnished to any Registered Owner of the Bonds requesting a copy of the same, at the cost of such Registered Owner. The Issuer shall, to the extent feasible, follow the recommendations of the Consultant.

Reasonable Charges for All Services. None of the facilities or services provided by the System will be furnished to any user (excepting the Issuer itself) without a reasonable charge being made therefor. If the revenues derived from the System are at any time insufficient to pay the reasonable Expenses of the System and also to pay all interest on and principal of the Bonds as and when the same become due, then the Issuer will thereafter pay into the Revenue Fund a fair and reasonable payment in accordance with effective applicable rates and charges for all services provided by the System, and such payments will continue so long as the same may be necessary in order to prevent or reduce the amount of any default in the payment of the interest on or principal of the Bonds.

Restrictions on Mortgage or Sale of System. The Issuer will not mortgage, pledge or otherwise encumber the System or any part thereof, nor will it sell, lease or otherwise dispose of the System or any material part thereof; provided, however, the Issuer may:

sell at fair market value any portion of the System which has been replaced by other similar property of at least equal value, or which ceases to be necessary for the efficient operation of the System, and in the event of sale, the Issuer will apply the proceeds to either (i) redemption of Outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of Stated Maturity, or (ii) replacement of the property so disposed of by other property the revenues of which shall be incorporated into the System as hereinbefore provided;

cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the Issuer;

lease, (i) as lessor, any real or personal property which is unused or unimproved, or which has become obsolete, nonproductive or otherwise unusable to the advantage of the Issuer, or which is being acquired as a part of a lease/purchase financing for the acquisition

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and/or improvement of such property; and/or (ii) as lessee, with an option of the Issuer to purchase, any real or personal property for the extension and improvement of the System; property being leased as lessor and/or lessee pursuant to this paragraph (c) shall not be treated as part of the System for purposes of this Section 8.05 and may be mortgaged, pledged or otherwise encumbered; or

(c) grant a security interest in equipment to be purchased with the proceeds of any loan, lease or other obligation undertaken in accordance with Article IX hereof; or

sell, lease or convey all or substantially all of the System to another entity or enter into a management contract with another entity if:

The transferee entity is a political subdivision organized and existing under the laws of the State, or instrumentality thereof, or an organization described in Section 501(c)(3) of the Code, and expressly assumes in writing the due and punctual payment of the principal of and premium, if any, and interest on all outstanding System Revenue Bonds according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of this Ordinance;

If there remains unpaid any System Revenue Bond which bears interest that is not includable in gross income under the Code, the Issuer receives an opinion of Bond Counsel, in form and substance satisfactory to the Issuer, to the effect that under then existing law the consummation of such sale, lease or conveyance, whether or not contemplated on any date of the delivery of such System Revenue Bond, would not cause the interest payable on such System Revenue Bond to become includable in gross income under the Code;

The Issuer receives a certificate of the Consultant which demonstrates and certifies that immediately upon such sale or conveyance the transferee entity will not, as a result thereof, be in default in the performance or observance of any covenant or agreement to be performed or observed by it under this Ordinance;

Such transferee entity possesses such licenses to operate the System as may be required if it is to operate the System; and

The Issuer receives an opinion of Bond Counsel, in form and substance satisfactory to the Issuer, as conclusive evidence that any such sale, lease or conveyance, and any such assumption, is permitted by law and complies with the provisions of this Section.

Insurance. The Issuer will carry and maintain insurance with respect to the System and its operations against such casualties, contingencies and risks (including, but not limited to, property and casualty, fire and extended coverage insurance upon all of the properties being parts of the System insofar as the same are of an insurable nature, public liability, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated. In the event of loss or damage, the Issuer,