
ORDINANCE NO. 22-5

OF THE

CITY OF SULLIVAN, ILLINOIS

PASSED MARCH 22, 2022

AUTHORIZING

NOT TO EXCEED

\$8,500,000

**COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND
SERIES A**

And

NOT TO EXCEED

\$2,000,000

**COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND
SERIES B**

INDEX

PAGE

Title.....	1
Recitals	1

ARTICLE I DEFINITIONS

Section 101.	Definitions of Words and Terms.....	2
--------------	-------------------------------------	---

ARTICLE II AUTHORIZATION OF BONDS

Section 201.	Authorization of Bonds.....	7
Section 202.	Description of Bonds	7
Section 203.	Designation of Paying Agent.....	8
Section 204.	Method and Place of Payment of Bonds.....	8
Section 205.	Registration, Transfer and Exchange of Bonds	9
Section 206.	Execution, Authentication and Delivery of Bonds	10
Section 207.	Mutilated, Destroyed, Lost and Stolen Bonds	10
Section 208.	Cancellation and Destruction of Bonds Upon Payment.....	11

ARTICLE III REDEMPTION OF BONDS

Section 301.	Redemption of Bonds	11
Section 302.	Instructions to Redeem Bonds	12
Section 303.	Notice and Effect of Call for Redemption	12

ARTICLE IV SECURITY FOR BONDS

Section 401.	Security for Bonds	13
--------------	--------------------------	----

ARTICLE V CREATION OF FUNDS AND ACCOUNTS; DEPOSIT AND APPLICATION OF BOND PROCEEDS

Section 501.	Establishment of Funds and Accounts.....	14
Section 502.	Deposit of Bond Proceeds.....	14
Section 503.	Application of Moneys in the Project Fund.....	15

ARTICLE VI APPLICATION OF REVENUES

Section 601.	Revenue Fund.....	15
Section 602.	Application of Moneys in Funds and Accounts.....	15
Section 603.	Transfer of Funds to Paying Agent.....	19
Section 604.	Payments Due on Saturdays, Sundays and Holidays.....	19
Section 605.	Nonpresentment of Bonds	19

**ARTICLE VII
DEPOSIT AND INVESTMENT OF MONEYS**

Section 701.	Deposit and Investment of Moneys	20
--------------	--	----

**ARTICLE VIII
GENERAL COVENANTS AND PROVISIONS**

Section 801.	Corporate Existence; Efficient and Economical Operation	20
Section 802.	Rate Covenant.....	21
Section 803.	Reasonable Charges for all Services.....	21
Section 804.	Restrictions on Mortgage or Sale of System.....	21
Section 805.	Insurance; Fidelity Bond Coverage	22
Section 806.	Books, Records and Accounts	22
Section 807.	Annual Budget	22
Section 808.	Audits.....	22
Section 809.	Right of Inspection.....	23
Section 810.	Performance of Duties and Covenants.....	23
Section 811.	Consultant's Report	23
Section 812.	Tax Covenants	23
Section 813.	Refinanced Bonds - When Required.....	24

**ARTICLE IX
ADDITIONAL BONDS AND OBLIGATIONS**

Section 901.	Senior Lien Bonds	24
Section 902.	Parity Lien Bonds and Other Obligations	24
Section 903.	Junior Lien Bonds and Other Obligations	25
Section 904.	Refunding Bonds	25
Section 905.	Consent of Purchaser to Additional Bonds	26

**ARTICLE X
DEFAULT AND REMEDIES**

Section 1001.	Acceleration of Maturity Upon Default.....	26
Section 1002.	Other Remedies.....	26
Section 1003.	Limitation on Rights of Registered Owners	27
Section 1004.	Remedies Cumulative	27
Section 1005.	No Obligation to Levy Taxes.....	27

**ARTICLE XI
DEFEASANCE**

Section 1101.	Defeasance	27
---------------	------------------	----

**ARTICLE XII
MISCELLANEOUS PROVISIONS**

Section 1201.	Amendments	28
Section 1202.	Notices, Consents and Other Instruments by Registered Owners	29
Section 1203.	Further Authority	30
Section 1204.	Severability	30

Section 1205.	Governing Law	30
Section 1206.	Electronic Transactions.....	30
Section 1207.	Effective Date	30
Section 1208.	Repealer	30

Exhibit A - Form of Bond

Exhibit B - Tax Compliance Procedure

Schedule 1 - Principal Installment Schedule for the Series A Bond

Schedule 2 – Principal Installment Schedule for the Series B Bond

ORDINANCE NO. 22-5

AN ORDINANCE AUTHORIZING THE ISSUANCE OF A COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND, SERIES A AND SERIES B OF THE CITY OF SULLIVAN, ILLINOIS AND AUTHORIZING CERTAIN ACTIONS AND DOCUMENTS AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, the City of Sullivan, Illinois (the "City") is a duly organized and existing non-home rule unit of government and municipality of the State of Illinois and is now operating under the provisions of the Illinois Municipal Code, as amended (the "Municipal Code"), and operates a municipally owned combined waterworks and sewerage system (the "System," as hereinafter more fully defined) pursuant to Division 139 of Article 11 of the Municipal Code (the "Act") that serves the City and its inhabitants and others within its service area; and

WHEREAS, the City is authorized under the provisions of the Act and the Local Government Debt Reform Act, as amended, to issue and sell revenue bonds for the purpose of providing funds to acquire, construct, improve and extend the System (the "Project"), provided that the principal of and interest on such revenue bonds shall be payable solely from the revenue derived from the operation of the System; and

WHEREAS, the City Council of the City, on the 24th day of January, 2022 adopted Ordinance No. 22-1 (the "Authorizing Ordinance"), authorizing the issuance of the waterworks and sewerage system revenue bonds in an aggregate principal amount of not to exceed \$10,500,000; and

WHEREAS, on the 2nd day of February, 2022, the Authorizing Ordinance, which included therein a notice in the statutory form, was published in the *News Progress*; and

WHEREAS, more than thirty (30) days expired from the date of publication of the Authorizing Ordinance and said notice, and no petition with the requisite number of valid signatures thereon was filed with the City Clerk requesting that the question of the issuance of the waterworks and sewerage system revenue bonds be submitted to referendum; and

WHEREAS, the City intends to borrow funds from the Government (as defined herein) to pay all or a portion of the costs of the Project; and

WHEREAS, 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 the Bonds (defined herein) to provide funds to pay for the costs of the Project; and

WHEREAS, plans and specifications for the Project and an estimate of the cost of the Project in the amount of \$11,742,000 have been prepared and made by the City's engineers and the same are hereby accepted and approved and are on file in the office of the City Clerk; and

WHEREAS, it is hereby found and determined that it is necessary and advisable and in the best interest of the City and of its inhabitants at this time to preserve the public health, comfort and convenience of the inhabitants of the City to authorize the issuance and delivery of the Bonds pursuant to the Act as herein provided to pay for the costs of the Project;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SULLIVAN, ILLINOIS, AS FOLLOWS:

ARTICLE I

DEFINITIONS

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

“Act” means Division 139 of Article 11 of the Illinois Municipal Code, as amended.

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

“Bond” or **“Bonds”** means the Combined Waterworks and Sewerage System Revenue Bonds, Series A and Series B of the City, in the aggregate principal amount of not to exceed \$10,500,000, consisting of the Series A Bond in the principal amount of not to exceed \$8,500,000 and the Series B Bonds in the principal amount of not to exceed \$2,000,000, authorized and issued pursuant to this Ordinance.

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

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

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

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

“City” means the City of Sullivan, Illinois, and any successors or assigns.

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

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

“Cumulative Outstanding Principal Amount” means the aggregate principal amount of all Bonds Outstanding under the provisions of this Ordinance, not to exceed \$8,500,000 for the Series A Bond

and not to exceed \$2,000,000 for the Series B Bond, as reflected in the records maintained by the Paying Agent as provided in the Bonds and this Ordinance.

“Debt Service Account” means the Debt Service Account for Combined Waterworks and Sewerage System Revenue Bond, Series A and Series B, created by **Section 501** hereof.

“Debt Service Requirements” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and net interest or interest like payments (net of any Subsidy Payments) on all System Revenue Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with a commercial bank or trust company located in the State of Illinois and having full trust powers; and provided further, that for purposes of calculating such amount for the last fiscal year during which any Parity Bonds will be outstanding, the amount on deposit in any debt service reserve account securing any Parity Bonds shall be deducted from the determination of the Debt Service Requirements for such fiscal year.

“Debt Service Reserve Account” means the Debt Service Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds, Series A and Series B created by **Section 501** hereof.

“Debt Service Reserve Requirement” means the sum of \$348,960.

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

“Defeasance Obligations” means any of the following obligations:

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

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

(1) the obligations are (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;

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

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

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

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

“Depreciation Fund” means the Combined Waterworks and Sewerage System Depreciation Fund ratified and confirmed by **Section 501** hereof.

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

“Federal Tax Certificate” means the Federal Tax Certificate relating to the Bonds, as the same may be amended or supplemented in accordance with the provisions thereof.

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

“IEPA Loans” means the loan of funds pursuant to the Loan Agreements for Project No. L17-3563 and L17-2313 between the Illinois Environmental Protection Agency and the City.

“IEPA Ordinances” means the ordinances which authorized the IEPA Loans.

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

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

“Net Revenues” means all Revenues less all Expenses.

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

“Operation and Maintenance Account” means the Combined Waterworks and Sewerage System Operation and Maintenance Account ratified and confirmed by **Section 501** hereof.

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

“Original Issue Date” means the date more than \$50,000 of Bond proceeds have been drawn down by the City and the Bonds have been delivered to the Purchaser.

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

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

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

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

“Parity Bonds” means the IEPA Loans and any additional parity bonds or other obligations hereafter issued or incurred pursuant to **Section 902** hereof and standing on a parity and equality with the Bonds with respect to the payment of principal and interest out of the Net Revenues of the System. The Series A Bond and the Series B Bond are issued on a parity.

“Parity Ordinances” means the IEPA Ordinances, and any other ordinances under which any additional Parity Bonds are hereafter issued pursuant to **Section 902** hereof.

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

“Permitted Investments” means any security or obligation that at the time is legal under the laws of the State of Illinois for the investment of the City’s moneys held in the funds and accounts referred to in **Section 501** 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.

“Project” means acquiring, constructing, improving and extending the System as provided in the recitals to this Ordinance.

“Project Fund” means the Combined Waterworks and Sewerage System Project Fund created by **Section 501** hereof.

“Purchaser” means (1) the Government, or (2) if and to the extent any rights, privileges or duties of the Government hereunder are assigned by the Government pursuant to an assignment of the City’s Loan

Resolution (Form RUS Bulletin 1780-27) applicable to the Bonds herein authorized, the Government's assignee.

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

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

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

"Reduced Rate" means an alternative rate of interest at which the Bonds may be issued by the City at the time the Bonds are originally purchased by and delivered to the Purchaser, such Reduced Rate being different from the rate of interest specified in **Section 202** of this Ordinance. The Reduced Rate must meet the following requirements:

- (a) The Reduced Rate for the Bonds shall be less than 1.25%; and
- (b) Written approval of the Reduced Rate, showing the reduced rate of interest and the amount of each semi-annual installment of interest and annual installment of principal shall have been received by the City from the Purchaser prior to the original delivery of the Bonds to the Purchaser.

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

"Revenue Fund" means the Combined Waterworks and Sewerage System Revenue Fund ratified and confirmed by **Section 501** hereof.

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

"Series A Bond" means the Combined Waterworks and Sewerage System Revenue Bond, Series A, in the principal amount of not to exceed \$8,500,000 authorized by this Ordinance.

"Series B Bond" means the Combined Waterworks and Sewerage System Revenue Bond, Series B, in the principal amount of not to exceed \$2,000,000 authorized by this Ordinance.

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

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

“Subsidy Payments” means funds received by the City that either (a) must be used, or (b) have been and are expected to continue to be used, to reduce the interest or principal payments on System Revenue Bonds. Such Subsidy Payments would include, but are not limited to (i) payments received by the City through a federal or State of Illinois program, or (ii) payments related to an interest rate swap, exchange, hedge or similar agreement.

“Surplus Account” means the Combined Waterworks and Sewerage System Surplus Account created by **Section 501** hereof.

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

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

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

ARTICLE II

AUTHORIZATION OF BONDS

Section 201. Authorization of Bonds. There is hereby authorized and directed to be issued an issue of Combined Waterworks and Sewerage System Revenue Bonds, Series A and Series B, of the City, in the maximum aggregate principal amount of \$10,500,000 (the “Bonds”) for the purpose of providing funds to pay the costs of the Project, capitalized interest on the Bonds, and the costs of issuing the Bonds, as provided in this Ordinance. The Series A Bond and the Series B Bond will be issued *pari passu*, neither the Series A Bond nor the Series B Bond having priority over the other.

Section 202. Description of Bonds.

The Bonds shall consist of fully-registered bonds with the Series A Bond being in the principal amount of not to exceed \$8,500,000 and the Series B Bond being in the principal amount of not to exceed \$2,000,000. The Bonds, as originally issued or issued upon transfer, exchange or substitution, shall be substantially in the form set forth in **Exhibit A** attached hereto, and shall be subject to registration, transfer and exchange as provided in **Section 205** hereof. The Series A Bond and the Series B Bond shall be dated

as of their Original Issue Date and shall bear interest on their respective Cumulative Outstanding Principal Amount from the Original Issue Date at the rate of 1.25% per annum or, if the required conditions are met prior to original delivery of the Bonds, at the Reduced Rate.

The Series A Bond shall be issued as a single bond with principal payable on May 1 and interest payable semi-annually on May 1 and November 1. The Series A Bond shall be payable in principal installments as set forth on **Schedule 1** attached hereto. The entire remaining principal and interest on such Bond, if not sooner paid, shall become due and payable on May 1, 2061.

The Series B Bond shall be issued as a single bond with principal payable on May 1 and interest payable semi-annually on May 1 and November 1. The Series B Bond shall be payable in principal installments as set forth on **Schedule 2** attached hereto. The entire remaining principal and interest on such Bond, if not sooner paid, shall become due and payable on May 1, 2061.

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

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

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

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

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

The installments of principal or Redemption Price of 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, provided that the final installment of principal or the Redemption Price of all remaining installments of principal shall be paid upon presentation and surrender of such Bond at the office of the Paying Agent.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the Paying Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount.

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

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

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

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

ARTICLE III

REDEMPTION OF BONDS

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

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

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

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

In the event of partial redemption of a Bond, the installments of principal to be redeemed shall be in the inverse order of the Maturity dates of such principal installments. The redemption of a portion of a

Bond shall not reduce the amount of each semi-annual installment of interest and annual installment of principal due on the Bond.

Section 302. Instructions to Redeem Bonds.

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

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

Section 303. 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 City by mailing a copy of an official redemption notice by first class mail at least 30 days prior to the Redemption Date, to the Purchaser of the Bonds and each Registered Owner of the Bonds to be redeemed at the address shown on the Bond Register. The above-described notice shall not be required in connection with the payment of installments of principal as set forth on **Schedule 1** and **Schedule 2** attached hereto.

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

- (a) the Redemption Date;
- (b) the Redemption Price;
- (c) if less than all Outstanding principal of the Bonds is to be redeemed, the portion of principal to be redeemed;
- (d) 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
- (e) if the Bonds are to be fully redeemed and retired, the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the office of the Paying Agent.

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

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

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

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

ARTICLE IV

SECURITY FOR BONDS

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

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

ARTICLE V

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

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

- (a) Combined Waterworks and Sewerage System Project Fund (the "Project Fund").
- (b) Combined Waterworks and Sewerage System Revenue Fund (the "Revenue Fund").
- (c) Combined Waterworks and Sewerage System Operation and Maintenance Account (the "Operation and Maintenance Account").
- (d) Debt Service Account for Combined Waterworks and Sewerage System Revenue Bonds, Series A and Series B (the "Debt Service Account").
- (e) Debt Service Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds, Series A and Series B (the "Debt Service Reserve Account").
- (f) Combined Waterworks and Sewerage System Depreciation Fund (the "Depreciation Fund").
- (g) Combined Waterworks and Sewerage System Surplus Account (the "Surplus Account").

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

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

- (a) Any proceeds of the Bonds designated to pay capitalized interest shall be deposited in the Debt Service Account and applied in accordance with **Section 602(b)** hereof.
- (b) The sum of the initial draw on the Bonds, which shall be greater than \$50,000 and which shall be requested in accordance with **Section 503** hereof, shall be deposited in the Project Fund and applied in accordance with **Section 503** hereof.
- (c) Following the initial draw on the Bonds, the City may submit additional requisition requests in accordance with **Section 503** hereof, and following receipt of funds from the Purchaser for deposit in the Project Fund, the Paying Agent shall endorse the Bonds in an amount equal to the amount set forth in each requisition request. The date of endorsement of each principal amount advanced as set forth on Attachment I to the Bonds shall be the date of the deposit of such funds in the Project Fund. The Paying Agent shall also update the then-current Cumulative Outstanding Principal Amount, which is also set forth on Attachment I to the Bonds, and such amounts shall,

for all purposes, absent manifest error, control. If the Purchaser is to pay any costs of the Project or interest on the Bond directly, an amount equal to the amount so paid shall be deemed to have been received by the City and deposited in the Project Fund on the date of such payment. Following each update to Attachment I of the Bonds, the Paying Agent shall send a revised Attachment I to the Bonds via facsimile or electronic mail to the City and the Purchaser. After the Project has been completed, as evidenced by an instrument in writing to the Purchaser, the Purchaser shall present a final statement of the Cumulative Outstanding Principal Amount to the City and the Paying Agent. Following receipt of the final Cumulative Outstanding Principal Amount, principal installments of the Bonds shall be payable in accordance with **Schedule 1** or **Schedule 2** hereto, as applicable.

Section 503. Application of Moneys in the Project Fund. Moneys in the Project Fund shall be used solely for the purpose of (a) paying the cost of the Project as hereinbefore provided, in accordance with the plans and specifications therefor prepared by the Consultant for the Project, and heretofore approved by the City Council of the City and on file in the office of the City Clerk, including any alterations in or amendments to said plans and specifications deemed advisable by the Consultant and approved by the City Council of the City, (b) for paying the costs and expenses incident to the issuance of the Bonds, and (c) paying interest on the Bonds. Notwithstanding anything herein to the contrary, proceeds of the Bonds used to pay capitalized interest shall not exceed a period equal to the greater of 2 years from the issue date of the Bond or 6 months after the estimated date of completion of the Project.

The City shall submit USDA-RD Form RD 440-11 to the Purchaser to request that proceeds of the Bonds be deposited in the Project Fund. Withdrawals from the Project Fund may only be made upon the receipt of an invoice or statement from the payee thereof. Such deposits and withdrawals shall be made for a purpose within the scope of this Ordinance and the amount of such payment shall represent only the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. To the extent interest on the Bonds is included in any request for Bond proceeds, such amount shall be deposited by the Purchaser, following approval thereof, in the Project Fund and then transferred to the Debt Service Account and used in accordance with **Section 602** hereof. Notwithstanding the foregoing, the Purchaser may pay requested amounts directly to the payee thereof instead of depositing funds in the Project Fund.

ARTICLE VI

APPLICATION OF REVENUES

Section 601. Revenue Fund. The City 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 shall as and when received be paid and deposited into the Revenue Fund unless otherwise specifically provided in this Ordinance. Said Revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the City and shall not be commingled with any other moneys, revenues, funds and accounts of the City. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in this Ordinance.

Section 602. Application of Moneys in Funds and Accounts. The City 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:

(a) *Operation and Maintenance Account.* There shall first be paid and credited to the Operation and Maintenance Account an amount sufficient to pay the estimated cost of Expenses during the ensuing month. All amounts paid and credited to the Operation and Maintenance Account shall be expended and used by the City solely for the purpose of paying the Expenses of the System.

(b) *Debt Service Account.* There shall next be paid and credited monthly to the Debt Service Account, to the extent necessary to meet on each Bond Payment Date the payment of all interest on and installments of principal of the Bonds becoming due and payable, the following sums:

(1) Beginning with the first of said monthly deposits and continuing on the first day of each month thereafter to and including April 1, 2022, an equal pro rata portion of the amount of interest becoming due on the Bonds on May 1, 2022; and thereafter, beginning on May 1, 2022 and continuing on the first day of each month thereafter so long as the Bonds remain Outstanding and unpaid, $1/6^{\text{th}}$ of the amount of interest becoming due on the Bonds on the next succeeding Interest Payment Date; and

(2) Beginning on May 1, 2023, and continuing on the first day of each month thereafter so long as the Bonds remain Outstanding and unpaid, an amount not less than $1/12^{\text{th}}$ of the amount of principal that will become due on the Bonds on the next succeeding Bond Payment Date occurring on May 1.

The amounts required to be paid and credited to the Debt Service Account 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 in the same month to the debt service accounts established for the payment of principal and interest on Parity Bonds under the provisions of the Parity Ordinances.

Any Subsidy Payments received by the City and applied to debt service or amounts deposited in the Debt Service Account as accrued interest or as capitalized interest in accordance with **Section 502(a)** hereof shall be credited against the City's payment obligations as set forth in this subsection (b) of this Section.

All amounts paid and credited to the Debt Service Account shall be expended and used by the City for the sole purpose of paying (i) the interest on and principal of the Bonds as and when the same become due, and (ii) not more than twenty-four (24) months' interest on advance construction loans made by the Purchaser of the Bonds prior to their delivery to the Purchaser and the receipt of full payment of the purchase price by the City.

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 Account and to the debt service accounts 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 accounts 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 accounts.

(c) *Debt Service Reserve Account.* Beginning on the first day of the month following the earliest of completion of the Project or the end of the interest only period, if any, there shall

next be paid and credited to the Debt Service Reserve Account the sum of \$2,908 each month until the amount on deposit in the Debt Service Reserve Account aggregates the Debt Service Reserve Requirement. Except as hereinafter provided in this Section, all amounts paid and credited to the Debt Service Reserve Account shall be expended and used by the City to (i) prevent any default in the payment of interest on or principal of the Bonds on any Bond Payment Date if the moneys in the Debt Service Account are insufficient to pay the interest on or principal of said Bonds as they become due, and (ii) pay emergency maintenance and repairs to the System. So long as the Debt Service Reserve Account aggregates the Debt Service Reserve Requirement, no further payments into the Debt Service Reserve Account shall be required, but if the City is ever required to expend and use a part of the moneys in the Debt Service Reserve Account for the purpose herein authorized and such expenditure reduces the amount of the Debt Service Reserve Account below the Debt Service Reserve Requirement, the City shall resume and continue said monthly payments into said Account until the Debt Service Reserve Account shall again aggregate the Debt Service Reserve Requirement.

The amounts required to be paid and credited to the Debt Service Reserve Account 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 reserve accounts established for the Parity Bonds under the provisions of the Parity Ordinances.

Moneys in the Debt Service Reserve Account 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. Moneys in the Debt Service Reserve Account shall be used to pay and retire the last Outstanding Bonds unless such Bonds and all interest thereon are otherwise paid. Any amounts in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement on any valuation date shall be transferred (i) during the period of acquisition and construction of the Project, to the Project Fund, and (ii) after such construction period, to the Revenue Fund.

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 Account and to the debt service reserve accounts established to protect the payment of any Parity Bonds, the available moneys in the Revenue Fund shall be divided among such debt service reserve accounts 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 accounts.

(d) *Depreciation Fund.* Beginning on the first day of the month following the earliest of completion of the Project or the end of the interest only period, if any and after all payments and credits required at the time to be made under (1) the provisions of paragraphs (a), (b) and (c) of this Section and (2) the provisions of any ordinances of the City authorizing additional System Revenue Bonds relating to payments required to be made to debt service accounts and debt service reserve accounts for additional System Revenue Bonds have been made, there shall next be paid and credited to the Depreciation Fund, the amount of \$8,723 each month until Maturity. Except as hereinafter provided in **Section 603**, moneys in the Depreciation Fund shall be expended and used by the City, if no other funds are available therefor, solely for the purpose of (i) making improvements, replacements and repairs in and to the System as may be necessary to keep the System in good repair and working order and to assure the continued effective and efficient operation thereof, including replacing or repairing portions of the System or major items of any

plant or equipment which either have been fully depreciated and are worn out or have become inefficient, uneconomical or obsolete, or (ii) extending and improving the System.

(e) *Surplus Account.* After all payments and credits required at the time to be made under the provisions of paragraphs (a), (b), (c) and (d) of this Section have been made, all moneys remaining in the Revenue Fund shall be paid and credited to the Surplus Account. Moneys in the Surplus Account shall be expended and disbursed as follows:

(1) First, so long as either the balance on hand in the Debt Service Reserve Account is less than the Debt Service Reserve Requirement or the balance on hand in the debt service reserve account for any issue of Parity Bonds is less than the debt service reserve requirement for such issue of Parity Bonds, all moneys in the Surplus Account shall be allocated to the Debt Service Reserve Account and the debt service reserve accounts for Parity Bonds in proportion to the original principal amount of the Bonds and of each issue of Parity Bonds, respectively. In no event, however, shall either (i) the balance on hand in the Debt Service Reserve Account exceed the Debt Service Reserve Requirement or (ii) the balance on hand in the debt service reserve account for any issue of Parity Bonds exceed the debt service reserve requirement for such issue of Parity Bonds.

(2) Second, so long as the balance on hand in the debt service reserve account for any issue of junior lien System Revenue Bonds is less than the debt service reserve requirement for such issue of junior lien System Revenue Bonds, all moneys in the Surplus Account shall be allocated to the debt service reserve account(s) for each issue of junior lien System Revenue Bonds according to the ordinance(s) of the City authorizing each issue of junior lien System Revenue Bonds. In no event, however, shall the balance on hand in the debt service reserve account for any issue of junior lien System Revenue Bonds exceed the debt service reserve requirement for such issue of junior lien System Revenue Bonds.

(3) Third, after subparagraphs (1) and (2) have been complied with, in any month in which the payment and credit to the Depreciation Fund is less than the amount required to be deposited in the Depreciation Fund by the ordinances authorizing all issues of System Revenue Bonds (the "Total Monthly Depreciation Fund Deposit"), all moneys in the Surplus Account shall be used to make a transfer to the Depreciation Fund in the amount required to make up the deficiency in the Total Monthly Depreciation Fund Deposit for said month.

(4) Fourth, after subparagraphs (1), (2) and (3) have been complied with, moneys in the Surplus Account may be expended and used for the following purposes as determined by the governing body of the City:

(i) Paying Expenses of the System to the extent that may be necessary after the application of the moneys held in the Operation and Maintenance Account under the provisions of paragraph (a) of this Section;

(ii) Paying the cost of extending, enlarging or improving the System;

(iii) Preventing default in, anticipating payments into or increasing the amounts in the debt service accounts or the debt service reserve accounts for

System Revenue Bonds or in the Depreciation Fund, or any one of them, 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 additional System Revenue Bonds; or

(iv) Calling, 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 redemption price (if any bonds are callable), the Bonds or any other System Revenue Bonds, including principal, interest and redemption premium, if any; provided, however, that so long as any of the Bonds are owned or insured by the Purchaser, no moneys in the Surplus Account shall be used to redeem or purchase any other System Revenue Bonds without the written consent of the Purchaser.

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

(f) *Deficiency of Payments into Funds and Accounts.* If at any time the Revenues are insufficient to make any payment on the date or dates hereinbefore specified, the City will make good the amount of such deficiency by making additional payments or credits out of the first available Revenues thereafter received, such payments and credits being made and applied in the order hereinbefore specified in this Section.

Section 603. Transfer of Funds to Paying Agent. The City Treasurer or other authorized officer of the City is hereby authorized and directed to withdraw from the Debt Service Account, 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 Account, the Surplus Account and the Depreciation Fund as provided in **Section 602** hereof, sums sufficient to pay the principal of 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 City. 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.

Section 604. 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.

Section 605. 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 City 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 one year following the date when the final installment of the principal of and interest

on such Bond becomes due at Maturity, the Paying Agent shall repay to the City 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 City, and the Registered Owner thereof shall be entitled to look only to the City for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the City shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

ARTICLE VII

DEPOSIT AND INVESTMENT OF MONEYS

Section 701. Deposit and Investment of Moneys.

(a) Money in each of the funds and accounts created by and referred to in this Ordinance shall be deposited in a bank or banks located in the State of Illinois 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 State of Illinois.

(b) Money held in any fund or account referred to in this Ordinance may be invested in Permitted Investments. 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; provided, however, that all earnings on investments held in the Debt Service Reserve Account shall accrue to and become a part of such Account until the amount on deposit in such Account shall aggregate the Debt Service Reserve Requirement, and 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 Account 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 City shall direct that such excess be paid and credited to the Revenue Fund.

ARTICLE VIII

GENERAL COVENANTS AND PROVISIONS

The City 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 comply with each of the following covenants:

Section 801. Corporate Existence; Efficient and Economical Operation. The City will maintain its corporate identity and existence so long as any of the Bonds remain Outstanding, unless another body corporate and politic by operation of law succeeds to the powers, privileges, rights, liabilities, disabilities and duties of the City and is obligated by law to comply with the terms and provisions of this Ordinance without materially adversely affecting at any time the privileges and rights of any Owner of any Outstanding Bond.

The City will continuously own and will operate the System as a revenue producing facility in an efficient and economical manner and will keep and maintain the same in good repair and working order.

The City 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.

Section 802. Rate Covenant. The City 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 Expenses of the System; (b) pay installments of principal of and interest on the Bonds as and when the same become due at the Maturity thereof or on any Interest Payment Date; and (c) 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. The City 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 Revenues will be sufficient to cover the obligations under this Section and otherwise under the provisions of this Ordinance.

Section 803. 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 Revenues 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 City will thereafter pay into the Revenue Fund a fair and reasonable payment in accordance with effective applicable rates and charges for all services furnished to the City 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.

The City will serve any applicant within the service area of the System who desires the services of the System and who can feasibly and legally be served. So long as any of the Bonds are owned or insured by the Purchaser, the City will obtain the concurrence of the Purchaser prior to refusing services to such applicant.

Section 804. Restrictions on Mortgage or Sale of System. The City 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 City may, but only with the consent of the Purchaser so long as any of the Bonds are owned or insured by the Purchaser:

- (a) 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 City will apply the proceeds to either (1) redemption of Outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of Stated Maturity, or (2) replacement of the property so disposed of by other property the revenues of which shall be incorporated into the Revenues as hereinbefore provided;

- (b) cease to operate, abandon or otherwise dispose of any property which has become obsolete, nonproductive or otherwise unusable to the advantage of the City; 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.

Section 805. Insurance; Fidelity Bond Coverage. The City 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 forming a part 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 municipalities or public entities engaged in similar activities of comparable size and similarly situated. In the event of loss or damage, the City, with reasonable dispatch, will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or in paying the claims on account of which such proceeds were received, or if such reconstruction or replacement is unnecessary or impracticable, then the City will pay and deposit the proceeds of such insurance into the Revenue Fund. The City will annually review the insurance it maintains with respect to the System to determine that it is customary and adequate to protect its property and operations. The cost of all insurance obtained pursuant to the requirements of this Section shall be paid as an Expense out of the Revenues of the System.

All officers and employees of the City handling the funds and accounts of the System shall be bonded in each fiscal year in an amount not less than the total amount of principal and interest becoming due on all obligations of the City during the fiscal year or, so long as any of the Bonds are held or insured by the Purchaser, the amount required by the Purchaser.

As long as any of the Bonds are owned or insured by the Purchaser, the City will annually submit a report of its insurance and fidelity bond coverage to the Purchaser for review and approval.

Section 806. Books, Records and Accounts. The City will install and maintain proper books, records and accounts (entirely separate from all other records and accounts of the City) in which complete and correct entries will be made of all dealings and transactions of or in relation to the System. Such accounts shall show the amount of Revenues received from the System, the application of such Revenues, and all financial transactions in connection therewith. Said books shall be kept by the City according to standard accounting practices as applicable to the operation of facilities comparable to the System.

Section 807. Annual Budget. Prior to the commencement of each fiscal year, the City will cause to be prepared and filed with the City Clerk a budget setting forth the estimated receipts and expenditures of the System for the next succeeding fiscal year. So long as any of the Bonds are owned or insured by the Purchaser, the City Clerk, promptly upon the filing of said budget, will mail a copy of said budget to the Purchaser. Said annual budget shall be prepared in accordance with the requirements of the laws of Illinois and shall contain all information that is required by such laws.

Section 808. Audits. As long as any of the Bonds are owned or insured by the Purchaser, audits shall be made at such time and in such manner as the Purchaser shall require.

If none of the Bonds are owned or insured by the Purchaser, then annually, promptly after the end of the fiscal year, the City will cause an audit to be made of the System for the preceding fiscal year by a certified public accountant or firm of certified public accountants to be employed for that purpose and paid from the Revenues. Said annual audit shall cover in reasonable detail the operation of the System during such fiscal year.

Within 30 days after the completion of each audit, a copy thereof shall be filed in the office of the City Clerk, and, if any of the Bonds are owned or insured by the Purchaser, a duplicate copy of the audit shall be mailed to the Purchaser of the Bonds. Such audits shall at all times during the usual business hours

be open to the examination and inspection by any taxpayer, any user of the services of the System, any Registered Owner of any of the Bonds, or by anyone acting for or on behalf of such taxpayer, user or Registered Owner.

As soon as possible after the completion of each audit, the governing body of the City shall review such audit, and if the audit discloses that proper provision has not been made for all of the requirements of this Ordinance and the Act, the City will promptly cure such deficiency and will promptly proceed to increase the rates and charges to be charged for the use and services furnished by the System as may be necessary to adequately provide for such requirements.

Section 809. Right of Inspection. The Purchaser and any Registered Owner shall have the right at all reasonable times to inspect the System and all records, accounts and data relating thereto, and shall be furnished all such information concerning the System and the operation thereof which the Purchaser or such Registered Owner or Owners may reasonably request.

Section 810. Performance of Duties and Covenants. The City will faithfully and punctually perform all duties, covenants and obligations with respect to the operation of the System now or hereafter imposed upon the City by the Constitution and laws of the State of Illinois and by the provisions of this Ordinance.

Section 811. Consultant's Report. Upon the request of the Purchaser, but in no event more often than once every three years, the City will cause a Consultant to make an examination of and report on the condition and operations of the System, such report to include recommendations as to any changes in such operations deemed desirable. Each such report shall also make reference to any unusual or extraordinary items of maintenance and repair and any extensions or improvements that may be needed in the ensuing three-year period. A copy of each such report shall be filed in the office of the City Clerk and, upon written request, sent to the Purchaser of the Bonds or any Registered Owner (at the expense of such Registered Owner).

Section 812. Tax Covenants.

(a) The City covenants that (1) it will comply with all applicable provisions of the Code, necessary to maintain the exclusion from federal gross income of the interest on the Bonds, and (2) it will comply with all provisions and requirements of the Federal Tax Certificate. The Mayor is hereby authorized and directed to execute the Federal Tax Certificate in a form that is approved by Bond Counsel, for and on behalf of and as the act and deed of the City. The City will also pass such other resolutions or ordinances and take such other actions as may be necessary to comply with the Code and with other applicable future laws, regulations, publishing rulings and judicial decisions, in order to ensure that the interest on the Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the City.

(b) The covenants contained in this section and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the Bonds pursuant to **Article XI** hereof or any other provision of this Ordinance, until the final Maturity of all Bonds Outstanding.

(c) The City hereby approves and adopts a Tax Compliance Procedure, a form of which is attached hereto as **Exhibit B**, to be applicable to all outstanding and future tax-exempt financings. The City covenants and agrees that it will comply with and carry out all of the provisions of the Tax Compliance Procedure.

Section 813. Refinanced Bonds - When Required. The City hereby represents and covenants that it will refinance the unpaid balance, in whole or in part, of the Outstanding principal amount of the Bonds upon the request of the Purchaser if at any time it should appear to the Purchaser that the City is able and authorized by law to refinance the Bonds by obtaining a loan for such purposes from cooperatives or private sources at reasonable rates and terms.

ARTICLE IX

ADDITIONAL BONDS AND OBLIGATIONS

Section 901. Senior Lien Bonds. The City covenants and agrees that so long as any of the Bonds remain Outstanding, the City will not issue any additional bonds or incur or assume any other debt obligations appearing as liabilities on the balance sheet of the City or the System for the payment of moneys determined in accordance with generally accepted accounting principles consistently applied, including capital leases as defined by generally accepted accounting principles, payable out of the Net Revenues or any part thereof which are superior to the Bonds.

Section 902. Parity Lien Bonds and Other Obligations. The City covenants and agrees that so long as any of the Bonds remain Outstanding, it will not issue any additional bonds or other long-term obligations payable out of the Net Revenues or any part thereof which stand on a parity or equality with the Bonds unless **Section 905** hereof is complied with and the following conditions are met:

(a) The City shall not be in default in the payment of principal of or interest on any Bonds or any Parity Bonds at the time outstanding or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in this Ordinance or any Parity Ordinance (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default).

(b) Either of the following:

(1) An authorized official of the City shall certify that the annual Net Revenues Available for Debt Service for the most recent fiscal year for which audited financial statements are available shall have been equal to at least 120% of the Average Annual Debt Service for all System Revenue Bonds of the City, including the additional bonds proposed to be issued. In determining the Net Revenues Available for Debt Service for the purpose of this subsection, the City may obtain a report of a Consultant who may adjust said Net Revenues Available for Debt Service by adding thereto, in the event the City has made any increase in rates for the use and services of the System and such increase has not been in effect during all of the fiscal year immediately preceding the issuance of additional bonds, the amount, as estimated by such Consultant, of the additional Net Revenues Available for Debt Service which would have resulted from the operation of the System during said preceding fiscal year had such rate increase been in effect for the entire period.

(2) A report of a Consultant to the effect that the Net Revenues Available for Debt Service projected to be derived by the City from the operation of the System for the fiscal year immediately following the fiscal year in which the improvements to the System, the cost of which is being financed by such additional bonds, are to be in commercial

operation shall be equal to at least 120% of the Average Annual Debt Service in all fiscal years succeeding said fiscal year in which such improvements are expected to be placed in commercial operation. In determining the projected Net Revenues Available for Debt Service for the purpose of this subsection, the Consultant may adjust said projections by adding thereto any estimated increase in Net Revenues Available for Debt Service resulting from any increase in rates for the use and services of the System duly made by the City and which shall be in effect for the period of such projections which, in the opinion of the Consultant, are economically feasible and reasonably considered necessary based on projected operations of the System.

(c) So long as any of the Bonds are owned or insured by the Purchaser, any ordinance authorizing such additional parity bonds shall contain substantially the same terms, conditions, covenants and procedures as established in this Ordinance and such ordinance authorizing such additional revenue bonds shall acknowledge the fact that the Bonds may be called for redemption and payment prior to the Stated Maturity thereof as a requirement of the Purchaser as contained in 7 U.S.C. 1983(3) and 7 C.F.R. Part 1780, and any succeeding federal laws and regulations applicable thereto.

Additional revenue bonds of the City issued under the conditions set forth in this Section shall stand on a parity with the Bonds and shall enjoy complete equality of lien on and claim against the Net Revenues with the Bonds, and the City may make equal provision for paying said bonds and the interest thereon out of the Revenue Fund and may likewise provide for the creation of reasonable debt service accounts and debt service reserve accounts for the payment of such additional bonds and the interest thereon out of moneys in the Revenue Fund.

Section 903. Junior Lien Bonds and Other Obligations. Nothing in this Section contained shall prohibit or restrict the right of the City to issue additional revenue bonds or other revenue obligations for any lawful purpose in connection with the operation of the System and benefiting the System and to provide that the principal of and interest on said revenue bonds or obligations shall be payable out of the Net Revenues of the System, provided at the time of the issuance of such additional revenue bonds or obligations **Section 905** hereof is complied with and the City is not in default in the performance of any covenant or agreement contained in this Ordinance (unless such additional revenue bonds or obligations are being issued to provide funds to cure such default), and provided further that such additional revenue bonds or obligations shall be junior and subordinate to the Bonds so that if at any time the City shall be in default in paying either interest on or principal of the Bonds, or if the City is in default in making any payments required to be made by it under the provisions of paragraphs (a), (b), (c) and (d) of **Section 602** hereof, the City shall make no payments of either principal of or interest on said junior and subordinate revenue bonds or obligations until said default or defaults be cured. In the event of the issuance of any such junior and subordinate revenue bonds or obligations, the City, subject to the provisions aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations out of moneys in the Revenue Fund.

Section 904. Refunding Bonds. Subject to the continuing obligation of the City to comply with the provisions of **Section 905** hereof and with 7 U.S.C. 1983(3) and regulations issued thereunder so long as any of the Bonds are owned or insured by the Purchaser, the City shall have the right, if it shall find it desirable, without complying with the provisions of **Section 902** hereof to refund any of the System Revenue Bonds under the provisions of any law then available in a manner which provides present value debt service savings, and the refunding bonds so issued shall enjoy complete equality of pledge with any of the Bonds or any Parity Bonds which are not refunded, if any, upon the Net Revenues of the System;

provided, however, that if only a portion of the System Revenue Bonds are refunded and if said System Revenue Bonds are refunded in such manner that the aggregate amount of principal and interest scheduled to become due on the refunding bonds in any fiscal year (taking into account scheduled mandatory redemptions) exceeds the aggregate amount of principal and interest scheduled to become due on the refunded Bonds in said fiscal year (taking into account scheduled mandatory redemptions) then said System Revenue Bonds may be refunded without complying with the provisions of **Section 902** hereof only by and with the written consent of the Registered Owners of a majority in principal amount of the System Revenue Bonds not refunded.

Section 905. Consent of Purchaser to Additional Bonds. Notwithstanding any provision in this Ordinance to the contrary, as long as any of the Bonds that remain Outstanding are owned or insured by the Purchaser, the City will not issue any additional bonds or other obligations having a claim on the Net Revenues or any part thereof without the prior written consent of the Purchaser.

ARTICLE X

DEFAULT AND REMEDIES

Section 1001. Acceleration of Maturity Upon Default. The City covenants and agrees that if it defaults in the payment of the principal of or interest on any of the Bonds as the same become due on any Bond Payment Date, or if the City or its governing body or any of the officers, agents or employees thereof fail or refuse to comply with any of the provisions of this Ordinance or of the Constitution or statutes of the State of Illinois, and such default continues for a period of 60 days after written notice specifying such default has been given to the City by the Registered Owner of any Bond then Outstanding, then, at any time thereafter and while such default continues, the Registered Owners of 25% in principal amount of the Bonds then Outstanding may, by written notice to the City filed in the office of the City Clerk or delivered in person to said City Clerk, declare the principal of all Bonds then Outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of said Bonds shall become and be immediately due and payable, anything in this Ordinance or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said Outstanding Bonds has been so declared to be due and payable, all arrears of interest upon all of said Bonds, except interest accrued but not yet due on such Bonds, and all arrears of principal upon all of said Bonds have been paid in full and all other defaults, if any, by the City under the provisions of this Ordinance and under the provisions of the statutes of the State of Illinois have been cured, then and in every such case the Registered Owners of a majority in principal amount of the Bonds then Outstanding, by written notice to the City given as hereinbefore specified, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

Section 1002. Other Remedies. The provisions of this Ordinance, including the covenants and agreements herein contained, shall constitute a contract between the City and the Registered Owners of the Bonds, and the Registered Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Registered Owners of Bonds similarly situated:

- (a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Registered Owner or Owners against the City and its officers, agents and employees,

and to require and compel duties and obligations required by the provisions of this Ordinance or by the Constitution and laws of the State of Illinois;

(b) by suit, action or other proceedings in equity or at law to require the City, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Bonds.

Section 1003. Limitation on Rights of Registered Owners. No one or more Registered Owners secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for herein, or to enforce any right hereunder, except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Registered Owners of such Outstanding Bonds.

Section 1004. Remedies Cumulative. No remedy conferred herein upon the Registered Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred herein. No waiver of any default or breach of duty or contract by the Registered Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies consequent thereon. No delay or omission of any Registered Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein. Every substantive right and every remedy conferred upon the Registered Owners of the Bonds by this Ordinance may be enforced and exercised from time to time and as often as may be deemed expedient. If any suit, action or proceedings taken by any Registered Owner on account of any default or to enforce any right or exercise any remedy has been discontinued or abandoned for any reason, or has been determined adversely to such Registered Owner, then, and in every such case, the City and the Registered Owners of the Bonds shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Registered Owners shall continue as if no such suit, action or other proceedings had been brought or taken.

Section 1005. No Obligation to Levy Taxes. Nothing contained in this Ordinance shall be construed as imposing on the City 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.

ARTICLE XI

DEFEASANCE

Section 1101. Defeasance. When any or all of the Bonds or the interest payments thereon have been paid and discharged, then the requirements contained in this Ordinance and the pledge of Net Revenues made hereunder and all other rights granted hereby shall terminate with respect to the Bonds or interest payments so paid and discharged. Bonds or the interest payments thereon shall be deemed to have been paid and discharged within the meaning of this Ordinance if there has been deposited with a commercial bank or trust company located in the State of Illinois and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds or interest payments thereon, in trust for and irrevocably appropriated thereto, money and/or Defeasance Obligations which, together with the interest to be earned thereon, will be sufficient for the payment of the principal or Redemption Price of said Bonds,

and/or interest to accrue on such Bonds to the Stated Maturity or Redemption Date, 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 the Stated Maturity thereof, (1) the City shall have elected to redeem such Bonds, and (2) either notice of such redemption shall have been given, or the City shall have given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Paying Agent to redeem such Bonds in compliance with **Section 302(a)** of this Ordinance. Any money and Defeasance Obligations that at any time shall be deposited with a commercial bank or trust company by or on behalf of the City, for the purpose of paying and discharging any of the Bonds or the interest payments thereon, shall be and are hereby assigned, transferred and set over to such bank or trust company in trust for the respective Registered Owners of the Bonds, and such money shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All moneys and Defeasance Obligations deposited with such bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Ordinance.

Notwithstanding any provision herein to the contrary, as long as any of the Bonds are owned or insured by the Purchaser, the City will not issue any additional revenue bonds or other obligations for the purpose of providing funds to refund all or part of the Bonds unless either (i) all of the Bonds are paid, retired and cancelled concurrently with the issuance of such refunding revenue bonds or other obligations or at the first interest and principal payment date for the Bonds occurring after the issuance of the refunding revenue bonds or other obligations, or (ii) written consent to the issuance of such refunding revenue bonds or other obligations is given by the Purchaser.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 1201. Amendments. The rights and duties of the City and the Registered Owners, and the terms and provisions of the Bonds or of this Ordinance, may be amended or modified at any time in any respect by ordinance of the City with the written consent of the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Registered Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the City Clerk, but no such modification or alteration shall:

- (a) extend the maturity of any payment of principal or interest due upon any Bond;
- (b) effect a reduction in the amount which the City is required to pay by way of principal of or interest on any Bond;
- (c) permit the creation of a lien on the Net Revenues of the System prior or equal to the lien of the Bonds or Parity Bonds;
- (d) permit preference or priority of any Bonds over any other Bonds; or
- (e) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of this Ordinance.

Any provision of the Bonds or of this Ordinance may, however, be amended or modified by ordinance duly passed by the governing body of the City at any time in any respect with the written consent of the Registered Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Registered Owners, the City may amend or supplement this Ordinance for the purpose of curing any formal defect, omission, inconsistency or ambiguity therein or in connection with any other change therein which is not materially adverse to the interests of the Registered Owners.

Every amendment or modification of the provisions of the Bonds or of this Ordinance, to which the written consent of the Registered Owners is given, as above provided, shall be expressed in an ordinance passed by the City Council amending or supplementing the provisions of this Ordinance and shall be deemed to be a part of this Ordinance. A certified copy of every such amendatory or supplemental ordinance, if any, and a certified copy of this Ordinance shall always be kept on file in the office of the City Clerk, and shall be made available for inspection by the Registered Owner of any Bond or a prospective purchaser or owner of any Bond authorized by this Ordinance, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental ordinance or of this Ordinance will be sent by the City Clerk to any such Registered Owner or prospective Registered Owner.

Any and all modifications made in the manner hereinabove provided shall not become effective until there has been filed with the City Clerk a copy of the ordinance of the City hereinabove provided for, duly certified, as well as proof of any required consent to such modification by the Registered Owners of the Bonds then-Outstanding. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification.

The City shall furnish to the Paying Agent a copy of any amendment to the Bonds or this Ordinance made hereunder which affects the duties or obligations of the Paying Agent under this Ordinance.

Section 1202. Notices, Consents and Other Instruments by Registered Owners. Any notice, consent, request, direction, approval, objection or other instrument required by this Ordinance to be signed and executed by the Registered Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Registered Owners in person or by agent appointed in writing. Proof of the execution of any such instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Ordinance, and shall be conclusive in favor of the City and the Paying Agent with regard to any action taken, suffered or omitted under any such instrument, namely:

(a) The fact and date of the execution by any person of any such instrument may be proved by a certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such instrument acknowledged before such officer the execution thereof, or by affidavit of any witness to such execution.

(b) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the Bond Register.

As long as any of the Bonds are owned or insured by the Purchaser, the Purchaser shall be deemed to be a Registered Owner for purposes of **Article X** and **Article XII** of this Ordinance.

In determining whether the Registered Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent or waiver under this Ordinance, Bonds owned by the City shall be disregarded and deemed not to be Outstanding under this Ordinance, except that, in determining whether the Registered Owners shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Registered Owners know to be so owned shall be so disregarded. Notwithstanding the foregoing, Bonds so owned which have been pledged in good faith shall not be disregarded as aforesaid if the pledgee establishes to the satisfaction of the Registered Owners the pledgee's right so to act with respect to such Bonds and that the pledgee is not the City.

Section 1203. Further Authority. The officers of the City, including the Mayor, City Treasurer and City Clerk shall be, and they hereby are, authorized and directed to execute all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of this Ordinance and to make ministerial alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

Section 1204. Severability. If any section or other part of this Ordinance, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of this Ordinance.

Section 1205. Governing Law. This Ordinance shall be governed exclusively by and constructed in accordance with the applicable laws of the State of Illinois.

Section 1206. Electronic Transactions. The parties agree that the transaction described herein may be conducted and related documents may be sent, received or stored by electronic means.

Section 1207. Effective Date. This Ordinance shall take effect and be in full force from and after its passage by the City Council and approval by the Mayor.

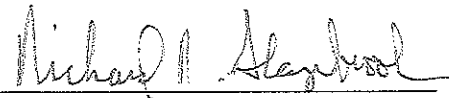
Section 1208. Repealer. All ordinances, resolutions or orders, or parts thereof, in conflict with the provisions of this Ordinance are to the extent of such conflict hereby repealed.

[Remainder of Page Intentionally Left Blank.]

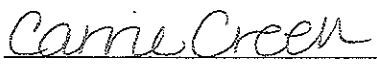
PASSED THIS 22nd DAY OF March, 2022.

<u>Council Member</u>	<u>Aye</u>	<u>Nay</u>	<u>Absent</u>	<u>Abstain</u>
Abbey Sherwood	<u>✓</u>	<u>—</u>	<u>—</u>	<u>—</u>
Mike Fowler	<u>✓</u>	<u>—</u>	<u>—</u>	<u>—</u>
Chuck Woodworth	<u>✓</u>	<u>—</u>	<u>—</u>	<u>—</u>
Doug Booker	<u>—</u>	<u>—</u>	<u>✓</u>	<u>—</u>

APPROVED AND PASSED by the Mayor of the City of Sullivan, Illinois this 22nd day of March, 2022.


Richard Glazebrook, Mayor
City of Sullivan, Illinois

ATTEST:


Carrie Creek, City Clerk
City of Sullivan, Illinois
(SEAL)

**EXHIBIT A
TO ORDINANCE**

**(FORM OF BOND WITH PRINCIPAL AND INTEREST
PAYABLE IN INSTALLMENTS)**

**UNITED STATES OF AMERICA
STATE OF ILLINOIS**

**Registered
No. R-1**

Case No. _____
Registered
Not to exceed \$ _____

CITY OF SULLIVAN, ILLINOIS

**COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND
SERIES [A][B]**

**REGISTERED OWNER: UNITED STATES OF AMERICA,
 UNITED STATES DEPARTMENT OF AGRICULTURE**

PRINCIPAL AMOUNT: SEE ATTACHMENT I

THE CITY OF SULLIVAN, ILLINOIS, a municipality and political subdivision of the State of Illinois (the "City"), for value received, hereby promises to pay out of the funds hereinafter specified, to the Registered Owner shown above, or its registered assigns, but solely from the source and in the manner herein specified, the principal amount shown above, or such lesser amount as may be outstanding hereunder as reflected on Attachment I hereto, and to pay interest on the Cumulative Outstanding Principal Amount thereon, but solely from the source and in the manner herein specified, from the effective date of registration of this Bond (which date is set forth on the last page of this Bond) at the rate of 1.25% per annum, payable semi-annually on May 1 and November 1 in each year, beginning on May 1, 2022, on the unpaid principal balance until paid in full.

The principal or redemption price of and interest on this Bond shall be payable in installments in accordance with [Schedule 1][Schedule 2] of the hereinafter defined Ordinance. The final installment of the entire remaining principal and interest on this Bond, if not sooner paid, shall be due and payable on May 1, 2061.

Every payment made on the obligation evidenced by this Bond shall be applied first to accrued interest and then to principal. Both principal of and interest on this Bond are hereby made payable in any coin or currency which, on the respective dates of payment of principal and interest, is legal tender for the payment of debts due the United States of America.

Bonds that are owned by the United States of America acting through the United States Department of Agriculture, including the respective installments or principal corresponding thereto, shall be subject to redemption and prepayment prior to maturity, at the option of the City, in whole or in part at any time upon payment of the par value of the principal amount of Bonds or installments of principal thereof to be redeemed and prepaid, plus accrued interest thereon to the date fixed for redemption and prepayment, without premium.

Bonds that are not owned by the United States of America acting through the United States Department of Agriculture, including the respective installments of principal corresponding thereto), are not subject to redemption prior to the ninth anniversary of the Original Issue Date. Such Bonds, including installments of principal in the case of a Bonds, the principal of and interest on which are payable in installments, maturing on the tenth anniversary of the Original Issue Date and thereafter, are subject to redemption and payment at the option of the City on the ninth anniversary of the Original Issue Date or at any time thereafter in whole or in part, at the principal amount thereof, plus accrued interest thereon to the date fixed for redemption and payment, without premium.

If this Bond or any installment of principal of this Bond be called for redemption as aforesaid, interest on this Bond or on such installments of principal of this Bond will cease on the specified redemption date provided funds or securities in which such funds are invested for such redemption are on deposit with the hereinafter referred to Paying Agent prior to the redemption date. Redemption of less than all of the unpaid installments of principal of this Bond shall not reduce the annual installment of principal and interest payable each year. If all of the unpaid installments of principal of this Bond be called for redemption, this Bond shall no longer be entitled to the benefits and protection of the covenants contained in the Ordinance authorizing this Bond and shall not be deemed to be outstanding under the provisions of said Ordinance.

Notice of redemption, unless waived, is to be given by the Paying Agent by mailing an official redemption notice by first class mail at least 30 days prior to the date fixed for redemption, to the Purchaser of the Bonds and the Registered Owner of the Bond at the address shown on the Bond Register. Notice of redemption having been given as aforesaid, the Bonds or portions of the Bonds 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 the Bonds shall cease to bear interest.

During such time as this Bond is outstanding and unpaid, interest and principal installment payments accruing on this Bond, except for the final payment, shall be payable by check or draft to the Registered Owner hereof without presentation of this Bond by the City Treasurer (the "Paying Agent"). Final payment of the entire obligation evidenced by this Bond shall be payable upon presentation and surrender of this Bond at the office of the Paying Agent.

This Bond is a duly authorized bond issue of the City designated "Combined Waterworks and Sewerage System Revenue Bond, Series [A][B]," aggregating the principal amount of not to exceed \$[8,500,000][2,000,000] (the "Bond"), issued by the City for the purpose of acquiring, constructing, improving and extending the City's existing combined waterworks and sewerage system (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 the Constitution and laws of the State of Illinois, including particularly the Illinois Municipal Code and the Local Government Debt Reform Act, as supplemented and amended, and an ordinance duly passed by the governing body of the City on March 22, 2022 (the "Ordinance"). Capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Ordinance.

The Bonds are special obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues of the System, and the taxing power of the City is not pledged to the payment of the Bonds either as to principal or interest. The Bonds shall not be or constitute a general obligation of the City, nor shall they constitute an indebtedness of the City within the

meaning of any constitutional or statutory provision, limitation or restriction. The Bond stands on a parity and are equally and ratably secured with respect to the payment of principal and interest from the Net Revenues of the System and in all respects with (a) an issue of Combined Waterworks and Sewerage System Revenue Bonds, Series [A][B], dated the same date as the Bonds originally issued in the principal amount of not to exceed \$[8,500,000][2,000,000], (b) a Loan Agreement between the City and the Illinois Environmental Protection Agency for Project No. L17-3563 in the original principal amount of not to exceed \$1,688,30.18, and (c) a Loan Agreement between the City and the Illinois Environmental Protection Agency for Project No. L17-2313 in the original principal amount of not to exceed \$1,115,668.00. Under the conditions set forth in the Ordinance, the City has the right to issue additional parity bonds payable from and secured by 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 hereby covenants with the Registered Owner of this Bond that it will keep and perform all covenants and agreements contained in the Ordinance, and will fix, establish, maintain and collect such rates, fees and charges for the use and services furnished by or through the System, as will produce Revenues sufficient to pay the costs of operation and maintenance of the System, pay the principal of and interest on the Bonds as and when the same become due, and provide reasonable and adequate reserve funds. Reference is made to the Ordinance for a description of the covenants and agreements made by the City with respect to the collection, segregation and application of the Revenues of the System, the nature and extent of the security of the Bonds, the rights, duties and obligations of the City with respect thereto, and the rights of the Registered Owner thereof.

This Bond may be transferred or exchanged, as provided in the Ordinance, only on the Bond Register kept for that purpose at the 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 Registered Owner or the Registered Owner's duly authorized agent, and thereupon a new Bond of the same series, maturity and in the same outstanding 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 shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Ordinance until the Certificate of Authentication hereon shall have been executed by the Paying Agent.

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

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, THE CITY OF SULLIVAN, ILLINOIS, has executed this Bond by causing it to be signed by the manual or facsimile signature of its Mayor and attested by the manual or facsimile signature of its City Clerk and its official seal to be affixed hereto or imprinted hereon, and has caused this Bond to be dated _____, 20____.

CERTIFICATE OF AUTHENTICATION

CITY OF SULLIVAN, ILLINOIS

This Bond is the Bond
described in the within-mentioned Ordinance.

By: _____
Mayor

Effective Date
of Registration: _____

(SEAL)

_____,
City Treasurer of the City of Sullivan, Illinois,
as Paying Agent

ATTEST:

City Clerk

Registered Owner's mailing address:

City's mailing address:

2118 West Park Court, Suite A
Champaign, Illinois 61821

2 West Harrison Street
Sullivan, Illinois 61951

ASSIGNMENT

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

Print or Type Name, Address and Social Security Number
or other Taxpayer Identification Number of Transferee

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints
_____ 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: _____

NOTICE: The signature to this assignment must
correspond with the name of the Registered
Owner as it appears upon the face of the within
Bond in every particular.

Medallion Signature Guarantee:

ATTACHMENT I

TABLE OF CUMULATIVE OUTSTANDING PRINCIPAL AMOUNT			
CITY OF SULLIVAN, ILLINOIS			
COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE			
BOND			
SERIES[A][B]			
Bond No. 1			
Date	Principal Amount Advanced	Cumulative Outstanding Principal Amount	Notation Made By

**EXHIBIT B
TO ORDINANCE
TAX COMPLIANCE PROCEDURE**

SCHEDULE 1

PRINCIPAL INSTALLMENT SCHEDULE FOR THE SERIES A BOND

<u>May 1, of the Year</u>	<u>Principal Amount(\$)</u>	<u>May 1, of the Year</u>	<u>Principal Amount(\$)</u>	<u>May 1, of the Year</u>	<u>Principal Amount(\$)</u>
2024	170,000	2037	210,000	2050	240,000
2025	180,000	2038	210,000	2051	250,000
2026	180,000	2039	210,000	2052	250,000
2027	180,000	2040	210,000	2053	250,000
2028	180,000	2041	220,000	2054	260,000
2029	190,000	2042	220,000	2055	260,000
2030	190,000	2043	220,000	2056	260,000
2031	190,000	2044	230,000	2057	270,000
2032	200,000	2045	230,000	2058	270,000
2033	200,000	2046	230,000	2059	270,000
2034	200,000	2047	230,000	2060	280,000
2035	200,000	2048	240,000	2061	280,000
2036	200,000	2049	240,000		

SCHEDULE 2

PRINCIPAL INSTALLMENT SCHEDULE FOR THE SERIES B BOND

<u>May 1, of the Year</u>	<u>Principal Amount(\$)</u>	<u>May 1, of the Year</u>	<u>Principal Amount(\$)</u>	<u>May 1, of the Year</u>	<u>Principal Amount(\$)</u>
2024	40,000	2037	50,000	2050	60,000
2025	40,000	2038	50,000	2051	60,000
2026	40,000	2039	50,000	2052	60,000
2027	40,000	2040	50,000	2053	60,000
2028	40,000	2041	50,000	2054	60,000
2029	40,000	2042	50,000	2055	60,000
2030	40,000	2043	50,000	2056	60,000
2031	40,000	2044	50,000	2057	60,000
2032	50,000	2045	50,000	2058	60,000
2033	50,000	2046	50,000	2059	70,000
2034	50,000	2047	60,000	2060	70,000
2035	50,000	2048	60,000	2061	70,000
2036	50,000	2049	60,000		