

ORDINANCE NO. 92-12

City of Galena,
Cherokee, County, Kansas
1992 FMHA Bonds

"AN ORDINANCE AUTHORIZING AND DIRECTING THE ISSUANCE OF A \$1,845,500.00 PRINCIPAL AMOUNT OF SEWER UTILITY SYSTEM REVENUE BOND, SERIES 1992-B OF THE CITY OF GALENA, KANSAS, FOR THE PURPOSE OF PAYING A PORTION OF THE COSTS OF CONSTRUCTING AND EQUIPPING IMPROVEMENTS TO THE CITY'S SANITARY SEWER SYSTEM, INCLUDING CONSTRUCTING AND EQUIPPING TWO PUMP STATIONS, CONSTRUCTING A NEW FORCE MAIN, MODIFYING THE EXISTING LAGOON, AND REPAIRING AND REPLACING A PORTION OF THE SANITARY SEWER COLLECTION SYSTEM PIPELINES AND APPURTENANCES THERETO, PRESCRIBING THE FORM AND DETAILS OF SAID REVENUE BONDS, PROVIDING FOR THE COLLECTION, SEGREGATION, AND APPLICATION OF THE REVENUES OF SAID CITY FOR THE PURPOSES AUTHORIZED BY LAW, INCLUDING PAYING COSTS OF OPERATION AND MAINTENANCE OF SAID SYSTEM, PAYING THE PRINCIPAL OF AND INTEREST ON THE BONDS OF SAID CITY FROM THE REVENUES OF SAID SEWER UTILITY SYSTEM, PROVIDING ADEQUATE RESERVE FUNDS, AND MAKING CERTAIN COVENANTS AND AGREEMENTS WITH RESPECT THERETO, AND ELECTING TO HAVE THE PROVISIONS OF THE KANSAS BOND REGISTRATION LAW APPLY."

WHEREAS, pursuant to Resolution No. 90-16 and to the provisions of K.S.A. 10-1201, et seq., the governing body of the City of Galena, Kansas, (the "City"), has declared it necessary to make certain repairs, alterations, extensions, reconstructions, enlargements and improvements (hereinafter jointly known as "Improvements") to the City's sanitary sewer utility system; and

WHEREAS, pursuant to Resolution No. 90-16, duly passed and adopted the 19th day of June, 1990, notice was given as provided by law of the intention of the City to make such improvements at a total estimated cost of \$3,183,639, and to issue sewer utility system revenue bonds in a sum of not to exceed \$1,845,500 to provide funds for the purpose of paying a portion of the costs of such Improvements to be paid by the City of Galena and the balance thereof to be paid from the proceeds of \$287,339 Kansas Department of Commerce (KDOC) Grant, \$1,031,100 from the proceeds of a grant received from the United States of America acting through the Farmers Home Administration, United States Department of Agriculture (FmHA), and \$19,700 from general funds of the City on-hand for such purpose; and

WHEREAS, such notice was duly published in the official city paper of the City on the 27th day of June, 1990, and no written protests were filed with the City Clerk within 15 days thereafter against the making of such improvement or against the issuance of such bonds; and

WHEREAS, the City has applied for federal funds to pay a portion of the costs of said improvements and that said funds have been approved by the FmHA as follows:

Grant	\$1,031,100
Permanent Long-Term Loan	\$1,845,500

The balance of the improvement funds being provided from \$19,700 from funds currently on-hand of the City, and \$287,339 from the proceeds of a Kansas Department of Commerce Grant, with the permanent loan funds being made or insured by the FmHA upon completion of the construction of the Improvements.

WHEREAS, the Improvements have been duly approved by the governing body of the City and it now deems and declares it necessary and advisable to authorize and provide for the issuance of a sewer utility system revenue bond in the amount of \$1,845,500.00 for the purpose of paying a portion of the cost of such Improvements which is being funded by the proceeds of the loan to be made to the City or insured by the FmHA upon completion of construction of the Improvements, said bonds to constitute a first lien upon the sewer utility system revenues of the City as to the payment of principal and interest; and

WHEREAS, the City hereby finds and determines that it is necessary and essential to provide for the payment of such portion of the costs of such improvements, extensions and enlargements by the issuance of a Sewer Utility System Revenue Bond, Series 1992-B, in the amount of \$1,845,500 pursuant to K.S.A. 10-101 et seq., and K.S.A. 10-1201, and K.S.A. 10-620 et seq., and all acts amendatory, supplementary and complimentary thereto;

WHEREAS, the City hereby finds and determines that it is necessary and essential that the provisions of the Kansas Bond Registration Act apply.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF GALENA, KANSAS, THAT:

SECTION 1. Authorization. There are hereby authorized and directed to be issued pursuant to and in accordance with K.S.A. 10-101, et seq., and K.S.A. 10-1201, et seq., and K.S.A. 10-620, et seq., and all acts amendatory, supplementary and complimentary thereto, a single, negotiable Bond, Series 1992-B, of the City of Galena, Kansas (the "Bond"), in the principal amount of \$1,845,500 for the purpose of paying a portion of the cost of improving the City's sewer utility system by constructing and equipping two pump stations, constructing a new force main, modifying the existing lagoon, and repairing and replacing a portion of the sewer collection system pipelines and the appurtenances thereto. The Bond and the interest thereon are to be paid by the City solely from the operation of its sewer utility system, and the rates, fees and charges collected for the use thereof or service therefrom, and not from any other fund or source.

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SECTION 2. Terms. The Bond shall be issued as a single fully registered bond without coupon in the denomination of \$1,845,500, shall contain a printed amortization schedule and shall be numbered One (1). The Bond shall be dated as of September 23, 1992. The Bond shall bear interest from its date payable commencing March 23, 1993, and thereafter semi-annually on September 23 and March 23 (the "Interest Payment Dates") in each year succeeding its date to the owner thereof appearing on the books maintained by the Bond Registrar on the 15th day of the month preceding each interest payment date (the "Record Date"). The Bond shall mature on September 23, (the "Principal Payment Date") in the years and in the principal amounts and shall bear interest at the rate of five percent per annum as shown on Exhibit A.

The principal and premium, if any, on the Bond shall be payable in lawful money of the United States of America by check or draft at the office of the State Treasurer in the City of Topeka, Kansas, the ("Paying Agent") and ("Bond Registrar"), mailed to the owner at the owner's address appearing on the registration books maintained by the Bond Registrar or at such other address as the owner may advise the Bond Registrar in writing by the close of business on the 15th day of the month next preceding the applicable interest payment date. On full and final payment of the principal amount of and all interest on this Bond, the owner shall surrender this Bond for cancellation to the Bond Registrar at its office in the City of Topeka, Kansas.

SECTION 3. Redemption of Bond. The Bond is subject to redemption as follows:

(a) Optional Redemption. At the option of the City, the Outstanding Principal Amount of the Bond, or any portion thereof, is subject to redemption prior to maturity on any date (the date being so set for redemption and payment under this sub-paragraph being referred to as the "Redemption Date"), at a Redemption Price equal to One Hundred Percent (100%) of the Principal Amount so redeemed plus all accrued and unpaid interest on such Principal Amount so redeemed to the Redemption Date. "Outstanding Principal Amount", when used with reference to the Bond, shall mean, as of a particular date, that portion of the Principal Amount of the Bond which has not yet matured and become due and payable, and which has not, in fact, been paid or provision made for such payment.

(b) Redemption Upon Graduation. The City hereby acknowledges the provisions of 7 U.S.C. 1983(3) and the right and ability of the FmHA to require redemption of the entire Outstanding Principal Amount of the Bond in accordance therewith.

The City shall give notice of any call for redemption and payment of the Bond pursuant to the provisions of sub-paragraph (a) above, to the Paying Agent at least Sixty (60) days prior to the Redemption Date; and the Paying Agent shall thereupon give notice in writing of such call for redemption and payment by United States first-class mail to the Owner of the Bond not less than Thirty (30) days prior to the Redemption Date.

Prior to the Redemption Date, the City shall deposit with the Paying Agent sufficient moneys to pay the Outstanding Principal Amount or portion thereof of the Bond so called for redemption and payment together with all accrued and unpaid interest thereon to the Redemption Date. Upon the deposit of said moneys, and the giving of notice in the form and manner hereinbefore specified, the Outstanding Principal Amount or portion thereof of the Bond thus called for redemption shall cease to bear interest from and after the Redemption Date. The unredeemed portion of the Outstanding Principal Amount of the Bond, however, if any, shall continue to bear interest as provided herein.

SECTION 4. Execution. The Bond shall be executed for and on behalf of the City by the manual or facsimile signature of the Mayor and attested by the manual or facsimile signature of the City Clerk, and shall have impressed or imprinted thereon the seal of the City or a facsimile thereof. The City Clerk shall register the Bonds in her office and shall execute the certificate on the Bonds to that effect by manual or facsimile signature. The State Treasurer shall register the Bonds in the municipal bond register in her office and shall execute the certificate of the State Treasurer on the Bond to that effect, by manual signature and shall have impressed or imprinted thereon the official seal of the State Treasurer or a facsimile thereof. In case any officer of the City, County or of the State whose signature or whose facsimile signature shall appear on the Bond shall cease to be such officer before the delivery of such Bond, such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes, the same as if he or she remained in office until delivery.

The Bond shall contain recitals as required by the laws of the State of Kansas, including a recital that said Bond is issued pursuant to the authority of K.S.A. 10-101 et seq., K.S.A. 10-1201, et seq., and K.S.A. 10-620 et seq., and all acts supplementary thereto. When executed by the signatures of the Mayor and City Clerk, registered as herein provided, said Bond shall import absolute verity and shall be conclusive in favor of all persons purchasing said Bond of the fact that all conditions precedent have been had and performed and exist in due and proper form to authorize the issuance thereof.

SECTION 5. Authentication by Bond Registrar. No Bond shall be valid or obligatory for any purpose unless and until a Certificate of Authentication on such Bond substantially in the form hereinafter set forth shall have been duly executed by the Bond Registrar and such executed certificate of the Bond Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance. The Bond Registrar's Certificate of Authentication on any Bond shall be deemed to have been executed by it if manually signed by an authorized officer or signatory. It shall not be necessary that the same officer or signatory manually sign the Certificate of Authentication on all of the Bonds issued hereunder.

SECTION 6. Payment of Costs of Issuance; Designation of Bond Registrar and Paying Agent. The City shall pay out of the proceeds of the Bonds the fees of the Bond Registrar for registration and transfer of the Bond and the cost of printing the reasonable supply of registered Bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond

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Registrar, are the responsibility of the owners. Pursuant to K.S.A. 10-620 et seq., the Governing Body of the City does hereby elect to have the provisions of the Kansas Bond Registration Law apply to the Bond and pursuant thereto, does hereby designate and appoint the Office of the State Treasurer in the City of Topeka, Kansas, as Bond Registrar and Paying Agent for the Bond and further hereby authorizes the Mayor and City Clerk to execute and deliver the Agreement Between Issuer and Agent between the City as Issuer and the State Treasurer as Agent for the purpose of appointing the State Treasurer as Bond Registrar and Paying Agent.

SECTION 7. Form. The Bond issued under this Ordinance and the Bond Registrar's Certificate of Authentication shall be substantially in the form hereinafter set forth in Exhibit "B" which is attached hereto and incorporated herein by reference as if fully set forth.

SECTION 8. Mutilated, Lost, Stolen or Destroyed Bond. In the event any Bond is mutilated, lost, stolen or destroyed, the City may execute a new Bond of like date, maturity, denomination and interest rate, as that mutilated, lost, stolen or destroyed; provided, that in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the City, and, in the case of any lost, stolen or destroyed Bond there shall be first furnished to the City evidence of such loss, theft or destruction satisfactory to the City, together with an indemnity satisfactory to the City. In the event any such Bond shall have matured or been called for redemption, instead of issuing a duplicate Bond, the City may pay the same without surrender thereof. The City may charge to the Owner of such Bond their reasonable fees and expenses in connection with replacing a Bond or Bonds mutilated, stolen, lost or destroyed.

SECTION 9. Non-Arbitrage Covenant. That so long as any of the principal of and interest on the Bond herein authorized remain outstanding and unpaid, the City covenants with each of the purchasers and Registered Owners of said Bond that it will make no use of the proceeds of the Bond herein authorized which, if such use had been reasonably expected on the date of issuance of such Bond, would have caused said Bond to be "arbitrage bond" within the meaning of Section 148 of the Internal Revenue Code of 1986, and the City will comply with and cause to be complied with, all applicable requirements of the Code and the rules and regulations of the United States Treasury Department thereunder for so long as any of said Bond remain outstanding and unpaid.

SECTION 10. General Tax Covenant. The City hereby covenants with each and all of the owners of the Bond, herein authorized, that so long as any of the Bond remains outstanding and unpaid, the City will make no use of the proceeds of the Bond which would violate the applicable provisions of the 1986 Internal Revenue Code relating to Tax Exempt obligations; and the City will take such action as may be necessary to comply with all applicable requirements of said Code and the rules and regulations of the United States Treasury Department thereunder for so long as any of the Bond remains outstanding and unpaid.

SECTION 11. Registration and Transfer. The City shall cause books for the registration and for the transfer of the Bond as provided in this Ordinance to be kept by the Bond Registrar.

Upon surrender for transfer of any Bond at such office, the Bond Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond of the same maturity for the aggregate principal amount which the Registered Owner is entitled to receive.

Any Bond presented for transfer, exchange, registration, redemption or payment (if so required by Bond Registrar) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to Bond Registrar, duly executed by the Registered Owner thereof or by his duly authorized attorney. The Bond Registrar may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

The City and the Bond Registrar shall not be required (a) to issue, register, transfer or exchange any Bond during a period beginning on the day following the Record Date preceding any Interest Payment Date and ending at the close of business on the Interest Payment Date, or (b) to register, transfer or exchange any Bond selected or called for redemption in whole or in part subsequent to the date notice of such redemption is given in accordance with Section 3 of this Ordinance.

Any new Bond delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Bond surrendered, shall be secured by this Ordinance and shall be entitled to all of the security and benefits hereof to the same extent as the Bond surrendered.

The person in whose name any Bond is registered shall be deemed the Owner thereof by the City and the Bond Registrar, and any notice to the contrary shall not be binding upon the City or the Bond Registrar.

SECTION 12. Cancellation and Destruction. Whenever any outstanding Bond shall be delivered to the Bond Registrar for cancellation pursuant to this Ordinance, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 11 hereof, such Bond shall be canceled and destroyed by the Bond Registrar and counterparts of a Certificate of Destruction describing the Bond so destroyed evidencing such destruction shall be furnished by the Bond Registrar to the City.

SECTION 13. Temporary Bonds. Until the definitive Bond is prepared, the City may execute, in the same manner as is provided in Section 4 hereof, and, upon the request of the City, the Bond Registrar shall authenticate and deliver, in lieu of a definitive Bond, but subject to the same provisions, limitations and conditions as the definitive Bond, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations of \$5,000.00 or any integral multiple thereof authorized by the City and with such omissions, insertions and variations as may be appropriate to temporary bonds. The City, at its own expense, shall prepare and execute and, upon the surrender of such temporary Bonds for exchange and upon the cancellation of such surrendered temporary Bonds, the Bond Registrar shall authenticate and, without charge to the Registered

Owner thereof, deliver in exchange therefor definitive Bonds of the same aggregate principal amount and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Ordinance.

If the City shall authorize the issuance of temporary Bonds in more than one denomination, the Registered Owner of any temporary Bond or Bonds may, at his option, surrender the same to the Bond Registrar in exchange for another temporary Bond or Bonds of like aggregate principal amount and maturity of any other authorized denomination or denominations, and thereupon the City shall execute and the Bond Registrar shall authenticate and, upon payment of any applicable taxes, fees and charges, shall deliver a temporary Bond or Bonds of like aggregate principal amount and maturity in such other authorized denomination or denominations as shall be requested by such Registered Owner.

All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Bond Registrar.

SECTION 14. Creation of Funds. There is hereby authorized, ordered, and directed to immediately be created and established within the Treasury of the City, the following separate Funds for the System:

- (a) "Sanitary Sewer System Revenue Fund" (the "Revenue Fund"),
- (b) "Sanitary Sewer System Construction Fund" (the "Construction Fund"),
- (c) "Sanitary Sewer System Debt Service Fund" (the "Debt Service Fund"), and within the Debt Service Fund, there shall be created the following account:
 - (i) "Payment Account for Sanitary Sewer System Utility Revenue Bond Series 1992" (the "Series 1992 Bond Payment Account"),
- (d) "Sanitary Sewer System Bond Reserve Fund" (the "Bond Reserve Fund"), and within the Bond Reserve Fund, there shall be created the following account:
 - (i) "Reserve Account for Sanitary Sewer System Utility Revenue Bond, Series 1992" (the "Series 1992 Bond Reserve Account"),
- (e) "Excess Earnings Fund for Sanitary Sewer System Utility Revenue Bond, Series 1992" (the "Excess Earnings Fund"), and
- (f) "Sanitary Sewer Surplus Fund" (the "Surplus Fund").

SECTION 15. Disposition of Proceeds. All proceeds, including accrued interest, if any, derived from the sale of the Bond, upon receipt thereof by the City, shall be deposited as follows:

(a) All accrued interest, if any, received as a part of purchase price shall be deposited into the Debt Service Fund for credit to the Series 1992 Bond Payment Account, and shall applied solely and only towards the first interest payment upon the Bond.

(b) The balance of the original proceeds shall be deposited into the Construction Fund and shall be used to pay the Construction Costs, including the Costs of Issuance. "Construction Costs" shall mean any costs and expenses incurred in connection with the construction and installation of the Improvements, including the refunding of any temporary financing, and also includes the Costs of Issuance. "Costs of Issuance" shall mean any and all expenses of whatever nature incurred in connection with the issuance and sale of the Bond, including, but not limited to, Bond printing and publication expenses, registration fees, fiscal advisory fees and expenses, and legal fees and expenses.

SECTION 16. Construction Fund; Construction of Improvements; Payment of Costs of Issuance. The City covenants that in constructing the Improvements it will perform all duties and obligations relative thereto as are now or may hereafter be imposed by K.S.A. 10-101 et seq., K.S.A. 10-1201 et seq., and K.S.A. 10-620 et seq., as amended and supplemented, and the provisions of this Ordinance. Withdrawals from the Construction Fund shall be made only upon duly authorized and executed warrants which are accompanied by a statement of the City Clerk to the effect that such payment is being made for a purpose within the scope of this Ordinance; provided, however, that no such certification shall be necessary in connection with moneys expended for retirement of the principal of and any interest on the Temporary Financing or for payment of the Costs of Issuance. Any moneys remaining in the Construction Fund upon the full and final completion of the Improvements and the payment of all Construction Costs shall be transferred to the Debt Service Fund for credit to the Series 1992 Bond Payment Account, and shall be applied toward payment of the next maturing Principal Payment on the Bond; and the Construction Fund shall thereafter be terminated.

SECTION 17. The Revenue Fund, Segregation and Disposition of Moneys. The City hereby covenants that so long as any of the Principal Amount of the Bond remains Outstanding and unpaid, all of the Revenues derived from the operations of the System will be paid to and deposited in the Revenue Fund created by Section 14 hereof, and that said Revenues will not be mingled with other moneys of the City. From and after the adoption of this Ordinance, the Revenue Fund shall be administered, used and distributed solely for the purposes as follows:

(a) The expenses of operating and maintaining the System shall first be paid currently as bills accrue, and such bills shall be paid by a proper system of vouchers. Such amounts as may be necessary in the opinion of the Governing Body to pay the reasonable and proper expenses of operating and maintaining the System for a period Sixty (60) days may be retained and accumulated in the Revenue Fund before making an authorized transfer therefrom.

(b) After providing for the payment of the expenses of operating and maintaining the System, commencing November 1, 1992 there shall next be set aside and transferred to the Debt Service Fund for the credit of the Series 1992 Bond Payment Account, amounts as follows:

- (1) An amount equal to a pro rata portion of the Paying Agent and Bond Registrar's fees for acting as such under this Ordinance which will next become due, plus

(2) An amount equal to the monthly pro rata portion of the Interest Payment which will mature and become due on the Bond on the next succeeding Interest Payment Date, plus

(3) An amount equal to the monthly pro rata portion of the Principal Payment which will mature and become due on the Bond, as shown on the Amortization Schedule, on the next succeeding Principal Payment Date,

such transfers required by the foregoing Subparagraphs (1), (2), and (3) to continue thereafter on the first day of each month until such time as the Bond is fully paid and retired or provision has been made therefor.

In determining the respective monthly amounts to be so transferred to the Debt Service Fund, moneys on hand in the Debt Service Fund for the credit of the Series 1992 Bond Payment Account from accrued interest, investment income or other sources shall be taken into consideration and the amount of the monthly transfers shall be reduced accordingly.

Moneys paid and credited to the Debt Service Fund as directed by this subsection shall be used and expended solely and only for the purpose of paying the Interest Payments and the Principal Payments, and the fees of the Paying Agent and Bond Registrar for acting as such, as and when the same shall become due and payable, whether upon the respective Interest Payment Dates or Principal Payment Dates or upon the redemption thereof prior to maturity, and for no other purpose.

The Debt Service Fund shall be considered a part of the Revenue Fund, and, together with the Bond Reserve Fund, is pledged to the payment of the Bond.

(c) After providing for the payment of the expenses of operating and maintaining the System and making the transfers required by Subparagraph (b) above, on the first day of each month, commencing November 1, 1992, there shall next be set aside and transferred to the Bond Reserve Fund for the credit of the Series 1992 Bond Reserve Account, the sum of Eight Hundred Ninety-Seven Dollars (\$897.00); and such monthly transfers shall continue until such time as there shall have accumulated for the credit of the Series 1992 Bond Reserve Account an amount equal to One Hundred Seven Thousand Five Hundred and Fifty-Six Dollars (\$107,556.00), which shall be the "Maximum Required Amount" required to be maintained for the credit of the Series 1992 Bond Reserve Account.

Moneys paid and credited to the Bond Reserve Fund as required by this subsection shall be used solely and only for the payment of the Interest Payments and/or the Principal Payments for which moneys might not otherwise be available, or to pay a like amount of the final maturing Principal Amount of the Bond.

When the Series 1992 Bond Reserve Account has reached, and is being maintained at, its Maximum Required Amount, no further credits thereto shall be required; except that, if at any time any portion thereof is expended and thereby reduces it to below the Maximum Required Amount, except for the purpose of paying and retiring a like amount of the final maturing Principal Amount of the Bond, then, after making all payments and credits at the time required to be made under the provisions of Subparagraphs (a) and (b) above, the aforesaid monthly transfers to the Bond Reserve Fund shall be resumed until the Series 1992 Bond Reserve Fund shall be again accumulated to the Maximum Required Amount.

The obligation to make the foregoing required transfers to the Bond Reserve Fund shall be subordinate to any obligation of the City to pay the principal of or the interest on any Parity Bond issued under the provisions of this Ordinance.

The Bond Reserve Fund shall be considered a part of the Revenue Fund, and, together with the Debt Service Fund, is pledged to the payment of the Bond.

(d) After making all payments and credits from the Revenue Fund at the time required to be made under the provisions of Subparagraphs (a), (b), and (c) above, all remaining moneys in the Revenue Fund, which shall not be required for the operation and maintenance of the System for the ensuing Sixty (60) day period, shall be transferred to the Surplus Fund. Moneys paid and credited to the Surplus Fund may be used for any one or more of the following purposes as shall be determined by the Governing Body:

- (1) To pay operating and maintenance expenses of the System;
- (2) To make payments into or increase the amounts in any of the Funds created by Section 14 hereof to cover potential deficiencies in or to anticipate future requirements of those Funds;
- (3) To pay the costs of making repairs to or of improving, extending or enlarging the System;
- (4) To pay prior to maturity or to purchase outstanding indebtedness of the System at the fair market price thereof;
- (5) To transfer moneys to the General Fund or any other lawfully instituted fund of the City to be used for any lawful City purpose, provided that, so long as any of the Principal Amount of the Bond remains Outstanding and unpaid and is held or insured by the FmHA, no moneys will be transferred as provided in this Subparagraph (5) without the prior written consent of the FmHA.

SECTION 18. Transfer to Paying Agent. The City is hereby authorized and directed to withdraw from the Debt Service Fund and forward to the Paying Agent sums sufficient to pay both principal of and premium, if any, and interest on the Bonds as and when the same become due, and also to pay the charges made by the Paying Agent for acting in such capacity in the payment of principal and interest on the Bonds, and said charges shall be forwarded to the Paying Agent over and above the amount of the principal of and interest on the Bonds.

SECTION 19. Notice of Insufficiency. If at any time the revenues derived by the City from the operation of its sewer utility system shall be insufficient to make any payment, deposit or credit on the date or dates hereinbefore specified, the City shall make good the amount of such deficiency by making

such payment, deposit or credit out of the first available revenues thereafter received by the City from the operation of said system.

SECTION 20. Deposits and Investment of Moneys in Funds; Excess Earnings Fund; Arbitrage Rebate Compliance Agreement.

(a) Cash moneys held in each Fund created by this Ordinance shall be deposited in a bank(s), or Federal or state chartered savings and loan association(s) with home offices located in Cherokee County, Kansas, as permitted by State law, which are located in the State and which are members of the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation, and all such deposits shall be adequately secured by the bank(s) or savings and loan association(s) holding such deposits in accordance with the laws of the State.

(b) Moneys held in the Revenue Fund, the Construction Fund, the Debt Service Fund, the Bond Reserve Fund and the Excess Earnings Fund created and established by Section 14 of this Ordinance, may be invested by the City in Authorized Investments, as hereafter defined in Section 21 hereof, or in other investments allowed by the laws of the State, and so long as the Bond is held or insured by the FmHA, investments which have been approved by the FmHA, in such amounts and maturing at such times as shall reasonably provide for moneys to be available when required in said Funds; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys so invested may be needed in the Fund for the purpose for which it was created and established; and provided further, that such moneys shall not be invested in such manner as will violate the provisions of the Arbitrage Rebate Compliance Agreement. All interest on any Authorized Investment made from the moneys in any Fund created and established by this Ordinance shall (except the amounts which are required to be deposited into the Excess Earnings Fund in accordance with the Arbitrage Rebate Compliance Agreement) accrue to and become a part of such originating Fund; except that, when the amount in the Bond Reserve Fund for the credit of the Series 1992 Bond Reserve Account has accumulated to and is being held at the Maximum Required Amount, then the interest on any Authorized Investment of the moneys held therein shall be transferred to, deposited in and become a part of the Debt Service Fund for the credit of the Series 1992 Bond Payment Account so that at no time shall the amount in the Bond Reserve Fund for the credit of the Series 1992 Bond Reserve Account ever contain in excess of the Maximum Required Amount. In determining the amount held in any Fund under the provisions of this Ordinance, Authorized Investments shall be valued at their principal par value or at their then redemption value, whichever is less. All investments made pursuant hereto shall be made in accordance with the Arbitrage Rebate Compliance Agreement.

(c) The City shall deposit into the Excess Earnings Fund such amounts as are required to be deposited therein pursuant to the Arbitrage Rebate Compliance Agreement. All earnings on investments of moneys held in the Excess Earnings Fund shall be retained in the Excess Earnings Fund. Subject to the payment provisions provided in Subsection (d) below, all amounts on deposit in the Excess Earnings Fund shall be held by the City in trust, to the extent required to satisfy the Excess Earnings Amount (as defined in the Arbitrage Rebate Compliance Agreement), for payment to the United State of America, and neither the City nor the Owner of the Bond shall have any right in or claim to such money. All amounts held in the Excess Earnings Fund shall be governed by this Section and by the Arbitrage Rebate Compliance Agreement.

(d) The City shall remit part or all of the balances in the Excess Earnings Fund to the United States of American in accordance with the Arbitrage Rebate Compliance Agreement. Any funds remaining in the Excess Earnings Fund after redemption and payment of all the Bonds and payment and satisfaction of any Rebate Amount, or provision having been made therefor, shall be withdrawn and released from the Excess Earnings Fund and shall be deposited into the Revenue Fund and be used only for System purposes.

(e) Notwithstanding any other provision of this Ordinance, including in particular the provisions of this Section, the City's obligation to remit the Rebate Amount to the United States of America and to comply with all other requirements of this Section and the Arbitrage Rebate Compliance Agreement shall survive the defeasance or payment in full of the Bonds.

(f) The City shall maintain records designed to show compliance with the provisions of this Section and the Arbitrage Rebate Compliance Agreement for at least Six (6) years after the date on which no Bonds shall remain Outstanding.

(g) The terms, conditions and provisions under which the City will perform its duties regarding the Excess Earnings Fund and any Rebate Amount are set forth in an "Arbitrage Rebate Compliance Agreement", dated as of the Date of Issuance. The form and text of the Arbitrage Rebate Compliance Agreement is hereby approved and accepted by the Governing Body, and all of the covenants, duties and responsibilities therein contained which are to be performed by and on behalf of the City are hereby declared to be the covenants, duties and responsibilities of the City as though fully set forth at this place. The Mayor and City Clerk are hereby authorized to execute and deliver the Arbitrage Rebate Compliance Agreement for and on behalf of the City. The entire text of the Arbitrage Rebate Compliance Agreement is by reference hereby incorporated in and made a part of this Ordinance as though fully set forth at this place; provided, however, the inclusion of the Arbitrage Rebate Compliance Agreement in the publication of this Ordinance shall not be required.

SECTION 21. "Authorized Investments" shall mean (i) investments authorized by K.S.A. 12-1675 and amendments thereto, (ii) Government Securities (as defined herein), (iii) the City's temporary notes issued under the authority of K.S.A. 1989 Supp. 10-123, and any amendments thereto, (iv) interest-bearing time deposits in commercial banks or trust companies located in the State which are insured by the Federal Deposit Insurance Corporation or Federal Savings and Loan Insurance Corporation or collateralized by Government Securities, (v) obligations of the Federal National Mortgage Association, Federal Home Loan

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Banks or the Federal Home Loan Mortgage Corporation, (vi) repurchase, agreements collateralized by obligations described in the preceding clause (vii) with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated "Prime-1" or "A3" or better by Standard & Poor's Corporation, provided (a) a master repurchase agreement or specific written repurchase agreement governs the transaction, (b) the securities are held free and clear of any lien by the Paying Agent or an independent third party acting solely as agent for the Paying Agent, and such third party is (1) a Federal Reserve Bank or (2) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$25,000,000, and the City shall have received written confirmation from such third party that it holds such securities free of any lien, as agent for the City, (c) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the City, (d) the repurchase agreement has a term of Thirty (30) days or less, or the City will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within Two (2) business days of such valuation, (e) the repurchase agreement matures at least Ten (10) days (or other appropriate liquidation period) prior to a debt service payment date, and (f) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least One Hundred Percent (100%), (vii) investment agreements with a bank or insurance company which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated "A3" or better by Moody's Investors Service, Inc., and "A-" or better by Standard & Poor's Corporation, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided (a) interest is paid at least semiannually at a fixed rate during the entire term of the agreement consistent with debt service payment dates, (b) moneys invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), (c) the agreement is not subordinated to any other obligations of such insurance company or bank, and (d) the City receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank, (viii) investments and shares or units of a money market fund or trust portfolio comprised entirely of securities described in the preceding clauses (ii) and (v), (ix) receipts evidencing ownership interests in securities or portions thereof described in the preceding clauses (ii) and (v), (x) municipal bonds or other obligations issued by any municipality of the State of Kansas as defined in K.S.A. 10-1101, which are general obligations of the municipality issuing the same and are rated in the three highest rating categories by Moody's Investors Service, Inc., or Standard & Poor's Corporation, or (xi) bonds of any municipality of the State of Kansas as defined in K.S.A. 10-1101, which have been refunded in advance of their maturity and are fully secured as to the payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in the preceding clauses (ii) and (v).

SECTION 22. Lien. The principal of and interest on the Bond shall be payable from the revenues derived from the rates, fees and charges collected by said City from the operation of its sewer utility system and not from any other fund or source. Said Bond shall not be or constitute a general obligation of said City. Said Bond shall constitute a first lien on the revenues produced from said City's Sanitary Sewer Utility System. The Bond herein authorized shall not have any priority over any other sanitary sewer utility system revenue bonds of the City hereafter issued in accordance with the provisions hereinafter contained which bonds shall stand on a parity with the Bond herein authorized nor shall any other sewer utility system revenue bonds of the City hereafter issued and payable from the revenues of the City's sewer utility system have any priority with respect to the payment of principal or interest out of such revenues over the series of Bond herein authorized. The Ordinance authorizing the issuance of any other sanitary sewer utility system bonds shall acknowledge the fact that the Bond may be called as a requirement of the FmHA as contained in 7 U.S.C. 1983(3) and 7 C.F.R. Part 1942.

SECTION 23. Covenants. The City covenants with each of the purchasers and owners of any of its Bond herein authorized, that so long as any of said Bond remain outstanding and unpaid:

(a) The City will fix, establish, maintain and collect such rates, fees or charges for the use of or services rendered by the sewer utility system of said City, including improvements, extensions and enlargements thereof, which rates, fees and charges shall be sufficient to pay the costs of operation, improvement and maintenance of said system, and to pay the principal of and interest on all bonds issued by said City against said system, and which rates, fees and charges will annually produce a net income, after the payment of operation and maintenance expenses, in an amount equal to 110% of the annual principal and interest requirements.

(b) None of the facilities or services offered by the sewer utility system of the City will be furnished to any user without a reasonable charge being made therefor.

(c) The City will maintain the sewer utility system in good repair and working order and will operate the same in an efficient manner and at reasonable costs.

(d) Except as may be permitted by Section 24 hereof, the City shall not mortgage, pledge or otherwise encumber the System or any part thereof or any extension, improvement or betterment thereof, nor shall it sell, lease or otherwise dispose of the System or any material part thereof. The City may, however, dispose of any property of the System which has become obsolete, non-productive or otherwise unusable to the advantage of the System. Any cash proceeds derived from the sale of such property shall be used to improve, extend or enlarge the System.

(e) The City hereby covenants that it will carry and maintain a reasonable amount of fire and extended coverage insurance upon the properties forming a part of the System insofar as they are of

an insurable nature, the amount of such insurance being such amount as would normally be carried by a municipal corporation engaged in a similar type of business; provided that, the amounts of such insurance to be so carried may be specified by the FmHA so long as the Bond is held or insured by it. In the event of loss or damage, the City will, with all reasonable dispatch, use the Net Proceeds of such insurance to reconstruct or replace the property damaged or destroyed, or, if such reconstruction or replacement be necessary, then in improving, extending or enlarging the System or to redeem or purchase on the open market any outstanding indebtedness of the System.

The City will also carry and maintain general liability insurance in amounts not less than the then maximum liability of a governmental entity for claims arising out of a single occurrence, as provided by the Kansas tort claims act or other similar future law (currently \$500,000 per occurrence).

All employees of the City handling any of the moneys deposited to various Funds created by Section 14 hereof shall at all times be bonded in an amount equal to the total moneys in such employees possession or custody at any one time, or, so long as the Bond is held by the FmHA, the amount required by the FmHA.

The cost of all insurance referred to in the Subparagraph (e) shall be paid out of the revenues of the system as an operating expense of the system.

(f) The City will install and maintain proper books, records and accounts in which complete and correct entries will be made of all dealings and transactions of or in relation to, the property, business and affairs of the City's sewer utility system. Such accounts shall show the amount of revenue received from said system, the application of such revenue, and all financial transactions in connection therewith. Said books shall be kept by the City according to standard accounting practices applicable to the operation of such a facility. The City operates its sewer utility system on the basis of the fiscal year coinciding with the calendar year. Annually, at the end of each fiscal year, the City will cause an audit to be made by a firm of certified public accountants of the operation of its sewer utility system, and if such audit shall disclose that proper provisions have not been made for all of the requirements of this Ordinance and the laws of the State of Kansas, then the Board shall promptly proceed to cause to be charged for the use of or services rendered by the sewer utility system, rates which will adequately provide for such requirements, laws and regulations. Said audit shall be completed within 90 days after the end of each fiscal year and a copy thereof shall be filed in the office of the City Clerk where it shall be open to public inspection. Duplicate copies of such audit shall be sent promptly by mail to FmHA District Office, 1322 South Grant, Suite B, Chanute, Kansas 66720.

(g) The holder of any of the Bonds shall have the right at all reasonable times to inspect the sewer utility system of the City and all records, accounts and data relating thereto, and any such holder shall be furnished by the City with such information concerning the system and operation thereof that it may reasonably request.

(h) The City will punctually perform all duties with respect to the operation of its sewer utility system now or hereafter imposed upon the City by the Constitution and laws of the State of Kansas and by the provisions of this Ordinance.

(i) As long as the Bond is held or insured by the FmHA, the City will refinance, in whole or in part, the Outstanding Principal Amount of the Bond upon the request of the FmHA if at any time it should appear to the FmHA that the City is able and authorized by law to so refinance by obtaining a loan for such purpose from responsible cooperative or private sources at reasonable rates and terms.

(j) As long as the Bond is held or insured by the FmHA, 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 Outstanding Principal Amount of the Bond unless either (i) the Bond, or the portion of the Outstanding Principal Amount thereof being so refunded, is paid, retired and canceled either concurrently with the issuance of such refunding revenue bonds or other obligations or at the first Interest Payment Date and/or Principal Payment Date occurring after the issuance of the refunding revenue bonds or other obligations, or (ii) consent to the issuance of such refunding revenue bonds or other obligations is given by the FmHA.

(k) To the extent permitted by law and so long as the United States of America is the owner or insurer of the Sewer Utility System Revenue Bond issued pursuant to this Ordinance, said Bond shall be subject to the terms of the Loan Resolution, Form FmHA 1942-7 adopted on August 18, 1992, a copy of which is attached hereto as Exhibit C and made a part hereof.

SECTION 24. Additional Bonds. The City hereby covenants and agrees that so long as any of the Principal Amount of the Bond remains Outstanding and unpaid, it will not issue any additional revenue bonds or other obligations payable from the Revenues, or any part thereof, which are superior in lien, security or otherwise to the lien of the Bond on the Revenues.

The City may, however, issue additional bonds for extensions, enlargements and improvements to the System, which additional bonds shall be co-equal in stature and priority to the Bond (the "Parity Bonds"), but only if each and all of the following conditions are met:

(a) When the issuance of Parity Bonds of equal stature and priority to existing revenue bonds of the system is permitted by State statutes; and the issuance of such Parity Bonds will not affect the exclusion of the interest on the Bond from gross income for purposes of Federal income taxation.

(b) When the prior written consent of the FmHA has been obtained, so long as FmHA is the owner or insurer of the bond or any portion thereof.

(c) When the annual Net Income of the System for the year next preceding the issuance of such Parity Bonds, together with estimated additional Net Income from rate increases in existence at the time of the issuance of such Parity Bonds which would have been generated for the year preceding such issuance, shall be in an amount equal to at least One Hundred Twenty Percent (120%) of the total combined average annual principal and interest requirements on all then outstanding indebtedness of the System, plus

that of the Parity Bonds; provided that, however, it is provided in this Section that an estimate be obtained of the Net Income which would have been derived from such rate increases, such estimate shall be prepared by an independent consulting engineer qualified by experience and recognition to perform such verification;

(d) When the Bond Reserve Fund created by Section 14 hereof is at its Maximum Required Amount;

(e) When an appropriate bond reserve shall be established for such Parity Bonds to which deposits will be made in an amount at least equal to an amount which shall be determined by applying the same proportionate ratio to the principal amount of the Parity Bond as the Principal Amount of the Bond bears to the deposits required by made to the Bond Reserve Fund by Section 17 hereof;

(f) When the City shall not be in default in the making of any other payments at the time required to be made by it into the respective Funds created and established by this Ordinance, and shall not be in default in any other covenants or procedures established by this Ordinance or by any other ordinance of the City authorizing indebtedness of the System;

(g) When funds or accounts for the payment of such Parity Bonds are created and established by the ordinance authorizing such Parity Bonds completely separate and distinct from any of the Funds created and established by this Ordinance for the payment of the Bond;

(h) When the ordinance authorizing the issuance of such Parity Bonds shall additionally contain substantially the same terms, conditions, covenants and procedures as are established in and by this Ordinance; and

(i) When the ordinance authorizing the issuance of such Parity Bonds shall acknowledge the fact that the Bond may be called as a requirement of the FmHA as contained in 7 U.S.C. 1983(3) and 7 C.F.R. Part 1942, so long as FmHA is the owner or insurer of the bond or any portion thereof.

Any Parity Bonds issued under the conditions hereinbefore in this Section set forth which are payable from the Revenues of the operation of the System (the "Revenues") shall stand on a parity with the Bond, and shall enjoy complete equality of the lien on and the claim against the Revenues as the Bond; and the City shall make equal provision for paying the Parity Bonds and the interest thereon out of the Revenues, and shall likewise provide for the creation of a reasonable debt service fund for the payment of the Parity Bonds and the interest thereon, and for reasonable reserves, from the Revenues.

Nothing contained in this Section shall prohibit or restrict the right of the City to issue additional revenue bonds or other obligations of the system for the purpose of reconstructing, altering, repairing, improving, extending or enlarging the System and to provide that the principal and interest thereof shall be paid from the Revenues; provided that at the time such additional revenue bonds or other obligations are issued, the City shall not be in default in the performance of any covenant or agreement contained in this Ordinance; that the prior written consent of the FmHA to the issuance of such additional revenue bonds or other obligations has been obtained; and provided further that such additional revenue bonds or other obligations shall be junior and subordinate to the Bond, so that if any time the City shall be in default in the payment of any Interest Payments or Principal Payments, or if the City shall be in default in making any other payments required to be made by it under the provisions of this Ordinance, it shall make no payments of either the principal of or the interest on the junior and subordinate additional revenue bonds or other obligations until said default or defaults under the covenants, agreements and conditions contained in this Ordinance shall be cured and no longer existing on the part of the City. In the event of the issuance of any junior and subordinate revenue bonds or other obligations, the City, subject to the provisions aforesaid, may make provision for the payment of the interest on and the principal of said junior and subordinate revenue bonds or to the obligations out of the Revenues of the operation of the System.

SECTION 25. Default; Events of Default; Acceleration of Maturity in Event of Default. If any of the following events occur, it shall be defined as and declared to be and to constitute an "Event of Default" within the meaning of this Ordinance:

- (a) Default in the due and punctual payment of any Interest Payment on the Bond;
- (b) Default in the due and punctual payment of any Principal Payment on the Bond;
- (c) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the City contained in this Ordinance or in the Bond, and continuance thereof for a period of Thirty (30) days after written notice of such default has been given to the City by the Paying Agent or by the FmHA or by the Owner.

Upon the happening of an Event of Default as described herein, the FmHA or the Owner may, by written notice to the City, filed in the office of or delivered in person to the City Clerk, declare the entire Outstanding Principal Amount of the Bond to be immediately due and payable; and upon any such declaration given as aforesaid, all of such Outstanding Principal Amount shall become and be immediately due and payable, anything in this Ordinance or in the Bond contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the Outstanding Principal Amount of the Bond shall have been so declared to be due and payable, all arrears of Interest Payments, except Interest Payments accrued but not yet due, and all arrears of Principal Payments shall have been paid in full, or such other Event of Default be otherwise cured, then and in every such case, the FmHA or the Owner, as the case may be, by written notice to the City given as hereinbefore specified, may rescind and annul such declaration and its consequence, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon.

SECTION 26. Contract. The provisions of this Ordinance, including the covenants and agreements hereinbefore contained, shall constitute a contract between the City and the holders of the Bond herein authorized.

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Nothing contained in this Ordinance, however, 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 Bond herein authorized.

No remedy conferred hereby upon any holder of the Bond herein authorized is intended to be exclusive of any other remedy, but each such remedy is cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred hereby. No waiver of any default or breach of duty or contract by the holder of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. No delay or omission of the holder 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 holders of the Bond may be enforced and exercised from time to time and as often as may be deemed expedient. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, or shall be determined adversely to the holders of the Bond, then, and in every such case, the City and the holders of the Bond shall be restored to their former positions and rights and remedies as if no such suit, action or other proceeding had been brought or taken.

SECTION 27. Amendment. The provisions of the Bond authorized by this Ordinance and the provisions of this Ordinance may be modified or amended at any time by the City by Ordinance duly adopted by the City's Mayor or City Clerk without the consent of or notice to any of the holders of the Bond, for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission in this Ordinance or to make any other change not prejudicial to the holders of the Bond; (b) to grant to or confer upon the holders of the Bond any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the holders of the Bond; (c) to more precisely identify the Improvements; and (d) to conform such Ordinance to the 1986 Internal Revenue Code, as hereafter amended, or future applicable federal law concerning tax exempt obligations; provided, however, that no such modification or amendment shall permit or be construed as permitting (a) the extension of the maturity of the principal of the Bonds herein authorized, or the extension of the maturity of any interest on any Bond herein authorized, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a reduction in the aggregate principal amount of the Bond; the consent of the holders of 100% of the outstanding Bond are required for any such amendment or modification. Every amendment or modification of a provision of the Bond or of this Ordinance to which the written consent of the bondholders is given as above provided shall be expressed in a resolution of the City amending or supplementing the provisions of this Ordinance and shall be deemed to be a part of this Ordinance. It shall not be necessary to note on the outstanding Bond any reference to such amendment or modification, if any. A certified copy of each such amendatory or supplemental resolution, 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 holder of any Bond or prospective purchaser or holder 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 resolution or of this Ordinance will be sent by the City Clerk to any such bondholder or prospective bondholder.

SECTION 28. Sale of the Bonds. The Bonds shall be sold and delivered to the original purchaser thereof, FmHA, upon payment of the purchase price thereof, being the principal amount thereof and accrued interest, if any, from the date of the Bond to the date of delivery.

SECTION 29. Authorization of Execution. The Mayor and City Clerk are hereby authorized and directed to prepare and execute in the manner hereinbefore specified the Bond of the City herein authorized, and to cause said Bond to be registered as provided by law and by this Ordinance.

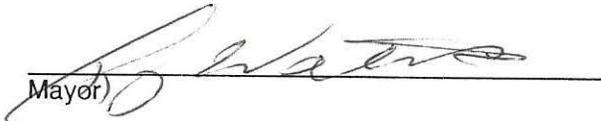
SECTION 30. Further Authority. The Mayor and City Clerk, together with all officers, employees, agents and representatives of the City are hereby further authorized and directed to take or cause to be taken all actions necessary or desirable for the purpose of carrying out and giving effect to the transactions contemplated by this Ordinance.

SECTION 31. "Qualified Tax Exempt Obligation" Designation. The City does hereby elect and designates the Series 1991-A Bond as a "Qualified Tax-Exempt Obligation" as defined in Section 265(b)(3) of the Internal Revenue Code of 1986 (the "1986 Code"). The City represents and warrants that it is a political subdivision and that it reasonably anticipates and hereby represents and warrants that it will not issue during calendar year 1992 qualified tax exempt obligations in an amount in excess of \$10,000,000.00.

SECTION 32. Invalidity. If any part of this Ordinance shall be held invalid, the invalidity thereof shall not affect the other provisions of this Ordinance.

SECTION 33. Effective Date. This Ordinance shall take effect and be in force from and after its passage and adoption.

PASSED AND ADOPTED by the governing body of the City of Galena, Kansas, this 1st day of September, 1992.



Mayor

ATTEST:



City Clerk

EXHIBIT A

<u>Principal Payment Date</u>	<u>Outstanding Principal Payment</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
9-23-93	\$15,300	\$1,830,200	5.00
9-23-94	16,000	1,814,200	5.00
9-23-95	16,900	1,797,300	5.00
9-23-96	17,700	1,779,600	5.00
9-23-97	18,600	1,761,000	5.00
9-23-98	19,500	1,741,500	5.00
9-23-99	20,500	1,721,000	5.00
9-23-00	21,500	1,699,500	5.00
9-23-01	22,600	1,676,900	5.00
9-23-02	23,700	1,653,200	5.00
9-23-03	24,900	1,628,300	5.00
9-23-04	26,100	1,602,200	5.00
9-23-05	27,500	1,574,700	5.00
9-23-06	28,800	1,545,900	5.00
9-23-07	30,300	1,515,600	5.00
9-23-08	31,800	1,483,800	5.00
9-23-09	33,300	1,450,500	5.00
9-23-10	35,100	1,415,400	5.00
9-23-11	36,700	1,378,700	5.00
9-23-12	38,700	1,340,000	5.00
9-23-13	40,500	1,299,500	5.00
9-23-14	42,600	1,256,900	5.00
9-23-15	44,700	1,212,200	5.00
9-23-16	46,900	1,165,300	5.00
9-23-17	49,300	1,116,000	5.00
9-23-18	51,700	1,064,300	5.00
9-23-19	54,400	1,009,900	5.00
9-23-20	57,000	952,900	5.00
9-23-21	59,900	893,000	5.00
9-23-22	62,900	830,100	5.00
9-23-23	66,000	764,100	5.00
9-23-24	69,400	694,700	5.00
9-23-25	72,800	621,900	5.00
9-23-26	76,500	545,400	5.00
9-23-27	80,300	465,100	5.00
9-23-28	84,300	380,800	5.00
9-23-29	88,500	292,300	5.00
9-23-30	92,900	199,400	5.00
9-23-31	97,600	101,800	5.00
9-23-32	101,800	-0-	5.00

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The outstanding Principal Amount of the Bond, or any portion thereof, is callable prior to maturity at the Issuer's option on any date at a Redemption Price equal to the par value of the Principal Amount so redeemed plus accrued Interest thereon to the Redemption Date, and without premium.

The Paying Agent shall give Notice of any call for redemption and payment in writing to the Owner not less than 30 days prior to any Redemption Date. Interest shall cease to accrue on the Redemption Date on any redeemed portion of the Principal Amount of the Bond if notice of such redemption has been properly given and if sufficient funds shall have been deposited with the Paying Agent to pay the portion of the Principal Amount of the Bond so called and the interest thereon to the Redemption Date. The entire outstanding Principal Amount of Bond is also subject to redemption prior to maturity in accordance with the provisions of 7 USC 1983(3), as specified in the Bond Ordinance.

CITY CLERK'S CERTIFICATE

STATE OF KANSAS)
) ss:
CHEROKEE COUNTY)

I, the undersigned, City Clerk of the City of Galena, Cherokee County, Kansas, hereby certify that the within Sewer Utility System Revenue Bond, Series 1992-B, of the City of Galena, Cherokee County, Kansas, has been duly registered in my office according to law on September 1, 1992.

City Clerk of the City of Galena, Cherokee County, Kansas

The Issuer and the Bond Registrar may deem and treat the entity or individual in whose name this Bond is registered as the absolute Owner hereof for the purpose of receiving payment of, or on account of, the Principal Amount hereof or the Interest Payments hereon, and for all other purposes.

This Bond is transferable by the Owner in person or by its agent duly authorized in writing at the principal office of the Bond Registrar, but only in the manner, subject to the limitations and upon payment of the charges provided in the Bond Ordinance. The Issuer shall pay out of the proceeds of the Bond all costs incurred in connection with the issuance, transfer, exchange, registration, redemption or payment of the Bond, except (i) reasonable fees and expenses in connection with the replacement of a Bond mutilated, stolen, lost or destroyed or (ii) any tax or other governmental charge imposed in relation to the transfer, exchange, registration, redemption or payment of the Bonds.

CERTIFICATE OF STATE TREASURER

OFFICE OF THE STATE TREASURER, STATE OF KANSAS

I, SALLY THOMPSON, Treasurer of the State of Kansas, do hereby certify that a transcript of the proceedings leading up to the Issuance of this Bond has been filed in my office and that this Bond was registered in my office according to law on _____, 1992.

WITNESS my hand and official seal.

(Seal) SALLY THOMPSON
Treasurer of the State of Kansas

By _____
Assistant State Treasurer

AMORTIZATION SCHEDULE

Payment Date	Principal Payment	Principal Amount	Payment Date	Principal Payment	Principal Amount	Payment Date	Principal Payment	Principal Amount	Payment Date	Principal Payment	Principal Amount
9-23-93	\$15,300	\$1,830,200	9-23-03	24,900	1,628,300	9-23-13	40,500	1,299,500	9-23-23	66,000	764,100
9-23-94	16,000	1,814,200	9-23-04	26,100	1,602,200	9-23-14	42,600	1,256,900	9-23-24	69,400	694,700
9-23-95	16,900	1,797,300	9-23-05	27,500	1,574,700	9-23-15	44,700	1,212,200	9-23-25	72,800	621,900
9-23-96	17,700	1,779,000	9-23-06	28,800	1,545,900	9-23-16	46,900	1,165,300	9-23-26	76,500	545,400
9-23-97	18,600	1,761,000	9-23-07	30,300	1,515,600	9-23-17	49,300	1,116,000	9-23-27	80,300	465,100
9-23-98	19,500	1,741,500	9-23-08	31,800	1,483,800	9-23-18	51,700	1,064,300	9-23-28	84,300	380,800
9-23-99	20,500	1,721,000	9-23-09	33,300	1,450,500	9-23-19	54,400	1,009,900	9-23-29	88,500	292,300
9-23-00	21,500	1,699,500	9-23-10	35,100	1,415,400	9-23-20	57,000	952,900	9-23-30	92,900	199,400
9-23-01	22,600	1,676,900	9-23-11	36,700	1,378,700	9-23-21	59,900	893,000	9-23-31	97,600	101,800
9-23-02	23,700	1,653,200	9-23-12	38,700	1,340,000	9-23-22	62,900	830,100	9-23-32	101,800	-0-

LEGAL OPINION

The undersigned, City Clerk of Galena, Kansas, hereby states that the following is a true and correct copy of the complete final legal opinion of Bonwell, Foster, Borniger & Ellis, Bond Counsel, Wichita, on the within Bond and the Series of which said Bond is a part, except that said opinion omits the date of such opinion, that said legal opinion was manually executed and was dated and Issued as of the date of delivery of and payment for such Bonds, and a copy of said opinion, manually signed, is on file with the undersigned.

Jeanie Holstrom
City Clerk

We have acted as Bond Counsel in connection with the Issuance by the City of Galena, Kansas (the "Issuer"), of its Sewer System Utility Revenue Bond, Series 1992-B, in the original principal amount of \$1,845,500.00 (the "Bond"). The Bond is dated as of September 23, 1992; the principal amount thereof matures in annual installments in the years and in the amounts as set forth on the amortization Schedule printed on the Bonds; and the outstanding and unpaid principal amount of the Bonds bears interest at the rate of five (5%) percent per annum, such interest being payable semiannually on March 23 and September 23 in each year beginning September 23, 1993, all as provided in the Ordinance authorizing the Bond (the "Bond Ordinance") which has been adopted by the Issuer's Governing Body. The bond is initially issued as one fully registered Bond in the denomination of \$1,845,500.00 the outstanding principal amount of the Bonds is subject to redemption and payment prior to maturity as provided in the Bond Ordinance.

The installment payments of the principal amount of and the interest on the Bond shall be payable in lawful money of the United States of America by mailing of check or draft of the Treasurer of the State of Kansas, Topeka, Kansas (the "Paying Agent" and "Bond Registrar"), to the Registered Owner of the Bond at its address appearing on the Registration Books maintained by the Bond Registrar, or at such other address as the Registered Owner furnishes in writing to the Bond Registrar. Upon the full and final payment of the Bond, the Registered Owner shall be required to surrender it to the Bond Registrar for cancellation.

The Bond has been authorized and is issued pursuant to K.S.A. 10-101 et seq. and K.S.A. 10-620 et seq., as amended and supplemented, and under the authority of K.S.A. 10-1201 et seq., as amended and supplemented (the "Act") and the Bond Ordinance for the purpose of paying a portion of the costs of constructing improvements to the Sanitary Sewer Utility System owned and operated by the Issuer (the "System").

We have examined a certified Transcript of Proceedings relating to the authorization and issuance of the Bond. We have also examined the Constitution and statutes of the State of Kansas insofar as the same relate to the authorization and issuance of the Bond, and also the initial executed, registered Bond.

Based upon such examinations, we are of the opinion as of the date hereof as follows:

- The Bond is in proper form and has been duly authorized and issued in accordance with the Constitution and statutes of the State of Kansas, and the bond Ordinance.
- The Bond is a valid and legally binding special obligation of the Issuer, payable as to the principal amount of and interest thereon solely and only from, and the payment of such principal and interest is secured by, an irrevocable pledge of and a first and prior lien on the revenues derived by the Issuer from the operations of the System, including revenues derived

from any extensions and improvements to the System hereafter constructed or acquired, after providing only for the payment of operating and maintenance expenses, and the Bond is not payable in any manner from funds raised by taxation. The Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision, limitation or restriction.

3. The Bond Ordinance has been duly adopted by the Issuer's Governing Body, and the covenants and agreements made therein for the purpose of providing the necessary funds for and safeguarding the payment of the Bond are valid and legally binding on the Issuer. Such covenants and agreements include a covenant to fix, maintain and collect rates, fees and charges for the use and services of the System as will provide sufficient funds to pay the principal of and the interest on the Bond as and when due and to provide reasonable and adequate reserve funds.

4. Under existing law, the Bond is exempt from intangible personal property taxes levied by Kansas counties, cities or townships, and the interest on the Bond is excludable from the computation of Kansas adjusted gross income for taxable years commencing after December 31, 1987.

5. Under existing law, the interest on the Bond (i) is excludable from gross income from Federal income tax purposes, and (ii) is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals and corporations. However, it should be noted that with respect to corporations (as defined for Federal income tax purposes), such interest is taken into account in determining adjusted net book income for the purpose of computing the alternative minimum tax imposed on such corporations. The exclusion mentioned in the preceding clause (i) is subject to compliance by the Issuer with all requirements of the Internal Revenue Code of 1986, as amended (the "Code") which must be satisfied subsequent to the issuance of the Bond in order for the interest on the Bond to qualify for such exclusion. Failure to comply with certain of such requirements could cause the interest on the Bond to be included in gross income retroactive to the Date of Issuance of the Bond. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bond are to be invested, and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the United States Treasury Department. The Issuer has covenanted to comply with all such requirements. We express no opinion regarding other Federal tax consequences arising with respect to the Bond.

6. The Issuer has designated the Bond as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code; and, in the case of certain financial institutions within the meaning of Section 265(b)(5) of the Code, a deduction is allowed for 80% of that portion of such financial institution's interest expense allocable to the interest on the Bond.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of any Official Statement or other offering material relating to the Bond and we express no opinion relating thereto.

It is understood that the rights of the Registered Owner of the Bond and the enforceability of the Bond and the Bond Ordinance may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

BONWELL, FOSTER, BORNIGER & ELLIS

BOND ASSIGNMENT

FOR VALUE RECEIVED, the undersigned does (do) hereby sell, assign and transfer to _____
(Name and Address)

(Social Security or Taxpayer Identifying No.)

the bond to which this assignment is affixed in the outstanding principal amount of \$ _____, standing in the name of the undersigned on the books of the Treasurer of the State of Kansas (the Bond Registrar). The undersigned does (do) hereby irrevocably constitute and appoint _____ as attorney to transfer said Bond, on the books of the Bond Registrar, with full power of substitution in the premises.

Dated _____.

Signature guaranteed: _____

(Bank, Trust Company or Firm)

(Authorized Officer)

Name _____

Account No. _____

Signature _____
(Sign Here Exactly as Name or Names Appear on the Face of Certificate)