

**PRELIMINARY OFFICIAL STATEMENT**

**NEW ISSUE – BOOK-ENTRY ONLY**

**[INSURED RATING: S&P “AA”]  
UNDERLYING RATING: S&P “\_”**

*In the opinion of Gilmore & Bell, P.C., Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the “Code”): (1) the interest on the Series 2021 Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; (2) the interest on the Series 2021 Bonds is exempt from income taxation by the State of Kansas; and (3) the Series 2021 Bonds have not been designated as “qualified tax-exempt obligations” within the meaning of Code § 265(b)(3). See “TAX MATTERS – Opinion of Bond Counsel” in this Official Statement.*

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**CHISHOLM CREEK UTILITY AUTHORITY  
WATER AND WASTEWATER FACILITIES REFUNDING AND IMPROVEMENT REVENUE BONDS  
(CITIES OF BEL AIRE AND PARK CITY, KANSAS PROJECT)  
SERIES 2021**

**Dated: June 10, 2021**

**Due: September 1, As shown on the inside cover**

The above-captioned bonds (the “Series 2021 Bonds”) will be issued by the Chisholm Creek Utility Authority (the “Authority” or the “Issuer”), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series 2021 Bonds. Purchases of the Series 2021 Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). Purchasers will not receive certificates representing their interests in Series 2021 Bonds purchased. So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee of DTC, references herein to the Series 2021 Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Series 2021 Bonds. Principal will be payable annually on September 1 beginning in 20[21] as shown on the inside cover, and semiannual interest will be payable on March 1 and September 1, beginning on September 1, 2021 (the “Interest Payment Dates”). Principal will be payable upon presentation and surrender of the Series 2021 Bonds by the registered owners thereof at the office of The Bank of New York Mellon Trust Company, N.A., as paying agent and bond registrar (the “Paying Agent” and “Bond Registrar”). Interest payable on each Series 2021 Bond shall be paid to the persons who are the registered owners of the Series 2021 Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner, or in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Series 2021 Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Series 2021 Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

[ The scheduled payment of principal of and interest on the Series 2021 Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**



The Series 2021 Bonds are special obligations of the Authority payable solely from, and secured as to the payment of principal and interest by a pledge of, the Trust Estate under the Bond Resolution and Indenture (as herein defined), including the payments to be received by the Authority under Water Supply and Wastewater Service Agreements (the “Original Service Agreements”) as amended by the First through Fifth Supplemental Water Supply and Wastewater Service Agreements, and the Sixth Supplemental Water Supply and Wastewater Service Agreement, dated June 10, 2021 (collectively, the “Service Agreements”) with the Cities of Park City, Kansas and Bel Aire, Kansas, municipalities that are, through an interlocal cooperation agreement, the members (the “Contracting Members”) of the Authority. The Series 2021 Bonds shall stand on a parity and be equally and ratably secured with the Issuer’s outstanding, Series 2007 Bonds, Series 2012 Bonds, Series 2015 Bonds and Series 2017 Bonds (as defined herein) and other additional bonds under the Indenture. The obligation of each Contracting Member to make payments under its Service Agreement is a limited obligation of the Contracting Member payable solely from the revenues of the Water and Wastewater Utility System of the Contracting Member, as such are pledged to pay such obligation. The Series 2021 Bonds do not constitute a debt of the State of Kansas or of any political subdivision or instrumentality thereof, other than the Authority, and neither the full faith and credit nor the appropriation or taxing powers of the State of Kansas, any Contracting Member or any other political subdivision is pledged to the payment of the Series 2021 Bonds. The Authority has no taxing power. See “THE SERIES 2021 BONDS – Security for the Series 2021 Bonds” herein.

**MATURITY SCHEDULE LISTED ON INSIDE COVER PAGE**

The payment of the principal of, redemption premium, if any, and interest on the Series 2021 Bonds is subject to certain risk factors and investment considerations as described under the caption “RISK FACTORS AND INVESTMENT CONSIDERATIONS” herein. The Series 2021 Bonds are subject to redemption prior to maturity as described herein. See “THE SERIES 2021 BONDS – Redemption Provisions” herein.

The Series 2021 Bonds are offered when, as and if issued by the Issuer, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. Certain other legal matters will be passed upon by Russ Hazelwood, Esq., counsel for the Issuer. It is expected that the Series 2021 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about June 10, 2021.

**[UNDERWRITER]**

*THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. “APPENDIX C – SUMMARY OF FINANCING DOCUMENTS” CONTAINS DEFINITIONS USED IN THIS OFFICIAL STATEMENT.*

\*Preliminary; Subject to Change

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**CHISHOLM CREEK UTILITY AUTHORITY**  
**WATER AND WASTEWATER FACILITIES REFUNDING AND IMPROVEMENT REVENUE BONDS**  
**(CITIES OF BEL AIRE AND PARK CITY, KANSAS PROJECT)**  
**SERIES 2021**

**MATURITY SCHEDULE**

**SERIAL BONDS**

<u>Stated</u> <u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield</u>	<u>CUSIP</u> <sup>1</sup> <u>Base</u> <u>170123</u>	<u>Stated</u> <u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield</u>	<u>CUSIP</u> <sup>1</sup> <u>Base</u> <u>170123</u>
2021	\$	___%	___%		2032	\$	___%	___%	
2022		___%	___%		2033		___%	___%	
2023		___%	___%		2034		___%	___%	
2024		___%	___%		2035		___%	___%	
2025		___%	___%		2036		___%	___%	
2026		___%	___%		2037		___%	___%	
2027		___%	___%		2038		___%	___%	
2028		___%	___%		2039		___%	___%	
2029		___%	___%		2040		___%	___%	
2030		___%	___%		2041		___%	___%	
2031									

**[TERM BONDS**

<u>Stated</u> <u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Amount*</u>	<u>Annual</u> <u>Rate of</u> <u>Interest</u>	<u>Yield</u>	<u>CUSIP</u> <sup>1</sup> <u>Base</u> <u>170123:</u>
2041	\$	___%	___%	]

(All plus accrued interest, if any)

<sup>(1)</sup> CUSIP numbers have been assigned to this issue by CUSIP Global Services, a division of S&P Global, Inc., and are included solely for the convenience of the Owners of the Series 2021 Bonds. Neither the Issuer nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

**[ASSURED GUARANTY MUNICIPAL CORP. (“AGM”) MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE SERIES 2021 BONDS. IN ADDITION, AGM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AGM SUPPLIED BY AGM AND PRESENTED UNDER THE HEADING “BOND INSURANCE” AND “APPENDIX E – SPECIMEN BOND INSURANCE POLICY”.]**

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**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2021 BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.**

**THE SERIES 2021 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE SERIES 2021 BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2021 BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE SERIES 2021 BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

**THIS OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE “FORWARD-LOOKING STATEMENTS” AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS “ESTIMATE,” “INTEND,” “EXPECT” AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.**

**THIS PRELIMINARY OFFICIAL STATEMENT IS DEEMED TO BE FINAL (EXCEPT FOR PERMITTED OMISSIONS) BY THE ISSUER FOR PURPOSES OF COMPLYING WITH RULE 15c2-12 OF THE SECURITIES AND EXCHANGE COMMISSION.**

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.**

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**CHISHOLM CREEK UTILITY AUTHORITY**

5551 N. Broadway  
Park City, Kansas 67219  
316-838-4748

**OFFICERS**

<u>Name</u>	<u>Title</u>
Raymond Mann	Chairman
Jeff Elshoff	Vice Chairman
Brandi Baily	Secretary
Jim Benage	Treasurer
Melvin Kerr	Commissioner
Justin Smith	Commissioner

**CONTRACTING MEMBERS**

**CITY OF BEL AIRE, KANSAS**

**CITY OF PARK CITY, KANSAS**

**Elected Officials**

**Elected Officials**

<u>Name</u>	<u>Title</u>
Jim Benage	Mayor
Jeff Elshoff	Councilmember
Dr. Joel Schroeder	Councilmember
Justin Smith	Councilmember
John Welch	Councilmember
Diane Wynn	Councilmember

<u>Name</u>	<u>Title</u>
Raymond Mann	Mayor
Brandi Baily	Councilmember
Jim Schroeder	Councilmember
John Lehnerr	Councilmember
Ben Saucedo	Councilmember
George Glover	Councilmember
George Capps	Councilmember
Thomas Jones	Councilmember
Melvin Kerr	Councilmember

**Appointed Officials**

**Appointed Officials**

Ty Lasher	City Manager
Ted Henry	Finance Director
Melissa Krehbiel	City Clerk

Sean Fox	City Administrator
Marlo Rugg	City Clerk

**BOND COUNSEL**

**MUNICIPAL ADVISOR**

Gilmore & Bell, P.C.,  
Wichita, Kansas

Raymond James & Associates, Inc.  
Kansas City, Missouri

**CERTIFIED PUBLIC ACCOUNTANTS**

Adams Brown Beran & Ball, Chtd.  
McPherson, Kansas

**BOND TRUSTEE**

The Bank of New York Mellon Trust Company, N.A.

**UNDERWRITER**

[UNDERWRITER]

[City, State]

No dealer, broker, salesman or other person has been authorized by the Issuer or the Underwriter to give any information or to make any representations with respect to the Series 2021 Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2021 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein concerning the Issuer has been furnished by the Issuer and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the Federal Securities Laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Series 2021 Bonds.

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## OFFICIAL STATEMENT

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### CHISHOLM CREEK UTILITY AUTHORITY WATER AND WASTEWATER FACILITIES REFUNDING AND IMPROVEMENT REVENUE BONDS (CITIES OF BEL AIRE AND PARK CITY, KANSAS PROJECT) SERIES 2021

#### INTRODUCTION

##### General Matters

This Official Statement, including the cover page and appendices hereto (the “Official Statement”), is provided to furnish information with respect to the Chisholm Creek Utility Authority (the “Authority” or the “Issuer”) and the issuance and delivery of its Water and Wastewater Facilities Refunding and Improvement Revenue Bonds (Cities of Bel Aire and Park City, Kansas Project) Series 2021 (the “Series 2021 Bonds”) in the aggregate principal amount of \$12,955,000\*. The Series 2021 Bonds are being issued pursuant to the Kansas Interlocal Cooperation Act, constituting 12-2901 *et seq.* of the Kansas Statutes Annotated (K.S.A.), K.S.A. 10-116a (collectively the “Act”), and a Trust Indenture between the Authority and BNY Trust Company of Missouri (the “Trustee”), as successor trustee to INTRUST Bank, N.A., dated as of March 1, 2002 (the “Original Indenture”), as amended by the First through Fifth Supplemental Trust Indentures, and a Sixth Supplemental Indenture dated as of June 10, 2021 (together with the Original Indenture and First through Fifth Supplemental Indentures, the “Indenture”). The Series 2021 Bonds are being issued for the purposes of (a) providing funds for certain wastewater treatment plant improvements; (b) refunding in advance of their stated maturity a portion of the Issuer’s herein defined Series 2012 Bonds; (c) funding a deposit to the Debt Service Reserve Fund; and (d) paying the costs of issuance of the Series 2021 Bonds. For additional information, see the sections entitle “THE PROJECT” and “THE REFUNDING PLAN” herein.

The Appendices to this Official Statement are integral parts of this document, to be read in their entirety.

The Authority operates the Facilities (as herein defined) and has undertaken the financing thereof on behalf of certain Kansas municipalities, consisting of the City of Bel Aire, Kansas and the City of Park City, Kansas (the “Contracting Members”). The Authority is a body corporate and politic of the State of Kansas created pursuant to the Act. The Authority is authorized pursuant to the Act, the interlocal agreement creating the Authority (the “Interlocal Agreement”), a resolution adopted by the Board of the Authority (the “Bond Resolution”) and the Indenture to issue bonds on behalf of the Contracting Members.

The materials contained on the cover page, in the body and in the Appendices to this Official Statement are to be read in their entirety. The presentation of information herein is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer or the Contracting Members. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Bond Counsel has assisted in the preparation of Official Statement but expresses no opinion as to the accuracy or sufficiency of the information herein except to the extent described under the section captioned “LEGAL MATTERS.”

[ Other than with respect to information concerning Assured Guaranty Municipal Corp. (the “Bond Insurer” or “AGM”) contained under the captions “BOND INSURANCE” and “**APPENDIX E** – SPECIMEN BOND INSURANCE POLICY” herein, none of the information in this Official Statement has been supplied or verified by the Bond Insurer. Accordingly, the Bond Insurer makes no representation or warranty, express or implied, as to: (a) the accuracy or completeness of such information; (b) the validity of the Series 2021 Bonds; or (c) the exclusion of interest on the Series 2021 Bonds from Federal or State income taxation.]

The Series 2021 Bonds are special obligations of the Authority payable solely from, and secured by a pledge of, the Trust Estate under the Indenture, as more fully described in the section herein entitled “SECURITY FOR THE SERIES 2021 BONDS.” The Series 2021 Bonds shall stand on a parity and be equally and ratably secured with the following obligations of the Authority:

- Water and Wastewater Facilities Refunding Revenue Bonds (Cities of Bel Aire and Park City, Kansas Project), Series 2007 (the “Series 2007 Bonds”)
- Water and Wastewater Facilities Refunding and Improvement Revenue Bonds (Cities of Bel Aire and Park City, Kansas Project), Series 2012 (the “Series 2012 Bonds”)

- Water and Wastewater Facilities Revenue Bonds (Cities of Bel Aire and Park City, Kansas Project), Series 2015 (the “Series 2015 Bonds”)
- Water and Wastewater Facilities Refunding Revenue Bonds (Cities of Bel Aire and Park City, Kansas Project), Series 2015 (the “Series 2017 Bonds”)

Each Contracting Member has entered into a Water Supply and Wastewater Service Agreement (the “Original Service Agreement”) dated as of March 1, 2002, as amended by the First through Fifth Supplemental Water Supply and Wastewater Service Agreements, and by the Sixth Supplemental Water Supply and Wastewater Service Agreement, dated as of June 10, 2021, (collectively the “Service Agreements”) with the Authority for service from the Facilities, pursuant to which the Contracting Members purchase potable water and wastewater collection and treatment services. For further discussion of the obligation of each Contracting Member to make payments under the Service Agreement, see “THE SERIES 2021 BONDS - Security of the Series 2021 Bonds” herein.

The Indenture permits the issuance of Additional Bonds upon satisfaction of the conditions set forth in the Indenture. The Series 2007 Bonds, Series 2012 Bonds, Series 2015 Bonds, Series 2017 Bonds and Series 2021 Bonds and all Additional Bonds issued under the Indenture are herein collectively called the “Bonds.” All Bonds will be equally and ratably secured by the pledge of and security interest in the Trust Estate created by the Indenture. See “*APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS.*”

There follow in this Official Statement brief descriptions of the Authority, the Contracting Members, the Series 2021 Bonds, the Service Agreements, the Indenture, and selected economic and demographic information, together with appendices containing certain financial statements of the Contracting Members. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to such documents. Copies of such documents may be obtained from the Authority or from the Underwriter. Capitalized terms used herein and not otherwise defined are used with the meanings set forth in *APPENDIX C — SUMMARY OF PRINCIPAL FINANCING DOCUMENTS.*

### **Continuing Disclosure**

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “Rule”), requiring continuous secondary market disclosure. In conjunction with issuance of the Series 2021 Bonds, the Authority and Contracting Members will enter into a Continuing Disclosure Agreement (the “Disclosure Undertaking”), wherein the parties thereto covenant to provide annually certain Financial Information and Operating Data (collectively, the “Annual Report”) and other information necessary to comply with the Rule, and to transmit the same to the Municipal Securities Rulemaking Board. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Series 2021 Bonds.

**The Authority.** [In certain prior years, the Authority has failed to file its Annual Report within the time period prescribed by the continuing disclosure agreements entered into in conjunction with previously issued obligations].

**The Contracting Members.** The Contracting Members have each entered into disclosure undertakings in connection with previously issued obligations (collectively, the “Prior Undertakings”) wherein each Contracting Member covenants to provide its Annual Report specific to such obligations to the Municipal Securities Rulemaking Board. For the past five years, each Contracting Member believes that it has complied in all material respects with its Prior Undertakings.

For more information regarding the Disclosure Undertaking, see “*APPENDIX D – FORM OF DISCLOSURE UNDERTAKING.*”

### **Additional Information**

Additional information regarding the Issuer or the Series 2021 Bonds may be obtained from the Issuer at the address set forth in the preface to this Official Statement.

## **THE CHISHOLM CREEK UTILITY AUTHORITY**

The Chisholm Creek Utility Authority is a body corporate and politic of the State of Kansas organized pursuant to the Interlocal Cooperation Act, K.S.A. 12-2901 *et seq.*, as amended (the “Act”). The Authority was created by interlocal agreement of the Contracting Members in April, 2001. Each of its Contracting Members is a municipality that owns and operates a water and wastewater utility system.

## Organization

A Board of Commissioners/Directors (the "Board"), currently consisting of three representatives from each Contracting Member, oversees the property and business of the Authority and the powers of the Authority are vested primarily in the Board.

The names, offices and residences of the members of the Board are as follows:

<u>Name</u>	<u>Office</u>	<u>Residence</u>
Raymond Mann	Chairman	Park City
Jeff Elshoff	Vice Chairman	Bel Aire
Brandi Baily	Secretary	Park City
Jim Benage	Treasurer	Bel Aire
Melvin Kerr	Commissioner	Park City
Justin Smith	Commissioner	Bel Aire

The purpose of the Authority is to (1) assist its members in planning, technical and financial matters for comprehensive utilities and public services, accomplish the desired objectives of effective utility and public service facilities and organize the operation of the utility and public service systems; (2) assist members on a joint or individual basis in the financing or refinancing of any utility and public service facilities; (3) allow cooperation between the members for efficient use of all the powers of other members; and (4) engage in any lawful act or activity for which the Authority or other member public agencies may be authorized under the Act or other laws of the State.

The Authority is authorized by the Act and the Interlocal Agreement to exercise any powers of member public agencies relating to utility and public service facilities, including the following: (1) to enter into franchises, contracts and agreements with governmental entities, or any public or private person, of the State of Kansas or of the United States, for the planning, development, construction or operation of any utility and public service facility or for any common or any other service rendered to, for or by the Authority, (2) to make and enter into any other contract or agreement necessary or incidental to the performance of its duties and powers, including contracts for utilities or utility and public services with the United States or with any other utilities or public service facilities, either privately, cooperatively or publicly owned; (3) to plan, finance, construct, purchase, operate, maintain, use, share costs of, own, lease, sell, dispose of or otherwise participate in, any utility and public service facility or any portion thereof, or to purchase, own, sell, dispose of or otherwise participate in, securities issued in connection with the financing of any utility and public service facility or any portion thereof, or to acquire any interest in or any right to any utility and public service facility; (4) to issue bonds, notes or other evidence of indebtedness, in its own name, on behalf of public agencies that are or become members for those purposes for which such members are authorized pursuant to the constitution and laws of the State of Kansas to issue bonds, notes or other evidence of indebtedness; (5) to establish, revise and collect rates, fees or charges for services provided by any utility or public service facility organized by the Authority, and all other services, facilities and commodities used, sold, furnished or supplied by the Authority; (6) to acquire, hold, lease to and from and dispose of real and personal property that, if necessary for the performance of its duties in the execution of its powers; (7) to hire, fire and provide benefits to the employees of any utility or public service facility organized and operated by the Authority, unless the Authority engages a utility operator with respect to such facilities, in which case, such duties and powers may be delegated to such utility operator; (8) to cooperate with other persons in the management of utility and public service facilities; (9) to invest funds of the Authority not required for immediate use, including of any proceeds from the sale of any debt obligations; (10) to procure insurance against any losses in connection with its property, operations or assets in such amount and from such insurers as it deems desirable whether as a separate insured or as a co-insured with any member; (11) to mortgage, pledge and grant a security interest in any or all of its real and personal property to secure the payment of its bonds, notes or other obligations or contracts; and (12) to exercise all other powers not inconsistent with the constitutions of the State of Kansas or the United States, which powers may be reasonably necessary or appropriate for or incidental to the effectuation of the Authority's authorized purposes.

## The Interlocal Agreement

*Duration and Termination.* The Interlocal Agreement provides that the duration of the Authority shall be perpetual, unless terminated by the written consent to such termination by at least two-thirds (2/3) of its members; provided that prior to such termination all contractual obligations, indebtedness, warrants and other financial obligations of the Authority shall have been discharged or paid in full or there has been deposited in escrow with a state or national bank located in the State of Kansas and having full trust powers, cash or direct obligations of the government of the United States of America or obligations, the payment of the principal of and interest on which is unconditionally guaranteed by the government of the United States of America, in amounts sufficient, together with the interest earned on such obligations without reinvestment, to pay such indebtedness, warrants and other financial obligations in full when due. Thereafter, the Board of the Authority shall liquidate the Authority and distribute the assets of the Authority or the net proceeds thereof to the Members in a manner to be determined by it pursuant to law.



*Membership.* Any public agency may become a member of the Authority by executing the Interlocal Agreement or may withdraw as a member if such membership or withdrawal is authorized by ordinance or resolution of the governing body of such public agency and consented to by resolution adopted by two-thirds vote of the Board. Admission to membership in the Authority shall be upon such conditions and accompanied by such payments as shall be determined by the Board in the resolution of admission. No member shall be permitted to withdraw for five years after becoming a member and must give notice to the Authority in the form of an ordinance or resolution adopted by the governing body of such member not less than two years prior to withdrawal from the Authority.

The withdrawal of a member that has any unpaid assessments owed to the Authority shall not be effective until such time as the assessments have been paid in full or waived by two-thirds (2/3) vote of the Board. The withdrawing member shall not be entitled to receive any real or personal property of the Authority by reason of its withdrawal, unless approved by two-thirds vote of the Board. Withdrawal of a member shall not be deemed to terminate or diminish any obligations that such member may have to the Authority pursuant to written agreements or contracts with the Authority separate and apart from the Interlocal Agreement, except as provided in such other agreements or contracts.

*Board.* The property and business of the Authority shall be managed by the Board. The Board shall consist of the number of Commissioners established by the Bylaws (currently, the Bylaws establish this number at 6), provided that each Member shall be represented by at least one Commissioner.

The Board shall elect from its membership a Chair and a Vice-Chair, and a Secretary-Treasurer that need not be a Commissioner. The Board may also elect or appoint other officers, a utility operator or other management persons or entities as it deems advisable, in accordance with the Bylaws.

*Finance and Budget.* The Authority is authorized to issue bonds, notes or other evidence of indebtedness, in its own name, on behalf of the members for those purposes for which the members are authorized pursuant to the constitution and laws of the State of Kansas to issue bonds, notes or other evidence of indebtedness. Such bonds, notes or other indebtedness of the Authority may be payable from or secured by any property, interest or income of the Authority, from whatever source derived, but shall not constitute a charge against or indebtedness of any member on behalf of which such bonds, notes or other indebtedness are issued. In issuing such bonds, notes or other indebtedness, the Authority shall act as the constituted authority of the members on behalf of which such bonds, notes or other indebtedness are issued. The Authority may also acquire any bonds, notes or other evidence of indebtedness issued by a member payable from or secured by any property, interest or income of the member, from whatever source derived, as long as evidence of indebtedness is lawfully issued by the member. The members are not liable for the debt obligations of the Authority; but each member shall be liable to the Authority to the extent of its obligations specified in any contract or agreement to pay for utility or public service facilities or any other specific agreement that the member enters into with the Authority.

The Board shall establish an Authority budget for each year. Prior to final approval of the budget, the Board shall conduct one or more meetings annually with the members to discuss the Authority's budget for the ensuing year. The budget shall be adopted by the Board.

*Property.* Title to all real and personal property of the Authority shall be acquired, held and disposed of in the name of the Authority unless otherwise required by law or by the terms of a gift or grant.

*Amendments.* Except concerning the withdrawal or addition of members, the Interlocal Agreement may be amended or supplemented in whole or in part by action of the Board when such amendments are approved by ordinance or resolution of the governing bodies of each member and executed by appropriate officials of each member. Any such amendments shall be submitted and approved by the Attorney General of the State of Kansas, filed with the Register of Deeds of each county where a member is located, and filed with the Kansas Secretary of State.

## **Bylaws**

*Board and Management.* As set forth in the Interlocal Agreement, the property and business of the Authority shall be managed by the Board of Commissioners. The term of each Commissioner shall be for a period of two (2) years except that during the initial term, one Commissioner from each Member shall serve for a term of one (1) year. Any Commissioner selected by a member may be removed at any time by the member selecting the Commissioner. Each Commissioner shall continue in office until a successor is selected.

Each Commissioner, or its designated alternate shall be entitled to one vote which shall be equal to the vote of every other Commissioner, *provided that* no Commissioner shall be entitled to vote on any matter relating to a utility or public service project in which the member represented by the Commissioner does not participate. Other than actions required to be approved by higher majority as set forth in the Agreement, all actions of the Board shall be made upon affirmative vote of a majority of the Commissioners (a) present, (b) entitled to vote on such action and (c) voting on such action.

*Financial Matters.* Each year there shall be provided a proposed annual budget for the Authority for the succeeding calendar year. One or more “en banc” meetings of the Members shall be held annually to discuss the Budget. The budget in final form shall be approved by the Board. Such budget shall include a proposed method of funding the budget.

The Board may establish, by resolution, a dues structure for members and shall be authorized to assess members for the payment or repayment of administration expenses as the Board determines.

Any contract or similar agreement between the Authority and the members or other persons shall be an asset of the Authority and cannot be amended, canceled or otherwise altered except to the extent as such amendments, cancellations or alterations may be specifically allowed by the terms of the documents authorizing or securing the bonds or other indebtedness of the Authority. Other contracts secured to obtain financing shall be subject to the terms of the documents authorizing or securing the bonds or other indebtedness of the Authority.

Unless specifically prohibited in the documents authorizing or otherwise securing any bonds or other indebtedness, the Authority may transfer, encumber, or sell any of the assets of the Authority with the prior approval of the Board.

The fiscal year of the Authority shall be the calendar year from January 1 to and including December 31.

*Amendments.* The Bylaws may be amended, modified, supplemented or repealed by an affirmative vote of all Commissioners representing a majority of the members. Prior to amending, modifying, supplementing or repealing these Bylaws, written notice of such proposed action shall be forwarded to each Commissioner with the notice of any special meeting or with the agenda of any regular meeting.

*Annual Report.* The Board shall cause a report of the activities of the Authority to be prepared annually.

## **The Contracting Members**

The Contracting Members own and operate Water and Wastewater Utility Systems for the collection and treatment of wastewater and treatment and distribution of water. The Contracting Members had a combined population of approximately 15,964 according to census estimates for 2019. The Contracting Members are located in south central Kansas, to the immediate north and northeast of Wichita, Kansas, the largest city in the State of Kansas. According to the U.S. Census Bureau, as of 2019 the Wichita metropolitan statistical area (MA) has a population of 640,218.

See *APPENDICES A – 1* and *A – 2* for additional System, demographic and economic data concerning the Contracting Members.

## **The Facilities**

The Authority’s Series 2002 Bonds were issued for the purpose of the acquisition of an existing Wastewater Treatment Plant in Park City, Kansas; the expansion of such Wastewater Treatment Plant; the construction of a wastewater force main gravity sewer and lift station; the construction of a Water Treatment Plant adjacent to the aforementioned Wastewater Treatment Plant; water main lines for raw and treated water; a water storage facility to serve the City of Bel Aire, Kansas; the acquisition of real property interests associated with the foregoing improvements; and the acquisition of certain water rights and other appurtenant improvements (the “Facilities”).

The wastewater treatment plant was designed with a capacity of 2,120,000 million gallons per day (“gpd”). Currently the City of Park City has an “average day flow” of approximately 840,000 gpd and the City of Bel Aire has approximately 490,000. The total inflow is approximately 1,330,000 gpd and, therefore, the remaining capacity of the wastewater treatment plant is currently 790,000 gpd. The Lift Station and Force Main at the wastewater treatment plant were designed for at least 30 years of capacity and can be expanded.

Both cities obtain potable water from the City of Wichita, Kansas under contract. The City of Park City’s contract with the City of Wichita extends until December 31, [2024] and the City of Bel Aire’s contract with the City of Wichita, Kansas extends until December 31, [2028]. The Authority’s water treatment plant is used as an additional source of water and was designed with a capacity of [3,500,000 gpd]. The water mains constructed by the Authority were designed for approximately 30 to 40 years of growth of the cities. [please update as necessary]

The Authority has adequate water supply to meet the needs of both cities. The City of Park City has a well field; the City of Bel Aire also has a well field, and the Authority purchased water rights which, when added to those of the cities, will provide source capacity for about 50 to 80 years of growth. Additional wells will be constructed as required. It is believed that the Authority and the Contracting Members have provided sufficient capacity to accommodate the future needs of the

cities without overbuilding. The Authority designed its facilities to be economically expanded in the future, and any future growth would be expected to pay for the expansions.

## **Operations**

The Authority furnishes treated water to, and receives and treats wastewater from, the Contracting Members. For potable water supply, the Authority's function is to obtain raw water from the wells of Park City, Bel Aire, and its own well field. That raw water is pumped to the water treatment plant (which is adjacent to the wastewater plant) for treatment. The water plant removes iron and reduces the hardness of the water to a desired level through the addition of lime. The water plant also can remove volatile organics through aeration or through the addition of powdered activated carbon. Once treated, the water is chlorinated through the use of sodium hypochlorite. Gaseous chlorine is not used because the plant is near a populated area; sodium hypochlorite use minimizes risk of a hazardous material leak or incident. Once treated and chlorinated, the water is stored in a "clear well" for pumping to the Contracting Members. A system of meters accurately determines amounts of water purchased from the Authority by the Contracting Members. The operations staff for the Facilities monitors operations, repairs and maintains the water plant and system, and perform most, if not all, of the tests required by State and Federal authorities. The staff is also be responsible for security at the Facilities.

For wastewater, the Authority transports wastewater from Bel Aire to the wastewater plant at Park City by means of collection with a large gravity interceptor sewer and pumping through a large force main. The wastewater is screened and moved to the aeration basins where bacteria are used to remove dissolved organics in the wastewater. Bacteria are also used to remove nitrogen and ammonia, as required by the State discharge permit. The clarified wastewater travels through an ultraviolet disinfection channel before being discharged to the receiving stream or sold to Bel Aire, who, in turn, sells much of it to a local golf course. Residual solids from the plant are processed and then applied to agricultural land, where they have value as fertilizer and soil conditioner. Lime sludge from the water plant is mixed with the residual solids of the wastewater process.

## **Rates and Rate Regulation**

Under the Service Agreements, the Authority has established Water and Wastewater Rates to be paid by the Contracting Members for service from the Facilities. Components of such rates include a Base Charge that provides for debt service on the Bonds, Facilities operation and maintenance charges, amounts necessary to fund or replenish certain funds established by the Indenture, and amounts necessary for the prevention or correction of any unusual loss or damage to the Facilities or for major renewals, replacements, repairs, additions, improvements, betterments and modifications to the Facilities.

The power of the Authority and the power of the Contracting Members to determine, fix, impose and collect rates and charges for goods and services provided through the Facilities and the Contracting Member's Systems, as currently constructed and operated, or as expected to be constructed or operated is not subject to the regulatory jurisdiction of the Kansas Corporation Commission ("KCC") or any federal regulatory body, and there is no other governmental or regulatory body with the authority to limit or restrict such rates and charges. The Authority has no expectation that such regulation is forthcoming; however, should it be imposed at some future time the resulting impact of such regulation on the operation and profitability of the Facilities and the Contracting Member's Systems cannot be now defined. The Authority and the Contracting Members have covenanted in the Indenture and the Ordinances (as defined herein), respectively, to comply with all such governmental regulation.

## **Additional Bonds**

Subject to certain conditions described in "**APPENDIX C - SUMMARY OF PRINCIPAL FINANCIAL DOCUMENTS - Indenture,**" under the provisions of the Indenture, Additional Bonds may be issued to finance the following:

- (1) completion of the Facilities and any renewals, replacements, repairs, additions, improvements, betterments and modifications to the Facilities necessary, in the opinion of the Consulting Engineer, to keep the Facilities in good operating condition or to prevent a loss of revenues therefrom;
- (2) any additions, improvements, repairs or modifications to the Facilities required by any governmental agency having jurisdiction over the Facilities or for which the Authority is responsible by virtue of any obligation of the Authority arising out of any contract to which the Authority may be a party relating to the ownership of the Facilities;
- (3) additional supplies of water for the Facilities in any Contract Year to the extent that sufficient funds are not available in any reserves for such purpose; or

- (4) any other lawful additions, improvement or modifications to the Facilities that shall enhance Revenues of the Facilities.

## **THE SERIES 2021 BONDS**

### **Security for the Series 2021 Bonds**

The Series 2021 Bonds are special obligations of the Authority payable solely from, and secured by a pledge of, the Trust Estate under the Indenture, including Revenues derived principally from the payment obligations of the Contracting Members under the Service Agreements. Such payment obligations are limited obligations of the Contracting Members, payable solely from the revenues of the Contracting Member's System, which are pledged to pay such obligation, are not general obligations of such Contracting Member and are not payable in any manner from taxation. The Series 2021 Bonds shall stand on a parity basis and be equally and ratably secured with respect to the payment of principal and interest from the Trust Estate, including the Revenues, and in all other respects with the Series 2007 Bonds, the Series 2012 Bonds, the Series 2015 Bonds, the Series 2017 Bonds and any Additional Bonds.

The obligation of each Contracting Member to make payments under its Service Agreement (the "Agreement Obligation") is a limited obligation of the Contracting Member payable solely from the revenues of the Contracting Member's respective System (as defined herein), which are pledged to pay such obligation. The Contracting Member's Agreement Obligation to make such payments is a "take or pay" obligation, payable whether or not water or wastewater collection and treatment service is actually received from the Authority, provided that the obligation to pay for *wastewater* treatment and collection service is subject to the Kansas Cash Basis Law (K.S.A. 10-1101 *et seq.*). The Cash Basis Law, with certain exceptions, such as bonds, generally requires that no indebtedness may be created by a municipality for any purpose in excess of the amount of funds budgeted and appropriated for such purpose in the applicable fiscal year. While the obligation to pay for *water* service under a Service Agreement is effective over the term of the Service Agreement, notwithstanding the Cash Basis Law, pursuant to K.S.A. 12-825j, such statute and Cash Basis Law exception are inapplicable to the portion of the Agreement Obligation regarding wastewater. A limited Cash Basis Law exception does, however, apply to the portion of the Agreement Obligation regarding wastewater service. K.S.A. 10-1116(b)(2) provides that "notwithstanding any other limits of indebtedness prescribed under the provisions of [the Cash Basis Law], the following funds...shall have as a limit of indebtedness an amount equal to 100% of the accrued revenue of the current fiscal year plus any balances carried forward, cash reserves, intergovernmental grants, and sums advanced to qualify for intergovernmental grants: enterprise funds set up in any municipality to account for the financing of self-supporting activities of governmental units which render services on a user charge basis to the general public, such as municipal utilities engaged in the provision of water, electricity and natural gas and sanitary sewer systems which are financed by user charges..." This exception results in the portion of the Agreement Obligation regarding wastewater service being binding under the Cash Basis Law to the extent of amounts in each Contracting Member's Water and Wastewater Utility System Revenue Funds in each fiscal year. By Ordinance, each Contracting Member has agreed that its Agreement Obligations under the Service Agreement represent an operating expense of its Water and Wastewater System (collectively the "System"). As such, the Agreement obligations will have priority of payment over any other indebtedness of the Contracting Member payable from the net revenues of such System. Each Contracting Member has, by ordinance duly passed, covenanted in each fiscal year to charge rates sufficient to allow revenues of its Water and Wastewater System, net of expenses of such System, except for the portion of its Agreement Obligation designated as a "Base Charge" for payment of Bond debt service (including the Series 2007 Bonds, the Series 2012 Bonds, the Series 2015 Bonds, the Series 2017 Bonds, the Series 2021 Bonds and any other Additional Bonds), to cover such Base Charge by 1.25 times. See "**APPENDIX C — SUMMARY OF PRINCIPAL FINANCING DOCUMENTS.**"

Under the terms of the Service Agreement, each Contracting Member is responsible for a proportionate amount of Bond debt service. Of the City of Bel Aire's total obligations under the Service Agreement, approximately [43.08]% is allocable to water service and [56.92]% is allocable to wastewater service. Of the City of Park City's total obligations under the Service Agreement, approximately [52.82]% is allocable to water service and [47.18]% is allocable to wastewater service. The obligations of each Contracting Member are several; no Contracting Member is responsible for payment obligations of any other Contracting Member; and a default by one Contracting Member could adversely affect the ability of the Authority to pay debt service on the Bonds. Each Contracting Member has covenanted that such payments constitute operating expenses of the System, that the Contracting Member will not in the future cause such pledge to be subordinated to any other obligation of the System and that the Contracting Member will impose such rates, fees and charges for use of its System to fulfill its obligations under the Service Agreement. However, there can be no assurance that each Contracting Member will achieve revenues from operation of its System to fulfill its obligations under the Service Agreement. The revenues derived from the operation of the Systems are dependent on costs thereof, alternate services and other factors affecting the water and wastewater industries.

## **Trust Estate**

The Trust Estate includes all right, title and interest of the Authority in and to (i) the Ordinance and the Service Agreements (jointly, the “Security Documents”), (ii) Revenues, (iii) Funds (except for the Rebate Fund) held under the Indenture, (iv) the Facilities; and (v) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under the Indenture by the Authority or by anyone on its behalf or with its written consent in favor of the Trustee. No other revenue or assets of the Authority, other than the Trust Estate, are pledged or available to pay the principal of and interest on the Series 2021 Bonds. The Series 2021 Bonds do not constitute a debt of the State of Kansas or of any political subdivision or instrumentality thereof, other than the Authority, and neither the full faith and credit nor the appropriation or taxing powers of the State of Kansas, any Contracting Member or any other political subdivision is pledged to the payment of the Series 2021 Bonds. The Authority has no taxing power.

## **Service Agreements**

The Service Agreements between the Authority and the individual Contracting Members have terms that began in 2002 and are currently scheduled to end on December 31, 2036. Pursuant to its respective Service Agreement, each Contracting Member has agreed to pay for a certain minimum amount of water and a certain minimum amount of treated wastewater, whether such water is actually received by such Contracting Member or whether such wastewater is actually accepted by the Authority and treated. Each Contracting Member may, under the terms of the Service Agreements, take and pay for, or deliver and pay for, water and wastewater in excess of such certain minimum amounts. The payments required for such minimum amounts are designed to be sufficient to pay debt service on the Bonds and the costs of operating and maintaining the Facilities. The obligations of the Contracting Members are several and not joint obligations. No Contracting Member is responsible for the actions of any other Contracting Member and the minimum payment obligation of a Contracting Member will not be increased if another Contracting Member defaults in its obligations under its Service Agreement.

Under the terms of the Service Agreement and the applicable ordinance (as amended from time to time) adopted by each Contracting Member (the “Ordinance”), each Contracting Member has agreed to continue to operate its System in an efficient and economic manner, to satisfy certain rate covenants, to fund various funds and accounts, including reserves, and has covenanted with the Authority that its agreement to purchase water and wastewater treatment under the Service Agreement is an operating expense of its System and that the Contracting Member will not issue any indebtedness payable from the revenues of the System, which is superior in lien status to its obligations under the Service Agreement. For a more complete discussion of the Service Agreements, see “**APPENDIX C - SUMMARY OF PRINCIPAL FINANCING DOCUMENTS.**”

## **Ordinance Rate Covenants**

Each Contracting Member has agreed in its Service Agreement and Ordinance that it will fix, establish, maintain and collect such rates, fees and charges for the use and services furnished by or through its System, and will produce revenues sufficient to (a) make all payments required to be made by it under the Service Agreement; (b) pay the expenses of the Contracting Member’s System necessary in accordance with Prudent Utility Practice; (c) pay and discharge when due all bonds, notes, leasehold obligations (subject, however, to any required annual budgeting and appropriation) and other obligations of the Contracting Member payable from the Revenues of the Contracting Member’s System and satisfy any covenants with respect thereto; (d) enable the Contracting Member to have in each Fiscal Year, a Coverage Ratio (System net revenues, before Base Charges, divided into Base Charge) of not less than 1.25 on the Base Charges; and a Coverage Ratio (System net revenues, after Base Charge, divided into debt service on other indebtedness) of the Contracting Member payable from System revenues) of 1.10 on any such Contracting Member’s System indebtedness; and (e) provide reasonable and adequate reserves for the protection and benefit of the Contracting Member’s System. For a more complete discussion of these covenants and the Ordinance, and for definitions of capitalized terms used in this paragraph, but not otherwise defined in this Official Statement, see “**APPENDIX C - SUMMARY OF PRINCIPAL FINANCING DOCUMENTS.**”

## **Debt Service Reserve Fund**

Pursuant to the Indenture, the Authority covenants and agrees to establish and maintain with the Trustee the Debt Service Reserve Fund in an amount at least equal to the Debt Service Reserve Requirement. As of the date of issuance of the Series 2021 Bonds, the Debt Service Reserve Requirement is \$[\_\_\_\_\_], of which \$[\_\_\_\_\_] will be funded by the Series 2021 Bond proceeds. The Debt Service Reserve Requirement does not exceed an amount equal to the lesser of (i) 10% of the principal amount of all Bonds; (ii) the maximum annual Debt Service Requirement for all Bonds; or (iii) 125% of the average annual Debt Service Requirements for all Bonds. Moneys in the Debt Service Reserve Fund will be used solely for the payment of principal, redemption premium, if any, and interest on all Bonds, but only when and to the extent that moneys are not available for such payment in the Debt Service Fund.

## **Reserve Fund for Replacements**

Pursuant to the Indenture, the Authority covenants and agrees to establish and maintain with the Trustee the Reserve Fund for Replacements in an amount equal to the Reserve for Replacement Requirement, which is \$171,500. Moneys in the Reserve Fund for Replacements will be used, if no other funds are available therefor, solely for the purpose of making replacements and repairs in and to the Facilities as may be necessary to keep the Facilities in good repair and working order and to assure the continued effective and efficient operation thereof. No moneys in the Reserve Fund for Replacements shall be used for the purpose of extending, improving or enlarging the Facilities. After expenditure of funds in the Reserve Fund for Replacements, the Authority is required by the Indenture to restore and replenish amounts in the Reserve Fund for Replacements to the Reserve Fund for Replacements Requirement by making no more than 12 substantially equal, consecutive deposits.

## **Method and Place of Payment of the Bonds**

The principal of, or Redemption Price, and interest on the Series 2021 Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Bond shall be paid at Maturity to the Person in whose name such Series 2021 Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Series 2021 Bond at the principal corporate trust office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such Series 2021 Bond as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Series 2021 Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

Notwithstanding the foregoing, any Defaulted Interest with respect to any Series 2021 Bond shall cease to be payable to the Owner of such Series 2021 Bond on the relevant Record Date and shall be payable to the Owner in whose name such Series 2021 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. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Series 2021 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 an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. 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 notify the Issuer of such Special Record Date and 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 Owner of a Series 2021 Bond entitled to such notice not less than 10 days prior to such Special Record Date.

**SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES.** See “THE SERIES 2021 BONDS – Book-Entry Bonds; Securities Depository.”

## **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.

## **Book-Entry Bonds: Securities Depository**

The Series 2021 Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Series 2021 Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Series 2021 Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Bonds to the Participants until and unless the Bond Registrar authenticates and delivers Replacement Bonds to the Beneficial Owners as described in the following paragraphs.

(a) If the Issuer determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Series 2021 Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the 2015 Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Series 2021 Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Series 2021 Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Series 2021 Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond Registrar shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the Issuer, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Series 2021 Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a 2015 Bond or Series 2021 Bonds for cancellation shall cause the delivery of the Series 2021 Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Indenture.

## **Registration, Transfer and Exchange of Bonds**

As long as any of the Bonds remain Outstanding, 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 hereinafter provided. Upon surrender of any Bond at the principal corporate trust office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

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

The Issuer and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent and during the period of 15 days next preceding the date of 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 Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

**Mutilated, Lost, Stolen or Destroyed Bonds**

If (a) any mutilated Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Issuer and the Bond Registrar such security or indemnity as may be required by each of them, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond, the Issuer may require the payment by the 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.

**Nonpresentment of Bonds**

If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Issuer to the 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 Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

**Redemption Provisions**

**Optional Redemption.** At the option of the Issuer, Series 2021 Bonds maturing on September 1 in the years 20[30], and thereafter, will be subject to redemption and payment prior to their Stated Maturity on September 1, 20[29], and thereafter, as a whole or in part (selection of maturities and the amount of Series 2021 Bonds of each maturity to be redeemed to be determined by the Issuer in such equitable manner as it may determine) at any time, at the Redemption Price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the Redemption Date.

[ **Mandatory Redemption.** (a) *Term Bonds.* The Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on September 1 in each year, the following principal amounts of such Term Bonds:

<u>Principal Amount</u>	<u>Year</u>
\$	*

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\*Final Maturity



(b) [ ] *Term Bonds*. The [ ] Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on September 1 in each year, the following principal amounts of such [ ] Term Bonds:

**Principal  
Amount**

**Year**

\*

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\*Final Maturity]

**Extraordinary Optional Redemption**

The Bonds are subject to redemption at the option of the Authority, as a whole or in part, on any date, at a redemption price equal to the principal amount of the Bonds to be redeemed, plus interest accrued to the date fixed for redemption, in the event of a “Change of Circumstances,” which means the occurrence of any of the following events:

- (1) title to, or the temporary use of, all or any substantial part of the Facilities shall be condemned by any authority exercising the power of eminent domain;
- (2) title to such portion of the Facilities is found to be deficient or nonexistent to the extent that the Facilities is untenable or the efficient utilization of the Facilities by the Authority is substantially impaired;
- (3) substantially all of the Facilities is damaged or destroyed by fire or other casualty; or
- (4) as a result of: (i) changes in the constitution of the State; or (ii) any legislative or administrative action by the State or any political subdivision thereof, or by the United States; or (iii) any action instituted in any court; or (iv) any lawful action of a Contracting Member; the Service Agreements, or an part thereof, shall become void or unenforceable, or impossible of performance without unreasonable delay, or in any other way by reason of such changes of circumstances, unreasonable burdens or excessive liabilities are imposed upon the Authority.

***Selection of Series 2021 Bonds to be Redeemed.*** Series 2021 Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Series 2021 Bonds are to be redeemed and paid prior to their Stated Maturity, such Series 2021 Bonds shall be redeemed in such manner as the Issuer shall determine, Series 2021 Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Series 2021 Bonds by lot when Series 2021 Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Series 2021 Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Series 2021 Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Series 2021 Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Series 2021 Bond or Series 2021 Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Series 2021 Bond. If the Owner of any such Series 2021 Bond fails to present such Series 2021 Bond to the Paying Agent for payment and exchange as aforesaid, such Series 2021 Bond shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

***Notice and Effect of Call for Redemption.*** Unless waived by any Owner of Series 2021 Bonds to be redeemed, if the Issuer shall call any Series 2021 Bonds for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Series 2021 Bonds to the Bond Registrar, the State Treasurer, the Bond Insurer and the Underwriter. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Series 2021 Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

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 Series 2021 Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Series 2021 Bonds, the respective principal amounts) of the Series 2021 Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Series 2021 Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Series 2021 Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Series 2021 Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Series 2021 Bonds or portions of Series 2021 Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Series 2021 Bonds or portion of Bonds shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Series 2021 Bonds, the Bond Registrar shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2021 Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Series 2021 Bond so affected, shall not affect the validity of the redemption of such Series 2021 Bond.

In addition to the foregoing notice the Issuer shall provide such notices of redemption as are required by the Disclosure Undertaking. The Paying Agent is also directed to comply with any mandatory or voluntary standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Series 2021 Bond.

## **THE DEPOSITORY TRUST COMPANY**

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each scheduled maturity of the Series 2021 Bonds, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2021 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

4. To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Series 2021 Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Series 2021 Bonds by causing the Direct Participant to transfer the Participant's interest in the Series 2021 Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of the Series 2021 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2021 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2021 Bonds to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2021 Bond certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

## THE PROJECT ADDITIONS

Certain proceeds of the Series 2021 Bonds will provide funds to construct improvements to the existing wastewater treatment plant (WWTP). Such improvements include: (a) increasing the capacity of the WWTP by approximately one-third; and (b) enhancing nutrient removal processes in order to better protect the receiving stream and environment. The Authority anticipates that the costs of the project will be approximately \$[12,000,000].

## THE REFUNDING PLAN

Certain proceeds of the Series 2021 Bonds will be applied to retire the following bonds of the Authority (the "Refunded Bonds"):

### *Water and Wastewater Facilities Refunding and Improvement Revenue Bonds, Series 2012, Dated November 27, 2012*

<u>Maturity Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
\$ 70,000	09/01/2022 <sup>(2)</sup>	2.100%	[June 11, 2021]	100%
245,000	09/01/2025 <sup>(2)</sup>	2.375%	[June 11, 2021]	100%
260,000	09/01/2028 <sup>(2)</sup>	2.625%	[June 11, 2021]	100%
315,000	09/01/2032 <sup>(2)</sup>	3.000%	[June 11, 2021]	100%

<sup>(1)</sup>Denotes outstanding portion of Term Bond maturing in 2022

<sup>(2)</sup>Denotes Term Bond with mandatory redemption

## SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of funds associated with the issuance of the Series 2021 Bonds:

### **Sources of Funds:**

Principal Amount of the Series 2021 Bonds	\$[_____]*.00
Reoffering Premium	
Underwriter's Discount	-

### *Total*

### **Uses of Funds:**

Deposit to Project Fund	\$
Deposit to Redemption Fund	
Additional Deposit to Debt Service Reserve Fund	
Costs of Issuance	

### *Total*

## OUTSTANDING INDEBTEDNESS OF THE AUTHORITY

The following table sets forth the outstanding bonds of the Authority:

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Dated Date</u>	<u>Original Principal Amount</u>	<u>Final Maturity</u>	<u>Amount Outstanding</u>
Refunding Revenue Bonds	2007	04/01/2007	\$19,415,000	09/01/2032	\$4,775,000
Revenue Bonds	2012	11/27/2012	6,400,000	09/01/2032	140,000 <sup>(1)</sup>
Revenue Bonds	2015	12/30/2015	1,870,000	09/01/2036	1,570,000
Refunding Revenue Bonds	2017	06/06/2017	13,530,000	09/01/2032	13,530,000
Refunding and Improvement Revenue Bonds	2021	06/10/2021	[_____]*	09/01/20[41]	[_____]*

### *Total*

<sup>(1)</sup>Excludes Refunded Bonds

\*Preliminary; subject to change

The Issuer anticipates that payments made by the Contracting Members will be sufficient to meet the annual debt service requirements of all Parity Bonds. The following table sets forth the total debt service requirements with respect to all Parity Bonds.

<u>Year Ending</u> <u>September 1</u>	<u>Principal Payment</u>	<u>Total Interest</u> <u>Payment</u>	<u>Total Debt Service</u>	<u>Bel Aire</u> <u>Portion</u>	<u>Park City</u> <u>Portion</u>
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					

***TOTAL***

<sup>1</sup>The debt service in 20[\_\_\_] will be paid, in part, from monies held in the Debt Service Reserve Fund.

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## BASE CHARGE COVERAGE CALCULATION

<b>Description of <u>Indebtedness</u></b>	<b>2019 Audited City of Park City<sup>1</sup></b>	<b>2019 Audited City of Bel Aire<sup>1</sup></b>
<b>Operating Revenue</b>		
Water System Revenue	\$1,698,384	\$2,479,857
Sewer System Operating Revenue	<u>1,232,252</u>	<u>2,352,436</u>
<b>Total Operating Revenues</b>	<b>\$2,930,636</b>	<b>\$4,832,293</b>
<b>Operating Expense</b>		
CCUA Operating Expense	\$ 936,704	\$ 715,864
Personnel Services	386,494	544,709
Contractual Services	183,008	191,039
Water Purchases	159,482	448,093
Franchise Fees	0	200,000
Other Operating Expenses	284,857	629,079
Depreciation	<u>0</u>	<u>721,497</u>
<b>Total Operating Expense</b>	<b>\$1,950,545</b>	<b>\$3,450,281</b>
 <b>Net Operating Income</b>	 <b>\$980,091</b>	 <b>\$1,382,012</b>
Plus Non-Operating Revenue & Depreciation	\$ -	\$1,027,795
Operating Revenue Available For Debt Service	980,091	-
Plus Prior Year Ending Unencumbered Cash In Water and Sewer O&M Funds	351,708	-
Plus Prior Year ending Unencumbered Cash In Water and Sewer CIP/CEF Funds	777,484	-
Plus Prior Year Ending Unencumbered Cash in Water and Sewer Improvement Funds	100,000	-
Plus Prior Year Ending Unencumbered Cash in Water and Sewer Surplus Funds	1,733,168	-
Plus Prior Year Ending Cash (Statement of Assets)	<u>1,596,152</u>	<u>3,562,611</u>
<b>Total Funds Available for Debt Service</b>	<b>\$5,538,603</b>	<b>\$5,972,418</b>
Debt Service	696,680	1,738,683
Base Charge (Projected Maximum Annual Debt Service Due in 2031)	835,666	1,435,356
<b>Debt Service Coverage Ratio on Base Charge</b>	<b>6.63x</b>	<b>4.16x</b>

<sup>1</sup> represents last year for which audited financial statements are available for each Contracting Member

## RISK FACTORS AND INVESTMENT CONSIDERATIONS

***A PROSPECTIVE PURCHASER OF THE SERIES 2021 BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE SERIES 2021 BONDS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE SERIES 2021 BONDS. PROSPECTIVE PURCHASERS OF THE SERIES 2021 BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE ISSUER OR THE UNDERWRITER.***

### Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Series 2021 Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Issuer or the taxing authority of the Issuer.

## **Limitations on Remedies Available to Owners of Series 2021 Bonds**

The enforceability of the rights and remedies of the owners of Series 2021 Bonds, and the obligations incurred by the Issuer in issuing the Series 2021 Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of Kansas and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Series 2021 Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

## **Special Obligations**

The Series 2021 Bonds are special, limited obligations of the Authority. Neither the Series 2021 Bonds nor the interest thereon constitute a general obligation or indebtedness of, nor is the payment thereof guaranteed by the Authority, or any governmental subdivision, agency or instrumentality. The Series 2021 Bonds are not required to be paid in any manner from tax revenues.

## **Debt Service Source**

The Series 2021 Bonds are payable solely from the Trust Estate. The Trust Estate includes the Revenues, which are derived in significant part from payments made by the Contracting Members under the Service Agreements. The Series 2021 Bonds shall stand on a parity and be equally and ratably secured with respect to the payment of principal and interest from the Trust Estate, including the Revenues, and in all other respects with the Series 2007 Bonds, Series 2012 Bonds, Series 2015 Bonds and any Additional Bonds. Such payment obligations are a limited obligation of the Contracting Member, payable solely from the revenues of the Contracting Member's System, which are pledged to pay such obligation. The payment obligations of the Contracting Members are not general obligations of such Contracting Member and are not payable in any manner from taxation. The Contracting Member's obligation to make such payments is a "take or pay" obligation, payable whether or not water or wastewater collection and treatment services actually received from the Authority, provided that that obligation to pay for wastewater treatment and collection service is subject to the Kansas Cash Basis Law (K.S.A. 10-1101 *et seq.*). See "SECURITY FOR THE SERIES 2021 BONDS" for further information.

The obligations of each Contracting Member are several; no Contracting Member is responsible for payment obligations of any other Contracting Member; and a default by one Contracting Member could adversely affect the ability of the Authority to pay debt service on the Bonds. Each Contracting Member has covenanted that such payments constitute operating expenses of the System, that the Contracting Member will not in the future cause such pledge to be subordinated to any other obligation of the System and that the Contracting Member will impose such rates, fees and charges for use of its System to fulfill its obligations under the Service Agreement. However, there can be no assurance that each Contracting Member will achieve revenues from operation of its System to fulfill its obligations under the Service Agreement. The revenues derived from the operation of the Systems are dependent on costs thereof, alternate services and other factors affecting the water and wastewater industries.

## **Debt Service Reserve Fund**

Pursuant to the Indenture, an amount not exceeding the lesser of (i) ten percent (10%) of the original principal amount of Bonds; (ii) the maximum annual Debt Service Requirement for the Bonds; or (iii) 125% of the average annual Debt Service Requirements for the Bonds (the "Debt Service Reserve Requirement") has been deposited in the Debt Service Reserve Fund. Moneys in the Debt Service Reserve Fund may be invested in Investment Obligations. Moneys, including such Investment Obligations, may be applied by the Authority to prevent default in payment of the principal of and interest on the Bonds in accordance with the Indenture in the event funds on hand in the Debt Service Account are insufficient to provide funds for payments due on any Payment Date.

In the event the Authority is required to sell such Investment Obligations for such purpose, the price realized upon such sale may not equal the Debt Service Reserve Account Requirement.

In the event of a default by the Authority under the Indenture, moneys deposited in the Debt Service Reserve Fund may, under certain circumstances and, ordinarily under the supervision of and under order of the courts, be applied for purposes other than payment of the Bonds.

## **State and Federal Regulation**

The rates, fees and charges for service through the Facilities as constructed and operated will be exempt from rate regulation by the Kansas Corporation Commission. The precise nature and extent future governmental regulation and the resulting impact of such regulation on the operation and profitability of the System cannot now be determined. The Authority has covenanted in the Indenture to comply with all such governmental regulation.

## **Water Environmental Regulation**

Water utilities are subject to continuing environmental regulation. The Authority is subject to continuing regulation by the Kansas Department of Health and Environment (KDHE) with respect to water supply, the purity of water and plans and specifications for the construction, improvement, alteration and operation of public water supply systems and by the Environmental Protection Agency as to the purity of water supplied to customers and the quality of any effluent from filter plants. Federal, state and local standards and procedures that regulate the environmental impact water utilities are subject to change. These changes may arise from continuing legislative, regulatory and judicial action regarding such standards and procedures. Such changes normally are not implemented immediately and schedules of compliance (usually in years) accompany any changes. The Authority, in both its water and wastewater operations, has no choice but to be in compliance with State and Federal water and wastewater requirements. The Authority cannot expect to operate “out of permit.” Therefore, with any such changes, an immediate plan of improvement and compliance would be established. Modifications to treatment facilities would be expected to have a cost, which would be borne by the Contracting Members through charges under the Service Agreements. Such changes would not likely have any immediate impact on operations.

The wastewater plant is an “advanced” treatment facility with removal to high levels dissolved and suspended solids and ammonia. There is discussion within the State regulatory agency about the future removal of total phosphorus and total nitrogen to defined levels. The plant already removes phosphorus to some degree. This can be enhanced with the addition of chemicals and potentially the filtration of the effluent. Although these processes are not added without cost, they are relatively inexpensive in comparison to the cost of the wastewater plant and would be accommodated in the rates of the Contracting Members. Again, it is likely that any such regulatory changes would occur over a multi-year period.

Changes in treatment standards of potable water are less predictable. However, the ability to add powdered-activated carbon was included in the process of the water plant and can remove some of the contaminants that may be added to a water permit in the future.

The Authority has attempted to be forward-thinking in the design of the facilities and believes that it has a reduced cost and regulatory risk due to its actions.

Legislative, regulatory, administrative or enforcement action involving environmental controls could adversely affect the operation of the facilities of the Authority; however, the Authority intends to monitor such actions and minimize any adverse impact resulting therefrom.

## **Service Agreements**

The primary source of payment of the Bonds will be payments to be made by each Contracting Member under its Service Agreement. All of such payments have been assigned by the Authority to the Trustee as security for the payment of the Series 2021 Bonds.

The obligation of each Contracting Member to make payments under its Service Agreement is a limited obligation of the Contracting Member payable solely from the revenues of the Contracting Member’s System, and such revenues are pledged to pay such obligation. The Contracting Member’s obligation to make such payments is a “take or pay” obligation, payable whether or not water or wastewater collection and treatment services actually received from the Authority, provided that the obligation to pay for wastewater treatment and collection services subject to Kansas Cash Basis Law (K.S.A. 10-1101 *et seq.*). See “SECURITY FOR THE SERIES 2021 BONDS” for further information.

Each Contracting Member is obligated to pay its allocable share under the Service Agreements. The obligations of the Contracting Members are several and not joint obligations. No Contracting Member is responsible for the actions of any other Contracting Member and the payment obligation of a Contracting Member will not be increased if another Contracting Member defaults in its obligations under its Service Agreement.



The Authority has covenanted in the Indenture to enforce the provisions of each Service Agreement and to perform its covenants and agreement under each Service Agreement. The Authority has also covenanted that it will not consent or agree to, or permit any rescission of or amendment to, or otherwise take any action with respect to a Service Agreement, which will reduce the payments required under a Service Agreement or which will materially impair or materially adversely affect the rights of the Authority thereunder or the rights or security of the Trustee or the Owners of the Bonds without the consent of the Trustee.

Each Service Agreement has an initial term extending to the last day of the Contract Year in which all Bonds and the interest thereon have been paid in full or provision for the payment thereof has been made in accordance with the Indenture, which is currently scheduled to be December 1, 20[\_\_\_] and contains various covenants and agreements of the Contracting Member concerning the operation of its System. For additional information concerning the Service Agreements see “**APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS.**” For additional information concerning the Contracting Members and their respective Systems see, “**APPENDIX A – 1 – INFORMATION CONCERNING THE CITY OF BEL AIRE, KANSAS,**” “**APPENDIX A – 2 – INFORMATION CONCERNING THE CITY OF PARK CITY, KANSAS.**”

### **Limited Value of Facilities After Default**

The Facility been designed and constructed for use for water treatment and distribution and wastewater collection and treatment. The number of entities that could be expected to purchase or utilize any or all of the Facilities may be limited. The ability of the Trustee to realize funds from the sale or utilization of the Facilities after an Event of Default may result in a loss, in part, of a Bondowner’s investment.

### **Additional Bonds**

The Indenture permits the issuance of Additional Bonds on a parity of lien basis with the Bonds for certain purposes, including the financing of additions, extensions, modifications or other improvements to the Facilities. The issuance of such Bonds does not require the consent of any of the Bondowners or of the Underwriter as original purchaser of the Bonds. If Additional Bonds are issued on a parity of lien basis with the Bonds, there is no assurance that any property purchased with the proceeds of such Additional Bonds will add value to the Facilities equivalent to the principal amount of Additional Bonds so issued. The Indenture does require as a condition precedent to the issuance of Additional Bonds on a parity of lien basis with the Bonds that the Authority enter into a supplement to the Service Agreements which will demonstrate prior to the issuance of such Additional Bonds that it anticipates such future revenues as will permit it to fully amortize the Bonds and such Additional Bonds. Additionally, prior to entering into such a supplement to the Service Agreement that increases the Base Charge or other obligations thereunder, the Ordinance of each Contracting Member requires that the Coverage Ratio for the fiscal year immediately preceding or succeeding the date of such supplement to the Service Agreement, as reflected by information provided by an independent accountant or consultant, shall be at least 1.25, including obligations incurred under such Supplement to the Service Agreement. See “**APPENDIX C — SUMMARY OF PRINCIPAL FINANCING DOCUMENTS – Indenture and Ordinance.**”

### **Kansas Public Employees Retirement System**

The Authority and the Contracting Members participate in the Kansas Public Employees Retirement System (“KPERs”), as an instrumentality of the State to provide retirement and related benefits to public employees in Kansas. KPERs administers three statewide defined benefit retirement plans for public employees which are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Issuer participates in the Public Employees Retirement System – Local Group (the “Plan”). Under existing law, employees make contributions and the Issuer makes all employer contributions to the Plan; neither the employees nor the Issuer are directly responsible for any unfunded accrued actuarial liability (“UAAL”). However, the Plan contribution rates may be adjusted by legislative action over time to address any UAAL. According to KPERs’ Valuation Report, the Local Group had an UAAL of approximately \$1.502 billion in calendar year 2019.

### **Taxation of Interest on the Series 2021 Bonds**

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Series 2021 Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the “Code”), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Series 2021 Bonds includable in gross income for federal income tax purposes.

The Issuer has covenanted in the Indenture and in other documents and certificates to be delivered in connection with the issuance of the Series 2021 Bonds to comply with the provisions of the Code, including those which require the Issuer to take or omit to take certain actions after the issuance of the Series 2021 Bonds. Because the existence and continuation of the excludability of the interest on the Series 2021 Bonds depends upon events occurring after the date of issuance of the Series 2021 Bonds, the opinion of Bond Counsel described under “TAX MATTERS” assumes the compliance by the Issuer with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Series 2021 Bonds in the event of noncompliance with such provisions. The failure of the Issuer to comply with the provisions described above may cause the interest on the Series 2021 Bonds to become includable in gross income as of the date of issuance.

### **Premium on Series 2021 Bonds**

[The initial offering prices of certain maturities of the Series 2021 Bonds that are subject to optional redemption are in excess of the respective principal amounts thereof. ]Any person who purchases a Series 2021 Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Series 2021 Bonds are subject to redemption at par under the various circumstances described under “THE SERIES 2021 BONDS – Redemption Provisions.”

### **No Additional Interest or Mandatory Redemption upon Event of Taxability**

The Indenture does not provide for the payment of additional interest or penalty on the Series 2021 Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Indenture does not provide for the payment of any additional interest or penalty on the Series 2021 Bonds if the interest thereon becomes subject to income taxation by the State.

### **Suitability of Investment**

An investment in the Series 2021 Bonds involves a certain degree of risk. The interest rate borne by the Series 2021 Bonds (as compared to prevailing interest rates on more secure tax-exempt bonds such as those which constitute general obligations of fiscally sound municipalities) is intended to compensate the investor for assuming this element of risk. Furthermore, the tax-exempt feature of the Series 2021 Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Series 2021 Bonds are an appropriate investment.

### **Market for the Series 2021 Bonds**

**Bond Rating.** The Series 2021 Bonds have been assigned the financial ratings set forth in the section hereof entitled “BOND RATINGS.” There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Series 2021 Bonds.

**Secondary Market.** There is no assurance that a secondary market will develop for the purchase and sale of the Series 2021 Bonds. It is the present practice of the Underwriter, however, to make a secondary market as dealers in issues of municipal bonds which the Underwriter distributes. The Underwriter intends to continue this practice with respect to the Series 2021 Bonds, but is not obligated to do so. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary for the Underwriter to suspend indefinitely secondary market trading in the Series 2021 Bonds as a result of the financial condition or market position of the Underwriter, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Series 2021 Bonds are in default as to principal and interest payments, and other factors which in the opinion of the Underwriter may give rise to uncertainty concerning prudent secondary market practices.

### **[Bond Insurance and Ratings of the Bond Insurer**

If the Issuer fails to make payment of the principal of and interest on the Series 2021 Bonds when the same become due, any Owner of Series 2021 Bonds will have recourse against the Bond Insurer for such payments. The Bond Insurance Policy does not, however, insure payment of the principal of or interest on the Series 2021 Bonds coming due by reason of acceleration or redemption (other than mandatory sinking fund redemption), nor does it insure the payment of any redemption premium payable upon the redemption of the Series 2021 Bonds. Under no circumstances, including the

situation in which interest on the Series 2021 Bonds becomes subject to federal taxation for any reason, can the maturities of the Series 2021 Bonds be accelerated except with the consent of the Bond Insurer. Furthermore, so long as the Bond Insurer performs its obligations under the Bond Insurance Policy, the Bond Insurer may direct, and its consent must be obtained before the exercise of, any remedies to be undertaken under the Indenture. If the Bond Insurer is unable to make payments of principal and interest on the Series 2021 Bonds as those payments become due, the Series 2021 Bonds are payable solely from sources pledged by the Issuer pursuant to the Indenture. See “BOND INSURANCE” for further information concerning the Bond Insurer, the Bond Insurance Policy and any financial ratings assigned to bonds insured by the Bond Insurer.

Moody’s, Standard & Poor’s Global Ratings (“S&P”), Fitch Ratings and Kroll Bond Rating Agency (“KBRA”) have issued press releases concerning their analyses of the effect on financial guarantors (including the Bond Insurer) of the ongoing deterioration in the performance of residential mortgage-backed securities and collateralized debt obligations with exposure to residential mortgage-backed securities. All three rating agencies have re-assessed and are continuing to re-assess their required capital adequacy ratios for bond insurers, and also have revised the stress tests they apply in their ratings analyses of bond insurers to reflect higher potential losses for exposures to residential mortgage-backed securities and certain collateralized debt obligations.

A rating downgrade of the Bond Insurer by any rating agency may result in a rating downgrade of the Series 2021 Bonds. A rating downgrade of the Series 2021 Bonds could lower the price of the Series 2021 Bonds in the secondary market, and could affect the liquidity for the Series 2021 Bonds in the secondary market. Prospective purchasers of the Series 2021 Bonds are urged to check the websites of the rating agencies and the public announcements by the Bond Insurer for any future developments relating to the ratings of the Bond Insurer and the Series 2021 Bonds.

## **[BOND INSURANCE**

### **BOND INSURANCE POLICY**

Concurrently with the issuance of the Series 2021 Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy for the Series 2021 Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2021 Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

### **ASSURED GUARANTY MUNICIPAL CORP.**

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

To be updated

### *Capitalization of AGM*

To be updated

### *Incorporation of Certain Documents by Reference*

To be updated

### *Miscellaneous Matters*

AGM makes no representation regarding the Series 2021 Bonds or the advisability of investing in the Series 2021 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE”.

### **Cybersecurity Risks**

Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the Contracting Members or the Authority and the services provided, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If a security breach occurs, the Authority or the Contracting Members may incur significant costs to remediate possible injury to the affected persons, and may be subject to sanctions and civil penalties. Any failure to maintain proper functionality and security of information systems could interrupt the Authority’s operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

### **Natural Disasters or Terrorist Attacks**

The occurrence of a terrorist attack in the Authority or Contracting Members, or natural disasters, such as fires, tornados, earthquakes, floods or droughts, could damage the systems and infrastructure of the Authority and Contracting Members, and interrupt services or otherwise impair operations.

### **COVID-19 Pandemic**

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state and local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets. The Governor of the State has issued various Executive Orders in response to the COVID-19 pandemic, including Executive Orders temporarily preventing foreclosures and evictions, deferring certain tax deadlines and payments, instituting a temporary State-wide stay-at-home (expired as of May 2020), and instituting a mask mandate which granted each county the right to opt out of such order.

The COVID-19 pandemic could result in increased costs to the Authority and/or negative impacts on revenue collections, including revenues of the systems of the Contracting Members (a primary source of revenue for the Authority which are essential to repayment of the Bonds) due to increased payment delinquencies or disruption of operations and revenue collections. All such factors could have a material adverse effect on the operations and financial condition of the Issuer or the System. As of the date hereof, neither the Authority nor the Contracting Members have experienced material adverse changes relative to adopted budgets with regard to expenditures or receipt of revenues.

State and local governmental authorities continue efforts to contain and limit the spread of COVID-19. Future revenue collections, may deviate from historical or anticipated levels. The emergence of COVID-19 and the spread thereof is an emerging and evolving issue. The Authority is not able to predict and makes no representations as to the long term economic impact of the COVID-19 pandemic on Authority or the Contracting Members

## BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC., has assigned an independent rating of "[ ]" to the Series 2021 Bonds. [S&P Global Ratings is expected to assign the rating of "AA" (Stable Outlook) to the Series 2021 Bonds with the understanding that upon delivery of the Series 2021 Bonds, a policy insuring the payment when due of the principal of and interests on the Series 2021 Bonds will be issued by the Bond Insurer.]

Such ratings reflect only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any bonds, including the Series 2021 Bonds, or as to the market price or suitability thereof for a particular investor. The Issuer furnished such rating agency with certain information and materials relating to the Series 2021 Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Series 2021 Bonds.

[ Moody's Investors Service, Standard & Poor's, Fitch Ratings and Kroll Bond Rating Agency have issued press releases concerning their analyses of the effect on financial guarantors (including the Bond Insurer) of the ongoing deterioration in the performance of residential mortgage-backed securities and collateralized debt obligations with exposure to residential mortgage-backed securities. All three rating agencies have re-assessed and are continuing to re-assess their required capital adequacy ratios for bond insurers, and also have revised the stress tests they apply in their ratings analyses of bond insurers to reflect higher potential losses for exposures to residential mortgage-backed securities and certain collateralized debt obligations. See "Bond Insurance and Ratings of the Bond Insurer" under "RISK FACTORS" for additional information regarding the potential impact of these developments on the ratings of the Bond Insurer and the Series 2021 Bonds.]

## ABSENCE OF LITIGATION

There is no controversy, suit or other proceedings of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the Issuer or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act shown to have been done in the transcript leading up to the issuance of the Series 2021 Bonds, or the constitutionality or validity of the indebtedness represented by the Series 2021 Bonds shown to be authorized in the transcript, or the validity of the Series 2021 Bonds or any of the proceedings in relation to the issuance or sale thereof, or the pledging of the revenues of the System to pay the principal of and interest thereon.

## LEGAL MATTERS

### Approval of Series 2021 Bonds

All matters incident to the authorization and issuance of the Series 2021 Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas ("Bond Counsel"). The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer and its certified public accountants, as referred to herein. Bond Counsel has participated in the preparation of the Official Statement but expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned "THE SERIES 2021 BONDS," "LEGAL MATTERS," "TAX MATTERS" and "*APPENDIX C – SUMMARY OF PRINCIPAL FINANCING DOCUMENTS.*" Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Series 2021 Bonds. Certain legal matters have been passed on for the Issuer by Russ Hazlewood, Esq.

## TAX MATTERS

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Series 2021 Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Series 2021 Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Series 2021 Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Series 2021 Bonds.

### Opinion of Bond Counsel

In the opinion of Bond Counsel, under the law existing as of the issue date of the Series 2021 Bonds:

**Federal Tax Exemption.** The interest on the Series 2021 Bonds [(including any original issue discount properly allocable to an owner thereof)] is excludable from gross income for federal income tax purposes.

**Alternative Minimum Tax.** Interest on the Series 2021 Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax.

**Bank Qualification.** The Series 2021 Bonds have **not** been designated as “qualified tax-exempt obligations” for purposes of Code § 265(b)(3).

**Kansas Tax Exemption.** The interest on the Series 2021 Bonds is exempt from income taxation by the State of Kansas.

Bond Counsel’s opinions are provided as of the date of the original issue of the Series 2021 Bonds, subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2021 Bonds in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2021 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2021 Bonds. Bond Counsel is expressing no opinion regarding other federal, state or local tax consequences arising with respect to the Series 2021 Bonds.

### Other Tax Consequences

[ **Original Issue Discount.** For federal income tax purposes, original issue discount is the excess of the stated redemption price at maturity of a Series 2021 Bond over its issue price. The stated redemption price at maturity of a Series 2021 Bond is the sum of all payments on the Series 2021 Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2021 Bond is generally the first price at which a substantial amount of the Series 2021 Bonds of that maturity have been sold to the public. Under Code § 1288, original issue discount on tax-exempt obligations accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2021 Bond during any accrual period generally equals (1) the issue price of that Series 2021 Bond, plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (2) the yield to maturity on that Series 2021 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (3) any interest payable on that Series 2021 Bond during that accrual period. The amount of original issue discount accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner’s tax basis in that Series 2021 Bond. Prospective investors should consult their own tax advisors concerning the calculation and accrual of original issue discount.]

[ **Original Issue Premium.** For federal income tax purposes, premium is the excess of the issue price of a Series 2021 Bond over its stated redemption price at maturity. The stated redemption price at maturity of a Series 2021 Bond is the sum of all payments on the Series 2021 Bond other than “qualified stated interest” (*i.e.*, interest unconditionally payable at least annually at a single fixed rate). The issue price of a Series 2021 Bond is generally the first price at which a substantial amount of the Series 2021 Bonds of that maturity have been sold to the public. Under Code § 171, premium on tax-exempt obligations amortizes over the term of the Series 2021 Bond using constant yield principles, based on the purchaser’s yield to maturity. As premium is amortized, the owner’s basis in the Series 2021 Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the owner, which will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the Series 2021 Bond prior to its maturity. Even though the owner’s basis is reduced, no federal income tax deduction is allowed. Prospective investors should consult their own tax advisors concerning the calculation and accrual of premium.]

**Sale, Exchange or Retirement of Bonds.** Upon the sale, exchange or retirement (including redemption) of a Series 2021 Bond, an owner of the Series 2021 Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Series 2021 Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Series 2021 Bond. To the extent the Series 2021 Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Series 2021 Bond has been held for more than 12 months at the time of sale, exchange or retirement.

**Reporting Requirements.** In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Series 2021 Bonds, and to the proceeds paid on the sale of Series 2021 Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

**Collateral Federal Income Tax Consequences.** Prospective purchasers of the Series 2021 Bonds should be aware that ownership of the Series 2021 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Series 2021 Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Series 2021 Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Series 2021 Bonds, including the possible application of state, local, foreign and other tax laws.

## UNDERWRITING

The Series 2021 Bonds are being purchased for reoffering by [Underwriter], [City, State] (the “Underwriter”) at a price equal to the principal amount of the Series 2021 Bonds, less an underwriting discount of \$[\_\_\_\_\_], plus a [net] reoffering premium of \$[\_\_\_\_\_]. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Series 2021 Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Series 2021 Bonds is subject to various conditions contained in the Bond Purchase Agreement.

The Series 2021 Bonds will be offered to the public initially at the prices determined to produce the yields set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell the Series 2021 Bonds to certain dealers (including dealers depositing the Series 2021 Bonds into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2021 Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

## **AUTHORIZATION OF OFFICIAL STATEMENT**

The preparation of this Official Statement and its distribution has been authorized by the governing body of the Issuer as of the date on the cover page hereof. This Official Statement is submitted in connection with the issuance of the Series 2021 Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Series 2021 Bonds.

**CHISHOLM CREEK UTILITY AUTHORITY**

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## **APPENDIX A-1**

### **INFORMATION CONCERNING THE CITY OF BEL AIRE, KANSAS**

#### **Size, Location & Organization**

The City of Bel Aire (“the City” or “Bel Aire”) encompasses approximately 6.83 square miles (4,371 acres) and is located in Sedgwick County, in the northeast part of the Wichita Metropolitan Area. The City is a municipal corporation and is a Kansas city of second class. The City has a Mayor/Council form of government. The City Council conducts all legislative functions for the City, establishes general policies, and promotes the general welfare of the city. The City Council appoints staff members, including the City Manager and City Clerk to carry out the provision of City services.

The City owns its municipal waterworks utility and sanitary sewer utility, including treatment facilities owned and operated through an intergovernmental partnership with the City of Park City, Kansas. Natural gas, electric and telephone services are provided by private utilities.

#### **Educational Facilities**

Bel Aire is served by the Unified School District No. 259 (Wichita) and Unified School District No. 375 (Circle) for K-12 education.

Post-secondary education is available to City residents at Wichita State University, Friends University, Newman University, University of Kansas School of Medicine and WSU Tech, all located in the City of Wichita.

#### **Transportation**

Bel Aire is located south of US Highway 254, east of I-35 (the Kansas Turnpike) and north of the K-96 expressway. Colonel James Jabara Airport, located just outside Bel Aire, is a public general aviation airport used for private and charter flights. Wichita Mid-Continent Airport, located approximately 20 minutes outside Bel Aire, offers commuter and cargo flights.

#### **Medical and Health Facilities**

Bel Aire has two hospitals and medical center complexes located within 30 miles of Bel Aire, HCA Wesley Medical Center and Via Christi Hospitals. Sedgwick County provides emergency medical services to the City.

#### **Recreational and Cultural Facilities**

Sedgwick County offers a wide variety of cultural and entertainment options to City residents, including: Botanica – The Wichita Gardens; Wurlitzer Organ Pops Concerts; Metropolitan Ballet Company; Wichita Community Theater; Wichita Children’s Theater; Music Theater of Wichita; Mid-America Dance Theater, Inc.; Wichita Symphony and Choral Society; Wichita Art Association Galleries; Lake Afton Public Observatory; Wichita Art Museum; Whittier Fine Arts Gallery; Mid America All Indian Center Museum; and Exploration Place. Some of the major cultural events held annually in the area are: Kansas Junior Livestock Show; Wichita Jazz Festival; Renaissance Fair; Wichita River Festival; Victorian Garden Festival; National Baseball Congress Tournament; Lake Afton Grand Prix; Wichita Arts Festival; and the Sedgwick County Fair.

In addition to the recreational and cultural facilities offered above, Sedgwick County operates the INTRUST Bank Arena, the Sedgwick County Zoo and Botanical Gardens, Lake Afton Park, and the Sedgwick County Park. The INTRUST Bank Arena is a multi-purpose facility hosting nationally recognized musical entertainers, circuses, rodeos, the Wichita Thunder professional hockey team of the Central Hockey League and a wide variety of other entertainment events. The Sedgwick County Zoo and Botanical Gardens are considered world-class facilities. The zoo provides an environment where animals roam in spacious areas that stimulate their natural habitats, while the Botanical Gardens offer a wide variety of species of native American and foreign plants, trees and shrubs in a natural setting.

**ECONOMIC INFORMATION**

**Major Employers**

Major employers located within the Wichita Metropolitan Area are as follows:

<u>Major Employers</u>	<u>Product/Service</u>	<u>Number of Full-time Employees</u>
Spirit AeroSystems Inc.	Aircraft	13,000
Textron Aviation	Aircraft	9,000
McConnell Air Force Base	Government	7,326
Unified School District No. 259	Education	6,867
Ascension Via Christi Health	Health Care	5,156
Koch Industries Inc.	Refining & Chemicals	4,494
City of Wichita	Municipal Government	3,263
U.S. Government	Government	3,250
Sedgwick County	Government	2,793
State of Kansas	Education and Government	2,157
Wichita State University	Higher Education	2,035
Wesley Healthcare	Health Care	2,030

*Source:* Greater Wichita Economic Coalition

**Labor Force**

The following table sets forth labor force figures for Sedgwick County and the State of Kansas:

<b>SEDGWICK COUNTY</b>				
	<b>Total</b>			<b>Unemployed</b>
<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Rate</u>
2016	248,395	236,886	11,509	4.6%
2017	245,719	235,335	10,384	4.2%
2018	247,748	238,570	9,178	3.7%
2019	253,188	244,453	8,735	3.5%
2020	257,213	234,765	22,448	8.7%

  

<b>STATE OF KANSAS</b>				
	<b>Total</b>			<b>Unemployed</b>
<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Rate</u>
2016	1,491,961	1,431,920	60,041	4.0%
2017	1,483,648	1,429,911	53,737	3.6%
2018	1,483,633	1,434,852	48,781	3.3%
2019	1,493,666	1,446,448	47,218	3.2%
2020	1,497,003	1,408,995	88,008	5.9%

*Source:* Kansas Department of Labor

### **Retail Sales Tax Collections**

The following table lists the sales tax collections for the state of Kansas portion of the total sales tax for the calendar years indicated and per capita sales tax collections for the State's fiscal years indicated for sales occurring in Sedgwick County, Kansas:

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2015	\$528,776,274	\$987.44
2016	549,882,967	1,070.76
2017	542,322,930	1,068.97
2018	556,320,122	1,069.50
2019	575,431,484	1,234.11
2020	\$[_____]	

Effective July 1, 2015, the statewide sales and use tax was increased to 6.50%. Includes use tax collections for 2019.

*Source:* Kansas Statistical Abstract

### **Local Option Sales Tax**

In 1985, the Sedgwick County voters approved a general sales tax on retail sales within the County limits (the "County Sales Tax"). Pursuant to State law, Bel Aire receives a portion of the County Sales Tax. Bel Aire uses its portion of the County Sales Tax receipts to provide operating funds.

The following table provides the amount of County Sales Tax distributed to Bel Aire during the years indicated:

<u>Year</u>	<u>Amount</u>
2015	\$1,093,371
2016	1,165,977
2017	1,174,000
2018	1,259,045
2019	1,345,028
2020	[1,206,949]

### **Oil Production**

The oil production (in number of barrels) for Sedgwick County for the years listed is indicated in the following table:

<u>Year</u>	<u>Oil Production</u>
2015	139,416
2016	127,680
2017	173,255
2018	121,195
2019	111,958

*Source:* Kansas Geological Survey

## Financial and Banking Institutions

There are currently 41 banks located in Sedgwick County. For the years listed, bank deposits of the County's banks are as follows (in thousands of dollars):

<u>Year</u>	<u>Total Bank Deposits</u>
2016	\$12,580,941
2017	12,851,121
2018	13,401,267
2019	13,633,610
2020	16,661,846

*Source:* Kansas Statistical Abstract

## Population Trends

The following table shows the approximate population of the City and Sedgwick County in the years indicated:

<u>Year</u>	<u>City of Bel Aire Population</u>	<u>Sedgwick County Population</u>
1990	3,695	404,613
2000	5,836	453,486
2010	6,769	498,365
2015	7,401	511,574
2019	8,300	516,042

The median age of persons in the County and the State is 34.2 and 36, respectively, per the 2010 Census.

*Source:* U.S. Census Bureau

## Personal Income Trends

Sedgwick County per capita income and the State of Kansas per capita income are listed for the years indicated, in the following table.

<u>Year</u>	<u>Sedgwick County Per Capita Income</u>	<u>State of Kansas Per Capita Income</u>
2014	\$50,815	\$46,874
2015	49,053	47,386
2016	47,945	47,510
2017	50,503	48,869
2018	53,776	51,471
2019	23,577	53,439

*Source:* U.S. Department of Commerce – Bureau of Economic Analysis

## FINANCIAL INFORMATION

### Accounting, Budgeting and Auditing Procedures

Bel Aire follows a modified accrual basis of accounting for all tax supported funds of Bel Aire, including the General Fund. An accrual basis of accounting is utilized for proprietary funds. Bel Aire has received a waiver from generally accepted accounting standards from the State.

An annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of Bel Aire prior to August 1, with a public hearing required to be held prior to August 15, with the final budget to be adopted by a majority vote of the governing body of Bel Aire prior to August 25 of each year. Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted. The Kansas in the current 2021 legislative session, has passed Senate Bill 13, as amended, establishing notice and public hearing requirements for certain taxing subdivisions, including the City of Bel Aire, seeking to collect ad valorem taxes in excess of a revenue neutral amount. Senate Bill 13 also prohibits increases in appraised value of real property solely as a result of normal repair, replacement, or maintenance of existing structures. City staff Senate Bill No. 13 will not have a material adverse impact on the financial condition of the City.

Kansas law prohibits governmental units from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such indebtedness. An exception to this cash-basis operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Adams, Allen, Gibbs & Houlik, L.C., Certified Public Accountants, Wichita, Kansas. Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audit for the Fiscal Year ended December 31, 2019, is attached hereto as **APPENDIX B-2**.

The financial information contained in the Appendices to this Official Statement are an integral part of this document and are intended to be read in conjunction herewith.

## **Property Valuations**

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties under the direction of state statutes. The Sedgwick County Appraiser's office determines the fair market value of all taxable property within Sedgwick County and the assessed valuation thereof that is to be used as a basis for the mill levy on property located in the Issuer.

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Code §501, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 30%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

The Kansas Legislature (the "Legislature") reduced the applicable assessment rates on motor vehicles from 30% of market value to 20% of market value as of January 1, 2000.

The 2006 Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

### City Property Values/Assessed Valuation

The total assessed valuation of the taxable tangible property in the City of Bel Aire, Kansas, for the last five years is shown below:

<u>Year*</u>	<u>Appraised Valuation</u>	<u>Taxable Assessed Valuation</u>	<u>Motor and Recreation Vehicles</u>	<u>Equalized Assessed Tangible Valuation</u>
2015/16	\$383,369,967	\$48,143,387	\$ 9,243,852	\$57,387,239
2016/17	416,722,453	52,479,400	9,682,993	62,162,393
2017/18	447,620,939	56,501,399	10,121,490	66,622,889
2018/19	480,798,888	60,692,494	10,672,187	71,364,681
2019/20	510,727,800	64,190,596	11,024,986	75,215,582

*Source:* County Clerk, Kansas Department of Revenue, City of Bel Aire

### 2019/20 Equalized Assessed Tangible Valuation

<u>Category</u>	<u>Amount</u>	<u>Percent</u>
Real Property	\$61,843,063	96.30%
Personal Property	238,631	0.40%
State Assessed Utilities	<u>2,108,902</u>	3.30%
<i>Total Taxable Assessed Valuation</i>	<b><u>\$64,190,596</u></b>	100.00%
Motor and Recreational Vehicles	<u>11,024,986</u>	
<b>Total Equalized Assessed Tangible Valuation</b>	<b><u>\$75,215,582</u></b>	

*Source:* County Clerk

### City Tax Rates, Levies and Collections

**Tax Collections.** Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at a per annum rate established by State law until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before August 1 of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the Sheriff for collection. If not paid on or before October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non-enforced lien expires five years after it is entered.

Motor vehicle taxes are collected periodically throughout the year concurrently with the renewal of motor vehicle tags based upon the value of such vehicles. Such tax receipts are distributed to all taxing subdivisions, including the State of Kansas, in proportion to the number of mills levied within each taxpayer's tax levy unit.

**Aggregate Tax Levies.** The aggregate tax levies (per \$1000 assessed valuation) of the City and overlapping jurisdictions for the years indicated are included in the following table:

<u>Year</u>	<u>City</u>	<u>Sedgwick County</u>	<u>U.S.D. 259</u>	<u>State</u>	<u>Other</u>	<u>Total Levy</u>
2015/2016	46.246	47.754	56.278	1.500	1.132	152.910
2016/2017	45.726	47.807	53.683	1.500	1.253	149.969
2017/2018	45.719	47.785	53.733	1.500	1.253	149.990
2018/2019	45.725	47.546	53.638	1.500	1.237	149.646
2019/2020	45.774	47.280	53.183	1.500	1.229	148.966

*Source:* County Clerk

**Tax Collection Record.** The following table sets forth tax collection information (not including special assessments) for the City for the years indicated:

<u>Year</u>	<u>Total Taxes</u>	<u>Current Taxes Collected</u>	
	<u>Levied</u>	<u>Amount</u>	<u>Percentage</u>
2015/16	\$2,227,576	\$2,181,391	97.93%
2016/17	2,401,245	2,355,290	98.09%
2017/18	2,584,488	2,516,618	97.37%
2018/19	2,777,047	2,712,014	97.66%
2019/20	2,939,357	2,901,339	98.71%

*Source:* County Treasurer

**Major Taxpayers.** The following table sets forth the ten largest taxpayers in the City for taxes levied in 2019:

<u>Taxpayer</u>	<u>Assessed Valuation</u>
1. JDO LLC	\$ 2,065,725
2. Alley Investments LLC	1,369,150
3. City of Bel Aire	1,043,532
4. Kansas Gas & Elec-Westar Energy	1,043,218
5. RKR LLC	648,385
6. Kansas Gas Service-Oneok	590,132
7. Belpointe LLC	323,975
8. SMM Investments LLC	319,248
9. Scarlet Maples LLC	289,278
10. Family Video Movie Club Inc.	288,825

*Source:* County Clerk

## Employee Pensions

The Issuer participates in the Kansas Public Employees Retirement System (“KPERs”) established in 1962, as an instrumentality of the State, pursuant to K.S.A. 74-4901 *et seq.*, to provide retirement and related benefits to public employees in Kansas. KPERs is governed by a board of trustees consisting of nine members, including four members appointed by the Governor subject to confirmation by the State Senate, one appointed by the President of the Senate, one appointed by the Speaker of the House of Representatives, two elected by members and retirees of the retirement system, which must be members of such system, and the State Treasurer. Members of the board of trustees serve four-year terms and elect a chairperson annually. The board of trustees appoints an Executive Director to serve as the managing officer of KPERs and employs a staff of approximately 95 people.

As of December 31, 2019, KPERs serves approximately 325,000 members and approximately 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERs administers the following three statewide, defined benefit retirement plans for public employees:

- (a) Kansas Public Employees Retirement System;
- (b) Kansas Police and Firemen’s Retirement System; and
- (c) Kansas Retirement System for Judges.

These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for approximately 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

(5) *State/School Group* – includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, the majority of which comes from the State General Fund.

(b) *Local Group* – all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate.

KPERS is currently a qualified, governmental, § 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan's qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a "contributory" defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans, which are funded solely by employer contributions. The Issuer's employees currently annually contribute 6% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), KPERS Tier 2 members (covered employment on or after July 1, 2009), or KPERS Tier 3 members (covered employment on or after January 1, 2015).

The Issuer's contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The Issuer's contribution is 8.61% of the employee's gross salary for calendar year 2020. The Issuer's contribution is projected to change to 8.87% of gross compensation for calendar year 2021. In addition, the Issuer contributes 1% of the employee's gross salary for Death and Disability Insurance for covered employees.

According to the Valuation Report as of December 31, 2019 (the "2019 Valuation Report") the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability ("UAAL") of approximately \$1.502 billion at the end of 2019. The amount of the UAAL in 2019 changed from the previous year's amount due to the factors discussed in the 2019 Valuation Report; such report also includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group. A copy of the 2019 Valuation Report is available on the KPERS website at [kpers.org/about/reports.html](http://kpers.org/about/reports.html). The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the 2019 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2019 Valuation Report sets the employer contribution rate for the period beginning January 1, 2022, for the KPERS Local Group, and KPERS' actuaries identified that an employer contribution rate of 8.90% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by the end of the actuarial period set forth in the 2019 Valuation Report. The statutory contribution rate of employers currently equals the 2019 Valuation Report's actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

The Issuer is required to implement GASB 68 – Accounting and Financial Reporting for Pensions. KPERS produces a Schedule of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer (the "GASB 68 Report") which provides the net pension liability allocated to each KPERS participant, including the Issuer. The GASB 68 Report is available on the KPERS website at [kpers.org/about/reports.html](http://kpers.org/about/reports.html). The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the GASB 68 Report. It is important to note that under existing State law, the Issuer has no legal obligation for the UAAL or the net pension liability calculated by KPERS, and such figures are for informational purposes only.



## CITY INDEBTEDNESS

### Debt Summary

The following table summarizes certain key statistics with respect to the City of Bel Aire's general obligation debt:

<b>Debt Summary (As of December 31, 2020)</b>	<b>City Debt</b>
Fair Market Value of Taxable Property .....	\$510,727,800
Equalized Assessed Valuation of Tangible Valuation for Computation of Bonded Debt Limitations <sup>1</sup> .....	\$75,202,582
Legal limitation of Bonded Debt <sup>2</sup> .....	\$22,564,675
Outstanding General Obligation Debt.....	\$40,050,000
Statutory Exempt Debt.....	\$23,798,346
Net Debt against Debt Limit Capacity .....	\$16,251,654
Additional Debt Capacity.....	\$6,313,021
Direct Debt Per Capita (Population = 8,300) .....	\$4,825
Direct and Overlapping Debt Per Capita.....	\$5,977
Direct Debt as a Percentage of Assessed Valuation.....	53.25%
Statutory Direct Debt as a Percentage of Assessed Valuation .....	18.59%
Direct and Overlapping Debt as a Percentage of Assessed Valuation .....	65.95%
Direct Debt as a Percentage of Actual Fair Market Value .....	7.84%
Direct and Overlapping Debt as a Percentage of Actual Fair Market Value.....	9.71%

<sup>1</sup> The assessed value of all tangible taxable property within the City, as certified to the County Clerk on the preceding August 25. Also includes the taxable value of motor vehicles within the City.

<sup>2</sup> See K.S.A. 10-301 *et seq.*

### GENERAL OBLIGATION BONDS

<b>Description of Indebtedness</b>	<b>Dated Date</b>	<b>Final Maturity</b>	<b>Original Principal Amount</b>	<b>Amount Outstanding</b>	<b>% Included within Debt Limit</b>	<b>Amount Subject to Debt Limit</b>
Improvements, Series 2012A	05-15-2012	10-01-2032	5,215,000	\$3,295,000	39.31%	\$1,295,265
Improvements, Series 2013D	09-30-2013	10-01-2033	3,895,000	2,820,000	30.68%	865,176
Improvements, Series 2014A	07-30-2014	10-01-2034	1,100,000	810,000	30.90%	250,290
Refunding, Series 2015A	05-05-2015	11-01-2027	5,390,000	2,825,000	29.62%	836,765
Refunding, Series 2015B	05-05-2015	11-01-2027	575,000	320,000	59.29%	189,728
Refunding & Improvements, Series 2015D	11-24-2015	11-01-2036	3,960,000	3,300,000	0.56%	18,392
Taxable Refunding & Improvements Series 2015E	11-24-2015	11-01-2036	220,000	185,000	100.00%	185,000
Improvements, Series 2016A	11-22-2016	11/01/2036	2,820,000	2,380,000	51.46%	1,224,748
Improvements, Series 2017A	11-21-2017	11-01-2038	5,545,000	5,065,000	58.87%	2,981,766
Improvements, Series 2019A	11-21-2019	11-01-2040	6,060,000	6,060,000	53.70%	3,254,220
Refunding, Series 2019B	11-21-2019	11-01-2029	1,430,000	1,300,000	100.00%	1,300,000
Refunding and Improvements, Series 2020B	11-10-2020	11-01-2041	3,650,000	<u>3,650,000</u>	43.31%	<u>1,580,650</u>
<b>Total:</b>				<b><u>\$32,010,000</u></b>		<b><u>\$13,982,000</u></b>

### GENERAL OBLIGATION TEMPORARY NOTES

<b>Description of Indebtedness</b>	<b>Dated Date</b>	<b>Final Maturity</b>	<b>Original Principal Amount</b>	<b>Amount Outstanding</b>	<b>% Included within Debt Limit</b>	<b>Amount Subject to Debt Limit</b>
Improvements, Series 2019C	11-21-2019	12-01-2022	\$2,860,000	\$2,860,000	39.00%	\$1,115,400
Improvements, Series 2020A	06-15-2020	12-01-2023	1,985,000	1,985,000	39.51%	784,274
Improvements, Series 2020C	11-10-2020	12-01-2022	3,195,000	<u>3,195,000</u>	11.58%	<u>369,981</u>
<b>Total</b>				<b><u>\$8,040,000</u></b>		<b><u>\$2,269,655</u></b>

**PUBLIC BUILDING COMMISSION REVENUE BONDS**

<u>Description of Indebtedness</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
Revenue Refunding Bonds, Series 2014A	12-18-2014	02-01-2030	\$3,050,000	\$2,195,000
Taxable Revenue Refunding Bonds, Series 2014B	12-18-2014	02-01-2030	1,120,000	<u>795,000</u>
Taxable Revenue Refunding Bonds, Series 2017	07-13-2017	05-01-2034	<u>17,755,000</u>	<u>16,560,000</u>
<b>Total</b>			<b><u>\$21,925,000</u></b>	<b><u>\$19,550,000</u></b>

**Overlapping Indebtedness**

The following table sets forth overlapping indebtedness as of December 31, 2020, and the percent attributable (on the basis of assessed valuation and not including motor vehicle valuations) to the City:

<u>Taxing Jurisdiction</u>	<u>Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to Issuer</u>	<u>Amount Applicable to Issuer</u>
Sedgwick County	\$5,703,957,255	95,855,000	1.31%	\$1,263,779
U.S.D. No. 259	3,259,503,717	430,575,000*	2.31%	<u>9,934,135</u>
<b>Total</b>				<b><u>\$11,197,914</u></b>

\*As of June 30, 2020

**Debt Payment Record**

The City has never in its history monetarily defaulted on the payment of any of its debt or lease obligations.

**The Chisholm Creek Utility Authority**

The City of Park City, Kansas and the City of Bel Aire, Kansas have created the Chisholm Creek Utility Authority (the "Authority") under an Interlocal Cooperation Agreement. The Authority has outstanding \$[\_\_\_\_\_] of its Water and Wastewater Facilities Revenue Bonds ("Authority Bonds"). As a contracting member of the Authority, the City will receive certain water and sewer services from the Authority and has an obligation to make payments therefor under a Service Agreement (the "Agreement Obligation"). This obligation is a "take or pay" obligation, payable whether or not water or wastewater collection and treatment services are actually received from the Authority, provided that the obligation to pay for wastewater water treatment and collection service is subject to the Kansas Cash Basis Law (K.S.A. 10-1101 *et seq.*) (the "Cash Basis Law"). The Cash Basis Law, with certain exceptions, generally requires that no indebtedness may be created by a municipality for any purpose in excess of the amount of funds budgeted and appropriated for such purpose in the applicable fiscal year. While the obligation to pay for water service under a Service agreement is effective over the term of the Service Agreement, notwithstanding the Cash Basis Law, pursuant to K.S.A. 12-825j, such statute and Cash Basis Law exception are inapplicable to the portion of the Agreement Obligation regarding wastewater service. K.S.A. 10-1116(b)(2) provides that "notwithstanding any other limits of indebtedness prescribed under the provisions of the Cash Basis Law, the following funds shall have as a limit of indebtedness an amount equal to 100% of the accrued revenue of the current fiscal year plus any balances carried forward, cash reserves, intergovernmental grants, and sums advanced to qualify for intergovernmental grants: . . . (2) enterprise funds set up in any municipality to account for the financing of self-supporting activities of governmental units which render services on a user charge basis to the general public, such as municipal utilities engaged in the provision of water, electricity and natural gas and sanitary sewer systems which are financed by user charges . . .".

The City, through Service Agreement payments, is responsible for approximately 63.66% of the debt service on the Authority Bonds. The City has covenanted that such payments constitute operating expenses of its water and wastewater Utility System, that the City will not in the future cause such pledge to be subordinated to any other obligation of the System and that the City will impose such rates, fees and charges for use of such system to fulfill its obligations under the Service Agreement.

## Historic Operating Results and Debt Service Coverage

The adequacy of revenue, after operating and maintenance expenses, to meet the obligations of the Water and Sewer System is shown by the following tabulation as of December 31, for the years set forth below:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Operating Revenue</b>			
Water Receipts	\$2,324,391	\$2,428,441	\$2,479,857
Sewer Receipts	<u>2,159,770</u>	<u>2,273,060</u>	<u>2,352,436</u>
<b>Total Operating Revenue</b>	<b>\$4,484,161</b>	<b>\$4,701,501</b>	<b>\$4,832,293</b>
<b>Operating Expense:</b>			
CCUA Operations and Maintenance	\$ 742,859	\$ 732,911	\$ 715,864
Personnel Services (Salaries, Benefits)	395,101	436,097	544,709
Contractual Services	187,119	131,243	191,039
Franchise Fees	0	354,924	448,093
Water Purchases	453,060	150,000	200,000
Depreciation	670,433	299,088	629,079
Other Operating Expenses	<u>405,482</u>	<u>698,027</u>	<u>721,497</u>
<b>Total Operating Expense</b>	<b>\$2,854,054</b>	<b>\$2,802,290</b>	<b>\$3,450,281</b>
<i>Net Operating Income</i>	<i>\$1,630,107</i>	<i>\$1,899,211</i>	<i>\$1,382,012</i>
Plus: Non Operating Revenues and Depreciation	<u>1,043,593</u>	<u>1,505,823</u>	<u>1,027,795</u>
<b>Annual Operating Revenue Available for Debt Service</b>	<b>\$2,673,700</b>	<b>\$3,405,034</b>	<b>\$2,409,807</b>
Unencumbered Fund Balance	2,177,763	3,562,611	3,562,611
<b>Total Funds Available for Debt Service</b>	<b>\$4,851,463</b>	<b>\$6,697,645</b>	<b>\$5,972,418</b>
Debt Service	1,366,025	1,595,113	1,738,683
<b>Coverage Ratio for Debt Service</b>	<b>3.38x</b>	<b>4.85x</b>	<b>4.16x</b>

## Largest System Customers

The following table sets forth the largest water and wastewater system customers of the City:

<u>Customer</u>	<u>Gallons</u>	<u>% of Total</u>
Catholic Care Center	17,211,400	7.12%
Courtyards at Elk Creek HOA	3,530,600	1.46%
Central Park 4 <sup>th</sup> HOA	3,000,000	1.24%
Broadstone Villas LLC	2,744,000	1.14%
Irongate Development	1,902,000	0.79%
Tree Top Nursery	1,765,500	0.73%
Villas at Elk Creek HOA	1,647,000	0.68%
USD 259	1,608,000	0.67%
Spiritual Life Center	952,000	0.39%
Gospel Assembly	<u>901,500</u>	<u>0.37%</u>
<b>Total</b>	<b>35,262,000</b>	<b>14.59%</b>

Source: Chisholm Creek Authority

## Utility Service Rates

Pursuant to a resolution adopted by the City, the following water and sewer service rates are currently effective for customers:

### Residential Water Utility Rate:

A minimum water service charge of \$29.50 per monthly billing period shall be assessed to all residential customers who have their premises connected to the City water system at any time during the monthly billing period. In addition to the minimum water service charge, the following charges for any metered volume of water passing from the City water system to any service connection shall be billed to the person, firm or organization whose premises are serviced by the connection.

<u>Gallons</u>	<u>Rate</u>
Minimum	\$29.50
0 – 2,999	Additional \$3.64 per 1,000 gallons
3,000 – 5,999	Additional \$4.98 per 1,000 gallons
6,000 – 11,999	Additional \$5.43 per 1,000 gallons
12,000 – 16,999	Additional \$5.57 per 1,000 gallons
17,000 – 24,999	Additional \$5.71 per 1,000 gallons
25,000 and over	Additional \$5.77 per 1,000 gallons

### Commercial Water Utility Rate:

A base fee of \$42.91 per monthly billing period shall be assessed to all commercial customers who have their premises connected to the Bel Aire water system at any time during the monthly billing period. In addition to the minimum water service charge, the following charges for any metered volume of water passing from the Bel Aire water system to any service connection shall be billed to the person, firm or organization whose premises are serviced by the connection.

<u>Gallons</u>	<u>Rate</u>
Minimum	\$42.91
0 – 2,999	Additional \$4.07 per 1,000 gallons
3,000 – 5,999	Additional \$5.43 per 1,000 gallons
6,000 – 11,999	Additional \$5.96 per 1,000 gallons
12,000 – 16,999	Additional \$6.32 per 1,000 gallons
17,000 – 24,999	Additional \$6.78 per 1,000 gallons
25,000 and over	Additional \$7.46 per 1,000 gallons

### Residential Sanitary Sewer Utility Rate:

A minimum sanitary sewer service charge of \$33.86 per monthly billing period shall be assessed to all residential customers who have their premises connected to the City sanitary sewer system at any time during the monthly billing period. In addition to the minimum sanitary sewer service charge, additional charges for sanitary sewer collection and treatment, based on metered volume of water from the City water system, shall be billed to the person, firm or organization whose premises are serviced by the connection at the rate of \$6.13 per 1,000 gallons.

### Commercial Sanitary Sewer Utility Rate:

A base fee of \$67.72 per month will be charged to each commercial customer connected to the public sanitary sewer system regardless of use. Winter average consumption will be used to determine consumption fees. Consumption will be charged at \$8.04 per 1,000 gallons used.

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## APPENDIX A-2

### INFORMATION CONCERNING THE CITY OF PARK CITY, KANSAS

#### Size and Location

The City of Park City, Kansas (“Park City” or the “City”) a legally constituted city of the second class, located in Sedgwick County, Kansas, immediately north of Wichita, Kansas. Park City encompasses approximately 8.4 square miles and has a current estimated population of 7,730 persons.

#### Government and Organization of the Issuer

Park City was originally incorporated as an improvement district in 1953 and was incorporated as a city in 1980.

Park City operates under the Mayor-Council form of government. The eight Council members are elected by district ward and serve four-year terms. The Mayor, elected at-large for a four-year term, has veto power over certain Council action, presides over Council meetings and appoints certain City officials, subject to Council approval.

The following tables list the principal elected and appointed executive officers of the City:

#### Elected Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Raymond Mann	Mayor	04/13 to 01/22
Ben Saucedo	Councilmember/Council President	04/09 to 01/22
Jim Schroeder	Councilmember	04/15 to 01/24
John W. Lehnherr	Councilmember	04/05 to 01/22
Brandi Baily	Councilmember	08/16 to 01/24
George Glover	Councilmember	04/13 to 01/22
George Capps	Councilmember	04/07 to 01/22
Thomas Jones	Councilmember	04/99 to 01/24
Melvin Kerr	Councilmember	04/13 to 01/22

#### Appointed Officials

<u>Name</u>	<u>Title</u>
Sean Fox	City Administrator
Dee Anne Grunder	Finance Director/City Clerk
Dana Walden	Deputy City Clerk
Douglas J. Moshier	City Attorney

#### Municipal Services and Utilities

Park City owns and operates its own water distribution and wastewater collection systems. Park City contracts with the Authority for the purchase of water and the treatment of its sewage. The Authority also provides management services with respect to said utilities. The Sedgwick County Fire Department serves Fire District #1, of which the City is a member. Westar Energy supplies natural gas and electricity to the City. Telephone service is provided by SBC.

Park City has 17 sworn police officers which provide continuous full-time protection to the City. Sedgwick County Emergency Medical Service operates an emergency ambulance service for the City and surrounding area.

#### Transportation and Communication Facilities

Park City is located along I-135, intersecting with 53<sup>rd</sup> Street North and 61<sup>st</sup> Street North, and 77<sup>th</sup> Street North and 85<sup>th</sup> Street North, north of the Wichita city limits. Fifty-eight motor freight lines serve the City. Rail service in the County is provided by the Burlington Northern, and the Atchison, Topeka and Santa Fe Railroads.

Colonel James Jabara Airport is located within 5 miles of the Park City and provides a runway capable of handling private and corporate aircraft. Regularly scheduled air service is available at Dwight D. Eisenhower Airport, located 17 miles from Park City.

## **Educational Institutions and Facilities**

Unified School District No. 262 (Valley Center) and Unified School District No. 259 (Wichita) operate three elementary schools, two middle/junior high schools, and two senior high schools in and around Park City. Butler County Community College, El Dorado, Kansas is located 25 miles southeast of the City and provides a two-year curriculum with vocational and technical courses of study. Private, public, and post-education is provided by Wichita State University, Friends University, Newman University and Bethel College, and each is located within 25 miles of Park City.

## **Medical and Health Facilities**

Major medical service is available at HCA Wesley Medical Center, Via Christi Riverside Medical Center, Via Christi St. Francis Campus and Via Christi St. Joseph Campus, located within 15 miles of the City. Sedgwick County provides emergency medical services (EMS) to the City. Park City Medical Center also provides medical services to the City's residents.

## **Recreational and Cultural Facilities**

The Jeeps Motorcycle Club Racing facility and 81 Speedway located in the immediate vicinity of Park City provide motor sports activities.

The County offers a wide variety of cultural and entertainment options, including: Botanica – The Wichita Gardens, Wurlitzer Organ Pops Concerts, Metropolitan Ballet Company, Wichita Community Theater, Wichita Children's Theater, Music Theater of Wichita, Mid-America Dance Theater, Inc., Wichita Symphony and Choral Society, Wichita Art Association Galleries, Wichita Omnisphere Earth-Space Center, Lake Afton Public Observatory, Wichita Art Museum, Whittier Fine Arts Gallery, The Mid America All Indian Center Museum, and The Wichita Exploration Place.

Some of the major cultural events held annually are: St. Patrick's Day Parade, Kansas Junior Livestock Show, Wichita Jazz Festival, Renaissance Fair, Wichita River Festival, Victorian Garden Festival, National Baseball Congress Tournament, Wichita Arts Festival, the Old Sedgwick County Fair, Park City Bluegrass Festival, and Salute to Freedom 4th of July Celebration. In addition to the recreational and cultural facilities offered by the cities in the County, the County operates the Kansas Coliseum, the Sedgwick County Zoo and Botanical Gardens, Lake Afton Park, and the Sedgwick County Park.

The Sedgwick County Zoo and Botanical Gardens are considered world-class facilities. The zoo provides an environment where animals roam in spacious areas that simulate their natural habitats, while the Botanical Gardens offers a wide variety of species of native American and foreign plants, trees, and shrubs in a natural setting.

## **ECONOMIC INFORMATION**

### **Economic Information**

The City is a modern, progressive community owning a water utility system, complete system of sanitary sewers and sewage disposal facilities, approximately 54.82 miles of paved streets, and modern City offices. The area surrounding the City is devoted to raising wheat and milo crops. Additionally, economic development incentives of the City have led to many new businesses and industries, including Kice Industries, Buckley Industries, Inc., T W Metals, Inc., Best Western Motel, Hayes Manufacturing, Tect Aerospace, Roberts Truck Center, Twister City Harley Davidson, Foley Equipment, Hartman Arena and Air Capital Industrial Park.

## Major Employers

Listed below are the major employers located in City and the number employed by each:

<u>Major Employers</u>	<u>Product/Service</u>	<u>Number of Full &amp; Part-time Employees</u>
FMI, Inc.	Manufacturer Machine Shop	266
ThyssenKrupp	Aerospace	171
Foley Equipment	Engine Remanufacturing	144
Cracker Barrel	Food Service	126
M. Bruenger Co, Inc.	Trucking Company	121
Kice Industries	Manufacturing	107
Air Capital Delivery	Delivery services	105
Conspec-Kansas Paving	Construction	100
Leekers Family Foods	Grocery	84
TECT Aerospace	Aerospace	97
Hartman Arena	Entertainment Venue	86
Don Hattan Chevrolet	Automotive Sales, service & parts	80
Buckley Industries, Inc.	Foam and Fiberglass Fabrication	80
Wichita Kenworth	Trucking Company	76
McDonald's	Food Service	59
Best Western Motel	Motel	58
Twister City	Motorcycle Sales & Service	51
City of Park City	Local Government	50
Evergreen Pallet	Recycling of comm. Wood waste	50
T.W. Metal	Steel Distributor	46
Mill-Tell, Inc.	Telecommunications Services	45
Murphy Tractor	Dealership, Sales, Service & Parts	44
Cummins Central Power	Diesel Engine Generator Distributor	33
Northcutt Trailer & Equip	Trailer sales, repair, rent, parts, refrigerants	35
Roberts Trucking Center	Truck Dealer	29
Carlson Co. Inc.	Manufacturer Machine Shop	35
Applebee's	Food Service	30
Wendy's	Food Service	27
Spangles	Food Service	26
Chisholm Trail State Bank	Bank	24
Creasons Corrugating	Manufacturer Machine Shop	20
American Fun Foods	Concession & Restaurant supplies	26
Taco Bell	Food Service	19

\* Includes 200 independent contract drivers

**Source:** City Clerk

**Labor Force**

The following table sets forth labor force figures for Sedgwick County and the State of Kansas:

<b>SEDGWICK COUNTY</b>				
<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2016	248,395	236,886	11,509	4.6%
2017	245,719	235,335	10,384	4.2%
2018	247,748	238,570	9,178	3.7%
2019	253,188	244,453	8,735	3.5%
2020	257,213	234,765	22,448	8.7%

<b>STATE OF KANSAS</b>				
<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2016	1,491,961	1,431,920	60,041	4.0%
2017	1,483,648	1,429,911	53,737	3.6%
2018	1,483,633	1,434,852	48,781	3.3%
2019	1,493,666	1,446,448	47,218	3.2%
2020	1,497,003	1,408,995	88,008	5.9%

*Source:* Kansas Department of Labor

**Retail Sales Tax Collections**

The following table lists the sales tax collections for the state of Kansas portion of the total sales tax for the calendar years indicated and per capita sales tax collections for the State’s fiscal years indicated for sales occurring in Sedgwick County, Kansas:

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2015	\$528,776,274	\$987.44
2016	549,882,967	1,070.76
2017	542,322,930	1,068.97
2018	556,320,122	1,069.50
2019	575,431,484	1,234.11
2020	\$[_____]	

Effective July 1, 2015, the statewide sales and use tax was increased to 6.50%. Includes use tax collections for 2019.

*Source:* Kansas Statistical Abstract

**Local Option Sales Tax**

In 1985 the Sedgwick County voters approved a sales tax on retail sales within the County limits (the “County Sales Tax”). Pursuant to State law, the City receives a portion of the County Sales Tax. The City uses its portion of County Sales Tax receipts to provide operating funds. The following table provides the amount of County Sales Tax received by the City during the years indicated.

<u>Year</u>	<u>Receipts</u>
2015	\$1,077,613
2016	1,095,437
2017	1,081,756
2018	1,163,892
2019	1,258,111
2020	1,303,584

*Source:* Kansas Department of Revenue



## Oil Production

The oil production (in number of barrels) for Sedgwick County for the years listed is indicated in the following table:

<u>Year</u>	<u>Oil Production</u>
2015	139,416
2016	127,680
2017	173,255
2018	121,195
2019	111,958

*Source:* Kansas Geological Survey

## Financial and Banking Institutions

There are currently 41 banks located in Sedgwick County. For the years listed, bank deposits of the County's banks are as follows (in millions of dollars):

<u>Year</u>	<u>Total Bank Deposits</u>
2016	\$12,580,941
2017	12,851,121
2018	13,401,267
2019	13,633,610
2020	16,661,846

*Source:* Kansas Statistical Abstract

## Population Trends

The following table shows the approximate population of Park City and Sedgwick County in the years indicated:

<u>Year</u>	<u>City of Park City Population</u>	<u>Sedgwick County Population</u>
1990	5,050	404,613
2000	5,814	453,486
2010	7,297	498,365
2015	7,618	511,574
2019	7,730	516,042

The median age of persons in the County and the State is 34.2 and 36, respectively, per the 2010 Census.

*Source:* U.S. Census Bureau

## Personal Income Trends

Sedgwick County per capita income and the State of Kansas per capita income are listed for the years indicated, in the following table.

<u>Year</u>	<u>Sedgwick County Per Capita Income</u>	<u>State of Kansas Per Capita Income</u>
2014	\$50,815	\$46,874
2015	49,053	47,386
2016	47,945	47,510
2017	50,503	48,869
2018	53,776	51,471
2019	23,577	53,439

*Source:* U.S. Department of Commerce – Bureau of Economic Analysis

## FINANCIAL INFORMATION

### Accounting, Budgeting and Auditing Procedures

The City follows a modified accrual basis of accounting for all tax supported funds of the City, including the General Fund. An accrual basis of accounting is utilized for proprietary funds. The City has received a waiver from generally accepted accounting standards from the State.

An annual budget of estimated receipts and disbursements for the coming calendar year is required by statute to be prepared for all funds (unless specifically exempted). The budget is prepared utilizing the modified accrual basis which is further modified by the encumbrance method of accounting. For example, commitments such as purchase orders and contracts, in addition to disbursements and accounts payable, are recorded as expenditures. The budget lists estimated receipts by funds and sources and estimated disbursements by funds and purposes. The proposed budget is presented to the governing body of Bel Aire prior to August 1, with a public hearing required to be held prior to August 15, with the final budget to be adopted by a majority vote of the governing body of Bel Aire prior to August 25 of each year. Budgets may be amended upon action of the governing body after notice and public hearing, provided that no additional tax revenues may be raised after the original budget is adopted. The Kansas in the current 2021 legislative session, has passed Senate Bill 13, as amended, establishing notice and public hearing requirements for certain taxing subdivisions, including the City of Bel Aire, seeking to collect ad valorem taxes in excess of a revenue neutral amount. Senate Bill 13 also prohibits increases in appraised value of real property solely as a result of normal repair, replacement, or maintenance of existing structures. City staff Senate Bill No. 13 will not have a material adverse impact on the financial condition of the City.

Kansas law prohibits governmental units from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such indebtedness. An exception to this cash-basis operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

The financial records of the City are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Adams, Brown, Beran & Ball, Chtd., Certified Public Accountants, McPherson, Kansas. Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audit for the Fiscal Year ended December 31, 2019, is attached hereto as **APPENDIX B-3**.

The financial information contained in the Appendices to this Official Statement are an integral part of this document and are intended to be read in conjunction herewith.

### Sources of Revenue

The City finances its general operations out of its General Fund as indicated below for the fiscal year ended December 31, 2019:

<u>Source</u>	<u>Percent</u>
Property taxes	45.72%
Local retail sales tax	23.05%
Intergovernmental	0.62%
Fines and court costs	2.58%
Charges for services	0.18%
Interest	0.73%
Reimbursements	0.13%
Franchise fees	11.33%
Licenses and permits	3.70%
State Assessed Utilities	4.99%
Proceeds from Sale of Land	1.56%
Miscellaneous	<u>5.41%</u>
<b>Total</b>	<b>100.00%</b>

*Source:* City's 2019 audited financial statements

## Property Valuations

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties under the direction of state statutes. The Sedgwick County Appraiser's office determines the fair market value of all taxable property within Sedgwick County and the assessed valuation thereof that is to be used as a basis for the mill levy on property located in the Issuer.

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Code §501, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 30%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

The Kansas Legislature (the "Legislature") reduced the applicable assessment rates on motor vehicles from 30% of market value to 20% of market value as of January 1, 2000.

The 2006 Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

## Assessed Valuation

The following table shows the assessed valuation of the taxable tangible property within the City for the following years:

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Utilities</u>	<u>Motor Vehicles</u>	<u>Total Valuation</u>
2010	\$48,416,264	\$4,072,990	\$2,174,008	\$7,988,572	\$62,651,834
2011	49,312,422	4,269,065	2,276,027	8,094,161	63,951,675
2012	52,105,530	4,489,330	2,411,332	8,228,038	67,234,230
2013	52,018,891	5,023,416	2,474,695	8,637,506	68,154,508
2014	53,730,253	3,469,617	2,723,435	8,602,076	68,525,381
2015	55,981,725	2,475,923	3,041,633	8,898,244	70,397,525
2016	57,900,025	2,144,703	3,097,257	9,259,678	72,401,663
2017	60,972,867	1,984,107	7,814,471	9,532,483	80,303,928
2018	66,529,961	1,815,795	8,544,023	9,845,286	86,735,065
2019	74,862,848	1,675,357	9,164,492	10,098,527	95,801,224
2020	[ ]	[ ]	[ ]	[ ]	[ ]

Source: County Clerk

## Property Tax Levies and Collections

**Tax Collections.** Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at a per annum rate established by State law until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before August 1 of each year and is sold by the County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the Sheriff for collection. If not paid on or before October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non-enforced lien expires five years after it is entered.

Motor vehicle taxes are collected periodically throughout the year concurrently with the renewal of motor vehicle tags based upon the value of such vehicles. Such tax receipts are distributed to all taxing subdivisions, including the State of Kansas, in proportion to the number of mills levied within each taxpayer's tax levy unit.

**Tax Rates.** The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. The following table shows the City's mill levies by fund (per \$1000 of assessed valuation) for each of the years indicated and the current year:

<u>Year</u>	<u>General Fund</u>	<u>Bond &amp; Interest</u>	<u>Misc. Funds</u>	<u>Total Levy</u>
2011/12	23.819	10.812	3.161	37.792
2012/13	23.730	12.764	3.113	39.607
2013/14	25.907	10.838	3.145	39.890
2014/15	29.947	6.983	3.121	40.051
2015/16	31.798	5.069	3.244	40.111
2016/17	31.863	5.084	3.277	40.224
2017/18	32.997	5.082	3.246	41.325
2018/19	36.280	5.062	32.218	44.560
2019/20	36.076	5.344	3.221	44.641

*Source:* County Clerk

**Aggregate Tax Levies.** The aggregate tax levies (per \$1000 assessed valuation) of the City and overlapping jurisdictions for the years indicated are included in the following table:

<u>Year</u>	<u>City</u>	<u>Sedgwick County</u>	<u>U.S.D. 259</u>	<u>U.S.D. 262</u>	<u>State</u>
2011/12	37.792	47.825	57.017	64.677	1.500
2012/13	39.607	47.845	57.184	66.339	1.500
2013/14	39.890	47.725	57.215	66.257	1.500
2014/15	40.051	47.845	53.735	64.480	1.500
2015/16	40.111	47.754	56.278	66.599	1.500
2016/17	40.224	47.807	53.683	65.377	1.500
2017/18	41.325	47.785	53.638	64.370	1.500
2018/19	44.560	47.546	53.638	64.370	1.500
2019/20	44.641	48.780	53.183	64.740	1.500

*Source:* County Clerk

**Tax Collection Record.** The following table sets forth tax collection information (not including special assessments) for the City for the years indicated:

<u>Year</u>	<u>Total</u>	<u>Total Taxes</u>	<u>Current Taxes Collected</u>	
	<u>Levy</u>	<u>Levied</u>	<u>Amount</u>	<u>Percentage</u>
2012/13	39.607	2,359,625	2,242,542	95.0%
2013/14	39.890	2,385,147	2,250,412	94.4%
2014/15	40.051	2,419,542	2,250,291	93.0%
2015/16	40.111	2,480,464	2,408,946	97.1%
2016/17	40.224	2,547,638	2,469,392	96.9%
2017/18	41.325	2,931,219	2,810,574	95.8%
2018/19	44.560	3,433,243	3,290,313	95.8%
2019/20	44.641	3,829,864	3,482,236	90.9%

**Source:** County Treasurer

**Major Taxpayers:**

The following table sets forth the ten largest taxpayers in the City for taxes levied in the most recent tax collection period (2019/2020):

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Taxes Levied</u>
1. Keystone Pipeline	\$5,461,644	\$243,813
2. Kansas Gas & Elec. – Westar (Eversgy)	2,087,610	93,193
3. Utical Realty Park City LLC	1,896,500	84,662
4. Air Capitol Investments LLC	1,742,550	77,789
5. Kice Industries, Inc.	1,491,993	58,697
6. PMA, Inc.	1,247,953	55,710
7. Midwest Scrap Management Inc.	1,090,438	48,678
8. Capital Properties 2017 LLC	919,125	41,031
9. PSC Industrices, Inc.	910,605	40,650
10. DWR Properties LLC	813,606	36,320

**Source:** County Clerk

**Risk Management**

The City is insured against the risks arising from general liability by Employer’s Mutual Company and employee medical coverage by Preferred Plus.

**History of Employment**

The following table indicates the history of the Issuer's employment for the years indicated.

<u>Year</u>	<u>Total Full-Time Employees</u>	<u>Total Part-Time Employees</u>	<u>Total</u>
2015	45	1	46
2016	43	1	44
2017	44	1	45
2018	49	3	52
2019	47	3	50

**Source:** City Clerk

## Pension and Employee Retirement Plans

The Issuer participates in the Kansas Public Employees Retirement System (“KPERS”) established in 1962, as an instrumentality of the State, pursuant to K.S.A. 74-4901 *et seq.*, to provide retirement and related benefits to public employees in Kansas. KPERS is governed by a board of trustees consisting of nine members, including four members appointed by the Governor subject to confirmation by the State Senate, one appointed by the President of the Senate, one appointed by the Speaker of the House of Representatives, two elected by members and retirees of the retirement system, which must be members of such system, and the State Treasurer. Members of the board of trustees serve four-year terms and elect a chairperson annually. The board of trustees appoints an Executive Director to serve as the managing officer of KPERS and employs a staff of approximately 95 people.

As of December 31, 2019, KPERS serves approximately 325,000 members and approximately 1,500 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees:

- (a) Kansas Public Employees Retirement System;
- (b) Kansas Police and Firemen’s Retirement System; and
- (c) Kansas Retirement System for Judges.

These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for approximately 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

(a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, the majority of which comes from the State General Fund.

(b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate.

KPERS is currently a qualified, governmental, § 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan’s qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a “contributory” defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans, which are funded solely by employer contributions. The Issuer’s employees currently annually contribute 6% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), KPERS Tier 2 members (covered employment on or after July 1, 2009), or KPERS Tier 3 members (covered employment on or after January 1, 2015).

The Issuer’s contribution varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. The Issuer’s contribution is 8.61% of the employee’s gross salary for calendar year 2020. The Issuer’s contribution is projected to change to 8.87% of gross compensation for calendar year 2021. In addition, the Issuer contributes 1% of the employee’s gross salary for Death and Disability Insurance for covered employees.

According to the Valuation Report as of December 31, 2019 (the “2019 Valuation Report”) the KPERS Local Group, of which the Issuer is a member, carried an unfunded accrued actuarial liability (“UAAL”) of approximately \$1.502 billion at the end of 2019. The amount of the UAAL in 2019 changed from the previous year’s amount due to the factors discussed in the 2019 Valuation Report; such report also includes additional information relating to the funded status of the KPERS Local Group, including recent trends in the funded status of the KPERS Local Group. A copy of the 2019 Valuation Report is available on the KPERS website at [kpers.org/about/reports.html](http://kpers.org/about/reports.html). The Issuer has no means to independently verify any of the information set forth on the KPERS website or in the 2019 Valuation Report, which is the most recent financial and actuarial information available on the KPERS website relating to the funded status of the KPERS Local Group. The 2019 Valuation Report sets the employer contribution rate for the period beginning January 1, 2022, for the KPERS Local Group, and KPERS’ actuaries identified that an employer contribution rate of 8.90% of covered payroll would be necessary, in addition to statutory contributions by covered employees, to eliminate the UAAL by the end of the actuarial period set forth in the 2019 Valuation Report. The statutory contribution rate of employers currently equals the 2019 Valuation Report’s actuarial rate. As a result, members of the Local Group are adequately funding their projected actuarial liabilities and the UAAL can be expected to diminish over time. The required employer contribution rate may increase up to the maximum statutorily allowed rate, which is 1.2% in fiscal year 2017 and thereafter.

The Issuer has established membership in the Kansas Police and Fire Retirement System (“KP&F”) for its police and fire personnel. KP&F is a division of and is administered by KPERS. Annual contributions are adjusted annually based on actuarial studies, subject to legislative caps on percentage increases. According to the 2015 Valuation Report, KP&F carried an UAAL of \$772 million at the end of 2015. For the year beginning January 1, 2016, employees contributed 7.15% of gross compensation and the Issuer contributed 20.42% of employees’ gross compensation. Beginning January 1, 2017, the Issuer’s contribution will change to 19.03% of gross compensation for calendar year 2017. In 2013, the Legislature adopted a number of changes to the KP&F which included (a) raising the cap on maximum KP&F benefits from 80% to 90% of final average salary and (b) permitting certain active KP&F members to pay a lump sum amount prior to or on their retirement date to enhance the individual retirement benefit at their own cost.

## CITY INDEBTEDNESS

### Debt Summary

The following table summarizes certain key statistics with respect to the Issuer's general obligation debt:

<b>Debt Summary (As of December 31, 2020)*</b>	<b>City Debt</b>
Fair Market Value of Taxable Property <sup>1</sup> .....	\$479,006,120
Equalized Assessed Valuation of Tangible Valuation for Computation of Bonded Debt Limitations <sup>2</sup> .....	\$[95,801,224]
Legal limitation of Bonded Debt <sup>3</sup> .....	\$[28,740,367]
Outstanding General Obligation Debt.....	\$19,920,000
Statutory Exempt Debt.....	\$9,138,541
Net Debt against Debt Limit Capacity .....	\$[10,781,459]
Additional Debt Capacity.....	\$[17,958,908]
Direct Debt Per Capita (Population = 7,730).....	\$2,576.97
Direct and Overlapping Debt Per Capita.....	\$9,262.81
Direct Debt as a Percentage of Assessed Valuation.....	[20.79]%
Direct and Overlapping Debt as a Percentage of Assessed Valuation .....	[74.74]%
Statutory Direct Debt as a Percentage of Assessed Valuation .....	[11.25]%
Direct Debt as a Percentage of Actual Fair Market Value .....	[4.10]%
Direct and Overlapping Debt as a Percentage of Actual Fair Market Value .....	[14.95]%

<sup>1</sup> See “Property Valuations” *infra*.

<sup>2</sup> The assessed value of all tangible taxable property within the City, as certified to the County Clerk on the preceding August 25. Also includes the taxable value of motor vehicles within the City. See K.S.A. 10-301 *et seq*.

<sup>3</sup> See K.S.A. 10-301 *et seq*.

## Current Indebtedness of the Issuer

The following table sets forth as of the date of issuance of the Series 2021 Bonds all of the outstanding obligations of the Issuer:

### GENERAL OBLIGATION BONDS

<u>Description of Indebtedness</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>	<u>Included within Debt Limit</u>	<u>Percent Included in Debt Limit</u>
G.O. Ref. & Imp. Bonds, Series 2009-A	12/15/09	12/01/25	3,870,000	\$ 25,000	\$ 8,845	35.38%
G.O. Ref. & Imp. Bonds, Series 2010-A	12/01/10	12/01/31	1,670,000	380,000	159,448	41.96%
G.O. Bonds, Series 2013-A	11/12/13	12/01/34	1,250,000	980,000	646,212	65.94%
G.O. Ref. Bonds, Series 2013-B	11/12/13	12/01/26	4,470,000	330,000	151,470	45.90%
G.O. Bonds, Series 2015-A	11/12/15	12/01/36	2,875,000	2,505,000	1,269,284	50.67%
G.O. Ref. Bonds, Series 2015-B	11/12/15	12/01/36	6,180,000	5,470,000	1,715,392	31.36%
Taxable G.O. Ref. Bonds, Series 2015-C	11/12/15	12/01/25	770,000	570,000	570,000	100.00%
G.O. Ref. Bonds, Series 2016-A	02/09/16	12/01/28	4,130,000	2,850,000	882,645	30.97%
G.O. Bonds, Series 2017-A	01/10/17	12/01/37	2,285,000	2,170,000	2,047,395	94.35%
G.O. Bonds, Series 2019-A	01/08/19	12/01/34	342,000	335,000	111,019	33.14%
G.O. Bonds, Series 2019-B	10/15/19	12/01/35	1,040,000	1,005,000	612,749	60.97%
<b>Total:</b>				<b><u>\$16,620,000</u></b>	<b><u>\$8,174,459</u></b>	

### TEMPORARY NOTES

<u>Description of Indebtedness</u>	<u>Dated Date</u>	<u>Final Maturity</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>	<u>Included within Debt Limit</u>	<u>Percent Included in Debt Limit</u>
G.O. Temporary Notes, Series 2019-1	10/15/19	10/01/22	\$3,300,000	\$3,300,000	\$2,607,000	79.00%

Source: Clerk

### History of General Obligation Indebtedness

The Issuer has never in its history defaulted on the payment of any of its debt obligations.

### Lease Obligations

In addition to the foregoing debt obligations, the City has entered into the following lease obligations, including the leases related to the outstanding revenue bonds of the City's public building commission, the payments of which are not subject to annual appropriation.

<u>Purpose of Indebtedness</u>	<u>Dated Date</u>	<u>Final Payment Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
PBC Lease – Revenue Bonds (City Hall/Law Enforcement Center Project), Series 2016-A	05/09/16	12/01/36	\$3,500,000	\$3,360,000

### State Loans

As of the Dated Date, the City does not have any outstanding loan agreements with the State of Kansas.



## Overlapping Indebtedness

The following table sets forth overlapping indebtedness as of December 31, 2020, and the percent attributable (on the basis of assessed valuation) to the City:

<u>Taxing Jurisdiction</u>	<u>Assessed Valuation</u>	<u>Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to Issuer</u>	<u>Amount Applicable to Issuer</u>
Sedgwick County	\$5,703,957,255	\$ 95,855,000	1.68%	\$ 1,609,940
U.S.D. No. 259	3,259,503,717	430,575,000*	2.94%	12,655,182
U.S.D. No. 262	178,767,546	69,970,000*	53.59%	37,416,419
		<b><i>Total</i></b>		<b><u>\$51,681,541</u></b>

\*As of June 30, 2020

## Future Indebtedness

The City plans to periodically incur indebtedness in accordance with its Capital Improvement Plan in the form of temporary notes and general obligation bonds to finance internal improvements. Additionally, the City plans to issue general obligation refunding bonds in the next 6 months.

## The Chisholm Creek Utility Authority

The City of Park City, Kansas and the City of Bel Aire, Kansas have created the Chisholm Creek Utility Authority (the “Authority”) under an Interlocal Cooperation Agreement. The Authority has outstanding \$[\_\_\_\_\_] of its Water and Wastewater Facilities Revenue Bonds (“Authority Bonds”). As a contracting member of the Authority, the City will receive certain water and sewer services from the Authority and has an obligation to make payments therefor under a Service Agreement (the “Agreement Obligation”). This obligation is a “take or pay” obligation, payable whether or not water or wastewater collection and treatment services are actually received from the Authority, provided that the obligation to pay for wastewater water treatment and collection service is subject to the Kansas Cash Basis Law (K.S.A. 10-1101 *et seq.*) (the “Cash Basis Law”). The Cash Basis Law, with certain exceptions, generally requires that no indebtedness may be created by a municipality for any purpose in excess of the amount of funds budgeted and appropriated for such purpose in the applicable fiscal year. While the obligation to pay for water service under a Service agreement is effective over the term of the Service Agreement, notwithstanding the Cash Basis Law, pursuant to K.S.A. 12-824j, such statute and Cash Basis Law exception are inapplicable to the portion of the Agreement Obligation regarding wastewater service. K.S.A. 10-1116(b)(2) provides that “notwithstanding any other limits of indebtedness prescribed under the provisions of the Cash Basis Law, the following funds shall have as a limit of indebtedness an amount equal to 100% of the accrued revenue of the current fiscal year plus any balances carried forward, cash reserves, intergovernmental grants, and sums advanced to qualify for intergovernmental grants: . . . (2) enterprise funds set up in any municipality to account for the financing of self-supporting activities of governmental units which render services on a user charge basis to the general public, such as municipal utilities engaged in the provision of water, electricity and natural gas and sanitary sewer systems which are financed by user charges . . .”.

The City, through Service Agreement payments, is responsible for approximately [36.34]% of the debt service on the Authority Bonds. The City has covenanted that such payments constitute operating expenses of its water and wastewater Utility System, that the City will not in the future cause such pledge to be subordinated to any other obligation of the System and that the City will impose such rates, fees and charges for use of such system to fulfill its obligations under the Service Agreement.

## Historic Operating Results and Debt Service Coverage

The adequacy of revenue, after operating and maintenance expenses, to meet the obligations of the Water and Sewer System is shown by the following tabulation as of December 31, for the years set forth below:

	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b>Operating Revenue</b>			
Water Receipts	\$1,560,025	\$1,654,839	\$1,698,384
Sewer Receipts	<u>1,198,826</u>	<u>1,242,358</u>	<u>1,232,252</u>
<b>Total Operating Revenue</b>	<b>2,758,851</b>	<b>\$2,897,197</b>	<b>\$2,930,636</b>
<b>Operating Expense:</b>			
CCUA Operations and Maintenance	\$678,221	\$866,865	\$936,704
Personnel Services (Salaries, Benefits)	459,402	416,895	386,494
Contractual Services	256,019	182,306	183,008
Water Purchases	153,298	109,689	159,482
Depreciation	-	-	-
Other Operating Expenses	<u>165,666</u>	<u>170,882</u>	<u>284,857</u>
<b>Total Operating Expense</b>	<b>\$1,712,606</b>	<b>\$1,746,637</b>	<b>\$1,950,545</b>
<i>Net Operating Income</i>	<i>\$1,046,245</i>	<i>\$1,150,560</i>	<i>\$980,091</i>
Plus: Non Operating Revenues and Depreciation	-	-	-
<b>Annual Operating Revenue Available for Debt Service</b>	<b>\$1,046,245</b>	<b>\$1,150,560</b>	<b>\$980,091</b>
Unencumbered Fund Balance	4,123,895	4,558,512	4,558,512
<b>Total Funds Available for Debt Service</b>	<b>5,170,140</b>	<b>5,709,072</b>	<b>5,538,603</b>
Debt Service	798,714	696,680	696,680
<b>Coverage Ratio for Debt Service</b>	<b>6.47x</b>	<b>8.19x</b>	<b>6.63x</b>

## Largest System Customers

The following table sets forth the largest water and wastewater system customers of the City:

<u>Customer</u>	<u>Gallons</u>	<u>% of Total</u>
Sani – Kleen Tank Wash, Inc.	3,546,400	1.37%
Best Western Wichita North	3,179,000	1.23%
Cracker Barrel Restaurant	2,931,600	1.14%
Air Capitol Del. & Wholesale	2,530,000	0.98%
Thyssenkrupp	1,913,200	0.74%
Murphy Tractor & Equipment Co.	1,670,200	0.65%
Leeker's Family Foods	1,564,900	0.61%
FMI, Inc.	1,460,800	0.57%
JS Ventures, Inc.	1,335,800	0.52%
Individual	<u>1,332,500</u>	<u>0.52%</u>
<b>Total</b>	<b><u>21,464,400</u></b>	<b><u>8.33%</u></b>

## Utility Service Rates

Pursuant to a resolution adopted by the City, the following water and sewer service rates are currently effective for customers:

### Residential Water Utility Rate:

A minimum water service charge of \$21.42 monthly billing period, plus \$[2.10][0.21] per additional thousand gallons shall be assessed to all residential customers who have their premises connected to the city water system at any time during the monthly billing period. From June 16 to October 15 of each year, residential customers using over 15,000 per monthly billing cycle will be assessed \$[3.15][0.315] per additional thousand gallons. [Please confirm additional usage rate]

**Commercial Water Utility Rate:**

A minimum water service charge of \$24.48 monthly billing period, plus \$[.25][2.50] per additional thousand gallons shall be assessed to all commercial customers who have their premises connected to the city water system at any time during the monthly billing period. From June 16 to October 15 of each year, commercial customers using more than 1.5 times their prior 8 months average usage will be assessed \$[0.375][1.50] per additional thousand gallons.

**Residential and Commercial Sanitary Sewer Utility Rate:**

A minimum water service charge of \$27.06 per monthly billing period shall be assessed to all residential customers who have their premises connected to the city sanitary sewer system at any time during the monthly billing period.

<u>Gallons</u>	<u>Rate</u>
Minimum	27.06
0 – 3,000	Additional [3.25][0.335] per thousand

Residential customers are based on January 15 through March 15 water usage. Commercial customers are based on actual usage.

**Rural Water District No. 2 Rates:**

Residential	17% fee on water sales
Commercial	8.5 % fee on water sales

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**APPENDIX B-1**

**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**

**APPENDIX B-2**

**UNAUDITED FINANCIAL STATEMENTS OF THE AUTHORITY**

**APPENDIX B-3**

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF BEL AIRE**

**APPENDIX B-4**

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF PARK CITY**

## APPENDIX C

### SUMMARY OF PRINCIPAL FINANCING DOCUMENTS

The following is a summary of certain provisions and covenants contained in the Indenture, as amended and supplemented by a First Supplemental Trust Indenture, by a Second Supplemental Trust Indenture, by a Third Supplemental Trust Indenture, by a Fourth Supplemental Trust Indenture, by a Fifth Supplemental Trust Indenture, and by a Sixth Supplemental Trust Indenture, the Water and Wastewater Service Agreements, as amended and supplemented by First Supplemental Water and Wastewater Service Agreements, by Second Supplemental Water and Wastewater Service Agreements, by Third Supplemental Water and Wastewater Service Agreements, by Fourth Supplemental Water and Wastewater Service Agreements, by Fifth Supplemental Water and Wastewater Service Agreements, and by Sixth Supplemental Water and Wastewater Service Agreements, and the Ordinance, as amended and supplemented. Such summary does not purport to be complete and is qualified in its entirety by reference to the foregoing documents.

In addition to the words and terms defined elsewhere in this Official Statement, the words and terms used herein shall have the meanings set forth in the glossaries in this Appendix, unless some other meaning is plainly intended.

### INDENTURE

***Additional Bonds.*** The Issuer will not issue any bonds or obligations other than the Series 2007 Bonds, the Series 2012 Bonds, the Series 2015 Bonds, series 2017 Bonds and the Series 2021 Bonds having a lien on the Trust Estate, except for Additional Bonds issued pursuant to the Indenture. Additional Bonds may be issued to finance the following:

- (a) any renewals, replacements, repairs, additions, improvements, betterments and modifications to the Project necessary, in the opinion of the Consulting Engineer, to keep the Project in good operating condition or to prevent a loss of revenues therefrom;
- (b) any additions, improvements, repairs or modifications to the Project required by any governmental agency having jurisdiction over the Project or for which the Authority is responsible by virtue of any obligation of the Authority arising out of any contract to which the Authority may be a party relating to the ownership of the Project;
- (c) to obtain additional supplies of water for the Project in any Contract Year to the extent that sufficient funds are not available in any reserves for such purpose; or
- (d) any other lawful additions, improvement or modifications to the Project that shall enhance Revenues of the Project.

Additional Bonds may also be issued for the purpose of refunding outstanding Bonds.

The Trustee shall authenticate and deliver such Additional Bonds when there have been filed with it the following:

- (a) A copy certified by the Attesting Officer of the Issuer of the Bond Legislation authorizing (1) the execution and delivery of any amendments to the Security Documents required by the issuance of such Additional Bonds, (2) the execution and delivery of a supplemental indenture providing for, among other things, the date, rate or rates of interest on, interest payment dates, maturity dates and redemption provisions of such Additional Bonds, and (3) the issuance, sale, execution and delivery of the Additional Bonds;
- (b) An original executed counterpart of the supplemental indenture;
- (c) Original executed counterparts of any amendments or supplements to the Agreement;
- (d) An opinion of Counsel, addressed to the Issuer, the Trustee and Bond Counsel, to the effect that the amendments to the Security Documents have been duly authorized, executed and delivered by Contracting Members and are enforceable against the Contracting Members, subject to bankruptcy and equitable principles;
- (e) An opinion or opinions of Bond Counsel, addressed to the Issuer and the Trustee, to the effect that there has been compliance with all conditions precedent to the authentication and delivery of the Additional Bonds, the supplemental indenture and the Additional Bonds have each been validly authorized, are binding and enforceable against the Issuer, subject to bankruptcy and equitable principles, the issuance of the Additional Bonds



has been duly authorized, interest on the Additional Bonds is not included in gross income for federal income tax purposes under the Code, if applicable and is exempt from income taxation by the State of Kansas, and issuance of the Additional Bonds will not adversely affect the income tax status of interest on Bonds Outstanding;

(f) A request and authorization of the Issuer, signed by its Executive, to the Trustee to authenticate and deliver the Additional Bonds to such person or persons named therein after confirmation of payment to the Trustee for the account of the Issuer of a specified sum with directions as to the disposition of such sum;

(g) A certificate of the Issuer, signed by its Executive, that the Issuer is not in default under the Indenture, and evidence satisfactory to the Trustee that upon issuance of the Additional Bonds amounts will be deposited in the Funds hereunder adequate for the necessary balances therein after issuance of the Additional Bonds; and

(h) Written consent of the Bond Insurer, provided that no such consent shall be required if Additional Bonds are being issued to refund Bonds to obtain debt service savings with regard to such refunded Bonds.

Simultaneously with the delivery of the Series 2021 Bonds, the Trustee shall apply, or arrange for the application of, the proceeds thereof in accordance with an Officer's Certificate of the Issuer dated the Issue Date.

Notwithstanding satisfaction of other conditions to the issuance of Additional Bonds contained in the Indenture, no such issuance may occur (1) should any Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) have occurred and be continuing unless such default shall be cured upon such issuance and (2) unless the Reserve Fund is fully funded at its requirement (including the new issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Bond Insurer.

#### ***Funds and Accounts***

**Creation of Funds.** The following funds are created and or ratified by the Indenture and the proceeds of the Bonds and all Revenues received by the Trustee are, subject to certain default provisions of the Indenture, to be deposited by it in the Funds described below and held in trust for the purposes set forth in the Indenture:

- (a) Project Fund
- (b) Revenue Fund.
- (c) Debt Service Fund, including the Series 2021 Debt Service Account therein.
- (d) Operation and Maintenance Fund.
- (e) Debt Service Reserve Fund.
- (f) Reserve Fund for Replacements.
- (g) Surplus Fund.
- (h) Series 2021 Rebate Fund.
- (i) Redemption Fund for Refunded Bonds.
- (j) Costs of Issuance Fund-Series 2021.

**Deposits into and Application of the Project Fund.** An amount sufficient to pay the Costs of the Project Additions shall be deposited in the Project Fund. Separate accounts within the Project Fund shall be maintained by the Trustee for future capital acquisitions and improvements if the Issuer determines that separate accounts are desirable with respect to particular capital acquisitions and improvements or designated portions of capital acquisitions and improvements. Payments from the Project Fund or any account so established shall be made by the Trustee as follows:

(a) Payments from the Project Fund shall be made only upon receipt by the Trustee of a requisition executed by the Issuer's Representative.

(b) Upon completion or abandonment of the Project Additions (as evidenced by a certificate of the Issuer delivered to the Trustee), any moneys remaining in the Project Fund shall be transferred to the Debt Service Fund, and the Series 2021 Debt Service Account therein, unless the Issuer directs that such moneys be deposited into the Reserve Fund, or applied to any other use, accompanied in either case by an opinion of Bond Counsel to the effect that such application will not adversely affect any applicable exemption from federal income taxation of the interest on any Series of Bonds.

(c) Notwithstanding anything to the contrary herein, to the extent a principal and interest payment Event of Default shall have occurred and be continuing and no other moneys are available under the Indenture to cure such Event of Default, no moneys on deposit in the Project Fund shall be applied in accordance with the

preceding subsection (b). In such event, moneys on deposit in the Series 2015 Project Fund shall be applied by the Trustee in accordance with the Indenture.

**Deposits into and Application of the Costs of Issuance Fund** An amount sufficient to pay Costs of Issuance for the Series 2021 Bonds, derived from the sale of the Series 2021 Bonds, shall be deposited in the Costs of Issuance Fund-Series 2021. Moneys in the Costs of Issuance Fund-Series 2021 shall be used by the Trustee to pay the Costs of Issuance for the Series 2021 Bonds. Any funds remaining in the Costs of Issuance Fund-Series 2021, after payment of all Costs of Issuance, but not later than 30 days prior to September 1, 2018, shall be deposited in the Series 2021 Debt Service Account.

**Deposits into and Application of the Redemption Fund.** An amount necessary to retire the Refunded Bonds shall

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**Application of Moneys in Other Funds and Accounts.**

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**Revenue Fund.** So long as any of the Bonds remain Outstanding, all of the Revenues shall be paid to the Trustee and the Trustee shall deposit the same into the Revenue Fund. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Indenture, and so long as any of the Bonds shall remain Outstanding, it will on or before the twentieth day of each month, administer and allocate moneys then held in the Revenue Fund as follows:

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(a) **Debt Service Fund.** There shall first be paid and credited monthly to the Series 2021 Debt Service Account, to the extent necessary to meet on each Bond Payment Date the payment of all interest on and principal of the Series 2021 Bonds, the following sums:

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(1) Beginning with the first of said monthly deposits and continuing on the first day of each month thereafter to and including August 1, 2021, an equal pro rata portion of the amount of interest becoming due on the Series 2021 Bonds on September 1, 2021; and thereafter, beginning on September 1, 2021, and continuing on the first day of each month thereafter so long as any of the Series 2021 Bonds remain Outstanding, an amount not less than 1/6 of the amount of interest that will become due on the Series 2021 Bonds on the next succeeding Interest Payment Date therefor; and

(2) Beginning with the first of said monthly deposits and continuing on the first day of each month thereafter to and including August 1, 2021, an equal pro rata portion of the amount of principal becoming due on the Series 2021 Bonds on September 1, 2021; and thereafter, beginning on September 1, 2021, and continuing on the first day of each month thereafter, so long as any of the Series 2021 Bonds remain Outstanding, an amount not less than 1/12 of the amount of principal that will become due on the Series 2021 Bonds on the next succeeding Maturity date.

The amounts required to be paid and credited to the Series 2021 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 to the Debt Service Fund for the payment of the debt service requirements on the Series 2007 Bonds, the Series 2012 Bonds, the Series 2015 Bonds, the Series 2017 Bonds, the Series 2021 Bonds and any Additional Bonds under the provisions of the Indenture and any supplemental indenture(s).

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If at any time the moneys in the Revenue Fund are insufficient to make in full the payments and credits at the time required to be made to the Debt Service Fund as required by the Indenture, to pay the principal of and interest on the Series 2007 Bonds, the Series 2012 Bonds, the Series 2015 Bonds, the Series 2017 Bonds, Series 2021 Bonds and any Additional Bonds, the available moneys in the Revenue Fund shall be divided and applied 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 Fund and accounts therein.

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Moneys on deposit in the Debt Service Fund shall be applied as follows:

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(1) to the payment of interest, when due, on all Outstanding Bonds, including any accrued interest due in connection with redemptions of Bonds; and

(2) to the payment, when due, of the principal of or redemption premium on the Bonds then payable at maturity or upon redemption.

on the Refunded Bonds and Redemption Maturity Date. The Trustee shall receive all receipts of principal and interest on the Refunded Bonds and in accordance with the Indenture, the Trustee shall receive all receipts of principal and interest on the Refunded Bonds and shall be transferred to the Debt Service Account-2021.

Maintenance Account shall be expended and used by the Trustee solely for the purpose of paying the Expenses, upon presentation to the Trustee by the Issuer of an Officer's Certificate and statements or invoices therefor. The Trustee shall apply all amounts in the Operation and Maintenance Account to the payment of Expenses within three Business Days of the presentation of an Officer's Certificate and statements or invoices therefor. The Issuer may pay Expenses and submit statements or invoices to the Trustee for reimbursement of such payments.

(c) ***Debt Service Reserve Fund.***

(1) At issuance of the Series 2021 Bonds, the Reserve Fund is funded at an amount equal to the Required Reserve. Except as provided in subsection (4) of this subsection, in connection with the issuance of any Additional Bonds, the Series Required Reserve(s) shall be recomputed for all Bonds then to be Outstanding, including the Additional Bonds then being issued, and any required increase in the amount on deposit in such Fund shall be funded at issuance for the Additional Bonds. The amount of any withdrawal for the purpose of subsection (a)(1) and (2) of this section shall be restored by the Issuer from Revenues, after providing for the deposits required in subsections (a) and (b) of this section, in no more than twelve (12) substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal. In addition, if the fair market value of the investments in the Reserve Fund is less than the Required Reserve on all Bonds Outstanding on any valuation date, the difference between such Required Reserve and the value of the Reserve Fund shall be restored by the Issuer from Revenues after providing for the deposits required in subsections (a) and (b) of this section, in no more than twelve (12) consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the valuation revealing the deficiency is made. Upon the making of any monthly deposit to restore a withdrawal or deficiency, the Issuer, at its cost, may direct the Trustee to recompute the value of the assets in the Reserve Fund, in which event the remaining amount to be restored, if any, after taking the new valuation into account shall be deposited in equal monthly installments over the balance of the restoration period.

(2) Moneys on deposit in the Reserve Fund shall be applied as follows:

(A) On the date of each required payment from the Debt Service Fund, moneys in the Reserve Fund shall be applied to cure any deficiency in the Debt Service Fund;

(B) Upon delivery of an Officer's Certificate of the Issuer delivered to the Trustee, any amount in the Reserve Fund in excess of the Required Reserve on all Outstanding Bonds on any valuation date shall be transferred to the Debt Service Fund and credited against the payments next becoming due (in direct order) under the Indenture and, correspondingly, the Agreement, in respect of the principal of and redemption premium, if any, or interest on the Bonds; and

(C) In each month during the 12-month period preceding the final maturity date of any Series of Bonds, moneys held in the Reserve Fund shall be credited against the payments otherwise due under the Agreement in respect of principal of, redemption premium and interest on such Series of Bonds and shall be transferred to the Debt Service Fund for the payment of such principal, redemption premium and interest; provided, however, that no such credit shall be given and no such transfer shall be made if and to the extent that, immediately prior to such crediting and transfer, the amount on deposit in the Reserve Fund is not at least equal to the Required Reserve on all Bonds, less the amounts previously transferred to the Fund during such 12-month period pursuant to this subparagraph (C).

(3) Any deposit made in connection with the issuance of Additional Bonds hereunder may, if authorized under the supplemental indenture providing for the issuance of the Additional Bonds, be deposited into a separate, segregated account within the Reserve Fund, provided that all accounts within the Reserve Fund shall be held for the equal and proportionate benefit of all Bondholders and that the aggregate amount on deposit in all such accounts shall meet the requirements of this section. Any supplemental indenture providing for the establishment of such separate accounts may contain such further provisions as may be necessary or appropriate for the proper administration of such accounts, including provisions establishing priorities for the application of amounts on deposit in the various accounts (including investment income) for the purposes set forth in this section.

(4) The Issuer shall be permitted to substitute a letter of credit, surety bond or other credit enhancement (each, a "credit facility") for funds on deposit in the Reserve Fund, provided that:

(A) the credit facility (including any replacement credit facility) is issued by a bank, trust company, national banking association or insurance company whose unsecured long term debt obligations (in the case of a bank, trust company or national banking association) or whose claims paying abilities (in the case of an insurance company) are rated by a Rating Service, at the time the credit facility is issued and at the time of each extension or renewal thereof, in a rating category at least equal to the rating category assigned by such Rating Service to the Bonds at the time of substitution, determined without regard to credit enhancement, if applicable, but in no event lower than an "investment grade" rating category, or the Rating Service otherwise provides evidence to the Trustee that the credit facility shall not result in a decrease or withdrawal of the rating on the Bonds;

(B) the issuer of the credit facility does not receive as security for any reimbursement obligation in respect of the credit facility any lien, security interest or other similar right or interest in any property within the Trust Estate which is superior to the rights of the Trustee in respect of such property;

(C) the credit facility (including any replacement credit facility, if provided by a different issuer) has an initial term of not less than three (3) years and any extension, renewal or replacement (if provided by the same issuer) thereof has a term of not less than one year;

(D) the Trustee is authorized and has the duty and right to draw on the credit facility to satisfy the purposes for which the Reserve Fund was established;

(E) The Trustee shall receive an opinion of Counsel to the effect that all of the requirements set forth above have been satisfied and an opinion of Bond Counsel to the effect that the income tax status of interest on the Bonds will not be adversely affected; and

(F) the Bond Insurer shall give its prior written consent to such credit facility substitution.

Upon such substitution, funds on deposit in the Reserve Fund which, when added to the face amount of the credit facility, exceed the Required Reserve on all Outstanding Bonds shall be applied as provided in subsection (a)(2) above. Thereafter, the credit facility shall be considered a part of the Reserve Fund and the amount available thereunder shall be included in any calculations of the amount required to be retained in the Reserve Fund; provided that, (i) if the sum of the amount available under the credit facility and the amount of moneys on deposit in the Reserve Fund exceeds the amount required to be on deposit pursuant to subsection (c) of this section, the Issuer shall be permitted (aa) to cause the amount available under the credit facility to be reduced by an amount equal to such excess, or (bb) to direct that the excess moneys be applied as permitted under subsection (a)(2) of this section, and (ii) if the credit facility is not extended, renewed or replaced at least six (6) months prior to its scheduled expiration or termination date, the Trustee shall, not later than five days prior to such date, draw on the credit facility for the full amount thereof.

(5) If there are cash and Eligible Investments on deposit in the Reserve Fund in addition to a credit facility, such cash and Eligible Investments will be drawn on prior to any draws on such credit facility.

(d) **Reserve Fund for Replacements.** The sum of \$171,500 (an amount equal to the Reserve Fund for Replacements Requirement) is on deposit in the Reserve Fund for Replacements. Except as hereinafter provided, moneys in the Reserve Fund for Replacements shall be expended and used by the Trustee, upon presentation to the Trustee by the Issuer of an Officer's Certificate and statements or invoices therefor, if no other funds are available therefor, solely for the purpose of making emergency replacements and repairs in and to the Project as may be necessary to keep the Project in good repair and working order and to assure the continued effective and efficient operation thereof. No moneys in the Reserve Fund for Replacements shall be used for the purpose of extending, improving or enlarging the Project. The amount of any withdrawal from the Reserve Fund for Replacements shall be restored by the Issuer from Revenues, after providing for the deposits required in subsections (a), (b) and (c) above, in no more than twelve (12) substantially equal, consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the withdrawal is made; provided that, if any withdrawal is made and if, prior to the restoration of the amount withdrawn, an additional withdrawal is made, such additional withdrawal shall be restored in equal monthly installments over the remainder of the restoration period for the initial withdrawal. In addition, if the fair market value of the investments in the Reserve Fund for Replacements is less than the Reserve Fund for Replacements Requirement on any valuation date, the difference between such Reserve Fund for Replacements Requirement and the value of the Reserve Fund for Replacements shall be restored by the Issuer from Revenues after providing for the deposits required in subsections (a), (b) and (c) above, in no more than twelve (12) consecutive, monthly installments, each payable on the last Business Day of the month, commencing with the month in which the valuation revealing the deficiency is made.

(e) **Surplus Fund.** After all payments and credits required at the time to be made under the provisions of the preceding subsections have been made, all moneys remaining in the Revenue Fund shall be paid to the Issuer and deposited to the Surplus Fund. Moneys in the Surplus Fund as of June 1 of each year shall be credited against the obligations as set forth in subsection (a)(1) and (2) above, with a corresponding credit against the amounts due from the Contracting Members under the Agreement.

There is no minimum amount required to be maintained in the Surplus Fund.

**Revenues to Be Held for All Bondholders, With Certain Exceptions.** Until applied as provided in the Indenture and except where moneys have been deposited with or paid to the Trustee pursuant to an instrument restricting the application of such moneys to particular Bonds, the moneys and investments held in all Funds (other than the Rebate Fund) and the proceeds of any remedies exercised under Article VII of the Indenture shall be held in trust pursuant to the terms of the Indenture for the equal and proportionate benefit of the holders of all Outstanding Bonds, except that: (a) on and after the date on which the interest or redemption premium on or principal of any particular Bond or Bonds is due and payable from the Debt Service Fund or, with respect to which a call for redemption has been given and funds for such redemption have been deposited with the Trustee, the unexpended balance of the amount deposited or reserved in the Debt Service Fund for the making of such payments shall, to the extent necessary therefor, be held for the benefit of the Bondholder or Bondholders entitled thereto; and (b) any special redemption fund established in connection with the defeasance of any Bonds shall be held for the benefit of the holders of Bonds being defeased.

**Rebate Fund.** There shall be deposited in the Series 2021 Rebate Fund such amounts as are required to be deposited therein pursuant to the Arbitrage Instructions. All money at any time deposited in the Series 2021 Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Arbitrage Instructions), for payment to the United States of America, and neither the Issuer nor the Owner of any Series 2021 Bonds, or any other Bonds, shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this section and the Arbitrage Instructions.

The Trustee shall periodically determine the rebatable arbitrage, if any, under Code § 148(f) in accordance with the Arbitrage Instructions, and the Issuer shall make payments to the United States of America at the times and in the amounts determined under the Arbitrage Instructions. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Series 2021 Bonds and payment and satisfaction of any Rebate Amount, or provision made therefor, shall be deposited into the Revenue Fund.

Notwithstanding any other provision of the Indenture, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements of this section and the Arbitrage Instructions shall survive the defeasance or payment in full of the Series 2021 Bonds.

The Series 2021 Rebate Fund is a trust fund but amounts therein do not constitute part of the Trust Estate.

**Disposition of Unclaimed Funds.** Notwithstanding any provisions of the Indenture, and subject to applicable unclaimed property laws, any money deposited with the Trustee or any Paying Agent in trust for the payment of principal of, redemption premium of or interest on the Bonds remaining unclaimed for four (4) years after the payment thereof: (a) shall be reported and disposed of by the Trustee in accordance with applicable unclaimed property laws; or (b) to the extent permitted by applicable law, shall be paid to the Issuer, whereupon all liability of the Trustee with respect to such money shall cease, and the holders of the Bonds shall thereafter look solely to the Issuer for payment of any amounts then due.

**Additional Funds and Accounts.** In addition to the funds and accounts specifically authorized under this Article, the Trustee shall have the authority to create and maintain such other funds and accounts as it may deem necessary for proper administration under the Indenture.

#### ***Investment or Deposit of Funds***

**Deposits and Security Therefor.** All moneys received by the Trustee under the Indenture for deposit in any Fund established thereunder shall be considered trust funds. All moneys on deposit with the Trustee shall, to the extent not insured, be secured in the manner required or permitted by State or other applicable law. All security for deposits shall be perfected in such manner as may be required or permitted under applicable law in order to grant to the Trustee a perfected lien on or security interest in such security.

**Investment or Deposit of Funds.** Moneys on deposit in the Funds established by the Indenture, other than the Redemption Fund, shall be invested and reinvested by the Trustee as follows:

(a) All moneys on deposit in Funds shall be invested in Eligible Investments which shall mature, or be subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes of the Indenture. The Reserve Fund shall be invested in investments having maturities not extending beyond five years, except for investment agreements approved by the Bond Insurer.

(b) All purchases or sales of Eligible Investments shall be made at the direction of the Issuer (given in writing or orally, confirmed in writing), or in the absence of such direction, by the Trustee.

(c) (1) Any securities or investments held by the Trustee may be transferred by the Trustee, if required in writing by the Issuer, from any of the Funds or accounts mentioned in Article IV of the Indenture to any other Fund or account mentioned in said Article IV at the then current market value thereof without having to be sold and purchased or repurchased; provided, however, that after any such transfer or transfers, the investments in each such Fund or account shall be in accordance with the provisions as stated in the Indenture; and (2) whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption premiums, liquidation proceeds and withdrawals of principal as the Trustee deems appropriate for such purpose.

(d) Neither the Issuer nor the Trustee shall be accountable for any depreciation in the value of Eligible Investments, for any losses incurred upon any authorized disposition thereof.

(e) Subject to the foregoing, the Trustee is expressly authorized to invest moneys in two or more Funds in a single investment, provided that a portion of the investment allocable to each such Fund, and all payments received with respect to such allocable portion, shall be applied in accordance with the applicable provisions governing such Fund hereunder.

(f) Unless otherwise provided in an applicable supplemental indenture, prior to the completion of the Project Additions, investment income on amounts on deposit in the Funds, shall be transferred to the Debt Service Fund or applied to such other purpose or purposes as directed by the Issuer with an opinion of Bond Counsel addressed to the Trustee to the effect that such application will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. After completion of the Project Additions, investment income on amounts on deposit in each of the Funds shall remain in the respective Fund where earned, provided that, to the extent that the amounts held in the Reserve Fund and the Reserve Fund for Replacements satisfy the Series Required Reserve and the Reserve Fund for Replacements Requirement, respectively, investment income on amounts on deposit in such Funds shall be transferred to the Debt Service Fund.

**Valuation of Funds.** The Trustee shall determine the market value of the assets in each of the Funds on, or on a date not earlier than three days prior to, (a) June 1 of each year and (b) the date of issuance for a Series of Additional Bonds. As soon as practicable after each such valuation date, the Trustee shall furnish to the Issuer a report of the status of each Fund as of such date. The Trustee shall also advise the Issuer at such time of the amount then available in the Debt Service Fund and Surplus Fund as a credit against future deposits prior to the next valuation date in direct order of the due dates of such deposits. In computing the value of assets in any Fund, investments shall be valued at the fair market value thereof and shall include accrued but unpaid interest on each investment, and all investments (valued as aforesaid) and accrued interest thereon shall be deemed a part of such Funds. Debt Service Fund investments shall be marked to market on June 1 of each year. All investments that mature within six (6) months of any valuation date or are payable on demand shall be valued at par plus any accrued and unpaid interest. Upon the request of the Issuer, the Trustee shall also provide the Issuer with monthly or other periodic statements showing amounts deposited into and withdrawn from each Fund, the investments made with amounts in each Fund and the investment income received from such investments.

#### ***General Covenants and Agreements of the Issuer***

**Covenants and Agreements of the Issuer.** In addition to any other covenants and agreements of the Issuer contained in the Indenture, the Issuer further covenants and agrees with the Bondholders and the Trustee as follows:

(a) **Payment of Principal, Interest and Redemption Premium.** The Issuer will pay all principal of, redemption premium, if any, and interest on the Bonds or cause them to be paid, solely from the sources provided herein, on the dates, at the places and in the manner provided in the Indenture.

(b) **Revenues; Assignment of Revenues and Pledge of Project.** The Issuer will not assign the Revenues or create or authorize to be created any debt, lien or charge thereon, other than the assignment thereof under the Indenture. The Issuer will not pledge the Project or create or authorize to be created any debt, lien or charge thereon, other than the pledge thereof under the Indenture.

(c) Efficient and Economical Operation. The Issuer will continuously own and will operate the Project 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 Issuer will establish and maintain such rules and regulations for the use of the Project as may be necessary to assure maximum utilization and most efficient operation of the Project.

(d) Reasonable Charges for all Services. None of the facilities or services provided by the Project will be furnished to any user (excepting the Issuer itself) without a reasonable charge being made therefor.

(e) Restrictions on Mortgage or Sale of Project. The Issuer will not mortgage, pledge or otherwise encumber the Project or any part thereof, nor will it sell, lease or otherwise dispose of the Project or any material part thereof; provided, however, the Issuer may dispose of certain assets in certain circumstances described in the Indenture.

(f) Insurance. The Issuer will carry and maintain insurance with respect to the Project 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 Project insofar as the same are of an insurable nature, public liability, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated; provided the amount of such liability insurance shall be 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 State's tort claims act or other similar future law (currently \$500,000 per occurrence). In the event of loss or damage, the Issuer, 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 Issuer will pay and deposit the proceeds of such insurance into the Revenue Fund.

(g) Books, Records and Accounts. The Issuer 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 Project. Such accounts shall show the amount of Revenues received, the application of such Revenues, and all financial transactions in connection therewith. Said books shall be kept by the Issuer according to generally accepted accounting principles as applicable to the operation of municipal utilities.

(h) Annual Budget. Prior to the commencement of each Fiscal Year, the Issuer will cause to be prepared and filed with the Attesting Officer a budget setting forth the estimated receipts and expenditures of the Project for the next succeeding Fiscal Year. The Attesting Officer, promptly upon the filing of said budget in the Attesting Officer's office, will mail a copy of said budget to the Trustee and the Underwriter. Said annual budget shall be prepared in accordance with the requirements of the laws of the State and shall contain all information that is required by such laws.

(i) Annual Audit. Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the Project for the preceding Fiscal Year by an Independent Accountant to be employed for that purpose. Said annual audit shall cover in reasonable detail the operation of the Project during such Fiscal Year.

Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Attesting Officer, and a duplicate copy of the audit shall be mailed to the Trustee and the Underwriter. As soon as possible after the completion of the annual audit, the Legislative Authority shall review such audit, and if the audit discloses that proper provision has not been made for all of the requirements of the Indenture and the Act, the Issuer 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 Project as may be necessary to adequately provide for such requirements.

(j) Right of Inspection. The Trustee, Underwriter and any Owner or Owners of Bonds of 10% of the principal amount of the Bonds then Outstanding shall have the right at all reasonable times to inspect the Project and all records, accounts and data relating thereto, and shall be furnished all such information concerning the Project and the operation thereof which the Trustee, Underwriter or such Owner or Owners of Bonds may reasonably request.

(k) Administrative Personnel. The Issuer shall use its best efforts to employ at all times administrative personnel experienced and well qualified to operate the Project. The Issuer further agrees that such administrative personnel shall be employed in sufficient numbers to ensure that the Project will be operated in a prudent and efficient manner.

(l) Performance of Duties and Covenants. The Issuer will faithfully and punctually perform all duties, covenants and obligations with respect to the operation of the Project now or hereafter imposed upon the Issuer by the Constitution and laws of the State and by the provisions of the Indenture.

(m) Report on Project Condition. The Issuer shall annually cause a qualified employee of the Issuer to make an examination of and report on the condition and operations of the Project. At least every five years such examination and report shall be made by the Consulting Engineer.

(n) Rules and Regulations. The Issuer will establish and maintain such rules and regulations for the use of the Project as may be necessary to assure maximum occupancy and use thereof.

(o) Recordings and Filings. At the expense of the Issuer, the Issuer will cooperate with Trustee to cause the Indenture, or any related instruments or documents relating to the assignment made by the Issuer under the Indenture to secure the Bonds, to be recorded and filed in the manner and in the places which may be required by law in order to preserve and protect fully the security of the holders of the Bonds and the rights of the Trustee hereunder.

(p) Register. At reasonable times and under reasonable regulations established by the Bond Registrar, the Bond Register may be inspected and copied by or delivered to the Bond Insurer, Issuer, the Trustee, or by holders of 10% or more in principal amount of any Series of the Bonds then Outstanding, or a designated representative thereof.

(q) Rights and Enforcement of the Agreement. The Trustee may enforce, in its name or in the name of the Issuer, all rights of the Issuer for and on behalf of the Bondholders, and may enforce all covenants, agreements and obligations of the Contracting Members under and pursuant to the Agreement, regardless of whether the Issuer is in default in the pursuit or enforcement of those rights, covenants, agreements or obligations. The Issuer, however, will do all things and take all actions on its part necessary to comply with covenants, agreements, obligations, duties and responsibilities on its part to be observed or performed under the Agreement, and will take all actions within its authority to keep the Agreement in effect in accordance with the terms thereof.

(r) Issuer Not to Adversely Affect Exclusion From Gross Income of Interest on the Bonds. The Issuer covenants that it (1) will take, or use its best efforts to require to be taken, all actions that may be required of the Issuer for the interest on the Series 2012 Bonds, the Series 2015 Bonds, Series 2017 Bonds and Series 2021 Bonds to be and remain not included in gross income for federal income tax purposes and (2) will not take or authorize to be taken any actions within its control that would adversely affect that status under the provisions of the Code.

**Observance and Performance of Covenants, Agreements, Authority and Actions.** The Issuer hereby agrees to observe and perform at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its part under the Agreement, the Indenture, the Bond Legislation and the Bonds which are executed, authenticated and delivered under the Indenture, and under all proceedings of its Legislative Authority pertaining thereto.

#### **Tax Covenants.**

(a) The Issuer covenants and agrees that it will comply with: (i) all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2021 Bonds; and (ii) all provisions and requirements of the Tax Compliance Agreement. The Issuer will, in addition, adopt such other resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Series 2021 Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Issuer.

(b) The covenants contained herein and in the Tax Compliance Agreement shall remain in full force and effect notwithstanding the defeasance of the Series 2021 Bonds pursuant to the Indenture until such time as is set forth in the Tax Compliance Agreement.

**Enforcement of Issuer's Obligations.** So long as no Event of Default hereunder shall have occurred and be continuing, the Issuer may exercise all its rights under the Security Documents or any other lease, agreement or contract, or supplement or amendment thereto, provided that, except as permitted hereby or by the Security Documents, the Issuer shall not amend any of the same so as to affect adversely the Issuer's ability to perform its covenants under the Indenture or change the payments or term of the Security Documents or the security interest thereby and hereby created. The Issuer shall file with the Trustee copies of the Agreement, together with all amendments or supplements thereto, whether or not the Trustee's



consent is required thereto, and shall give prompt notice to the Trustee of any default by any of the parties thereto of which it has actual knowledge.

### *Events of Default and Remedies*

**Events of Default Defined.** Each of the following is an “Event of Default” under the Indenture:

- (a) Default in the payment of any installment of interest on any Bond when it becomes due and payable;
- (b) Default in the payment of principal of (or redemption premium, if any, on) any Bond when it becomes due and payable;
- (c) Subject to the provisions of Section 7.07 of the Indenture, default in the performance, or breach, of any covenant, warranty or representation of the Issuer contained in the Indenture (other than a default under subsections (a) and (b) of this paragraph);
- (d) The occurrence of any Event of Default under the Security Documents; or
- (e) (1) An Event of Bankruptcy of the Issuer; (2) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the Issuer or of any substantial portion of its property; or (3) the ordering of the winding up or liquidation of its affairs and the continuance of any such involuntary filing, appointment or order unstayed and in effect for a period of sixty (60) consecutive days.

### **Remedies Upon Default.**

- (a) If an Event of Default occurs and is continuing, the Trustee may, with the written consent of the Bond Insurer, and upon the written direction of the Bond Insurer or upon the written request to the Trustee by the holder or holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding, with the consent of the Bond Insurer, shall, by written notice to the Issuer and the Bond Insurer, declare the principal of the Bonds and all interest accrued thereon to the date of acceleration to be immediately due and payable, anything in the Indenture or in the Series 2021 Bonds to the contrary notwithstanding.
- (b) The Bond Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer) and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Bond Insurer’s obligations under the Bond Insurance Policy with respect to such accelerated Bonds shall be fully discharged.
- (c) At any time after such a declaration of acceleration has been made and before the entry of a judgment or decree for payment of the money due, the Trustee may, or the holders of not less than 25% in aggregate principal amount of the Bonds then Outstanding, may by written notice to the Issuer and the Trustee, and subject to certain indemnity requirements, direct the Trustee to, rescind and annul such declaration and its consequences if:
  - (1) all amounts due or overdue with respect to the Bonds (except those due by acceleration) and otherwise due to the Trustee under the Indenture have been paid to or deposited with the Trustee by or for the account of the Issuer, or provision satisfactory to the Trustee in reliance upon an opinion of Counsel has been made for the payment of a sum sufficient therefor.
  - (2) all Events of Default, other than the nonpayment of principal of, redemption premium, if any, and interest on the Bonds which have occasioned such acceleration, have been cured or waived.
- (d) No such rescission and annulment shall affect any subsequent default or impair any consequent right.

### **Additional Remedies.**

- (a) The Trustee, upon the occurrence of an Event of Default may, and upon the written request of the holders of not less than 25% in aggregate principal amount of the Bonds Outstanding, and subject to certain indemnity requirements, shall: (1) exercise any or all rights of the Issuer under the Security Documents; and (2) proceed to protect and enforce its rights and the rights of the holders of the Bonds under the Indenture by mandamus or other suit, action or proceedings in equity or at law, either for the specific performance of any covenant or agreement contained in the Indenture or in the Security Documents or in aid of the execution of any power herein or therein granted, or for the enforcement of

any other appropriate legal or equitable remedy, and the Trustee in reliance upon the advice of Counsel may deem most effective to protect and enforce any of the rights or interests of the holders of the Bonds under the Bonds or the Indenture.

(b) Without limiting the generality of the foregoing, the Trustee shall at all times have the power to institute and maintain such proceedings as it may deem expedient: (1) to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture or the Security Documents, and (2) to protect its interests and the interests of the Bondholders in the Trust Estate and in the issues, profits, revenues and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order which may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the Trust Estate or be prejudicial to the interests of the Bondholders or the Trustee.

**Marshaling of Assets.** Upon the occurrence of an Event of Default, all moneys in all Funds (other than moneys in the Redemption Fund and Rebate Fund) shall be available to be utilized by the Trustee in accordance with Article VII of the Indenture. During the continuance of any such Event of Default, all provisions of the Indenture relating to the utilization of Funds shall be superseded by this provision.

**Trustee May File Proofs of Claim.**

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under the Bankruptcy Code relating to the Issuer or a Contracting Member, any other obligor upon the Bonds or any property of the Issuer or a Contracting Member, the Trustee (whether or not the principal of the Bonds shall then be due and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the Issuer for the payment of overdue principal, redemption premium, if any, and interest) shall be entitled and empowered, by intervention in such proceeding or other means:

(1) to file and prove a claim for the whole amount of the principal, redemption premium, if any, and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of the Indenture or the Security Documents and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel) and of the holders allowed in such proceeding; and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding is hereby authorized by each holder to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the holders, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and Counsel, and any other amounts due the Trustee under Section 8.05 of the Indenture.

(b) No provision of the Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any holders of the Bonds any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder in any proceeding described in subsection (a) of this paragraph.

(c) Whenever moneys are to be applied pursuant to the provisions of this Section, the Trustee may, in its discretion, establish and maintain a reserve for future fees and expenses, and may apply moneys to be distributed at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix a date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates, and for which moneys are available, shall cease to accrue. The Trustee shall also select a Record Date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any moneys and of the fixing of any such Record Date and payment date, and shall not be required to make payment to the holder of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

**Notice and Opportunity to Cure Certain Defaults.** No default under Section 7.01(c) (“covenant default”) shall constitute an Event of Default until written notice of such default shall have been given to the Issuer by the Trustee or by the holders of at least 25% in aggregate principal amount of the Bonds Outstanding, and the Issuer shall have had thirty (30) days after receipt of such notice to correct such default or cause such default to be corrected, and shall have failed to do so. In the event, however, that the default be such that it cannot be corrected within such thirty (30) day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within such period and diligently pursued (as determined by the Trustee) until the default is corrected, provided that such period for corrective action may not exceed sixty (60) days without prior written consent of the Bond Insurer. The Trustee shall also send a copy of each such notice to the Bond Insurer and the Contracting Members.

**Priority of Payment Following Event of Default.**

(a) If at any time after the occurrence of an Event of Default the moneys held by the Trustee under the Indenture (other than amounts in the Rebate Fund) shall not be sufficient to pay the principal of and interest on the Bonds as the same become due and payable, whether by their terms or as a result of acceleration, such moneys, together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of remedies in this Article or otherwise, shall be applied by the Trustee as follows:

(1) first, to the payment of all amounts due the Trustee;

(2) second, to the payment of all installments of interest on the Bonds then due and payable in the order in which such installments became due and payable, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment, ratably, according to the amounts due on such installments, without discrimination or preference; and

(3) third, to the payment of the unpaid principal amount of any of the Bonds which shall have become due and payable, in the order of due dates (other than Bonds called for redemption or contracted to be purchased for the payment of which moneys are held pursuant to the provisions of the Indenture), with interest upon the principal amount of the Bonds from the respective dates upon which they shall have become due and payable, and, if the amount available shall not be sufficient to pay in full the principal of such Bonds due and payable on any particular due date, together with such interest, then to the payment first of such interest, ratably, according to the amount of principal due on such date, without any discrimination or preference.

(b) If the principal of all Bonds shall have become due and payable, and subject to subsection (a)(1) of this paragraph regarding payment to the Trustee, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, without any discrimination or preference.

(c) Notwithstanding any provision of the Indenture to the contrary, after payment of reasonable expenses of the Trustee, the application of funds realized upon default shall be applied to payment of expenses of the Issuer or rebate only after the payment of principal and interest due and past due on the Bonds, together with replenishment of the Reserve Fund.

**Bondholders May Direct Proceedings.** The owners of a majority in aggregate principal amount of the Bonds Outstanding shall, subject to certain indemnity requirements, have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that such direction shall not be in conflict with any rule of law or the Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unduly prejudicial to the rights of Bondholders not parties to such direction or would subject the Trustee to personal liability.

### **Limitations on Rights of Bondholders.**

(a) No Bondholder shall have any right to pursue any other remedy under the Indenture unless: (1) an Event of Default shall have occurred and is continuing; (2) the owners of not less than a majority in aggregate principal amount of all Bonds then Outstanding have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names; (3) the Trustee has been offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred; (4) the Trustee has declined to comply with such request, or has failed to do so, within sixty (60) days after its receipt of such written request and offer of indemnity; and (5) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the holders of a majority in aggregate principal amount of the Bonds Outstanding.

(b) The provisions of subsection (a) of this paragraph are conditions precedent to the exercise by any Bondholder of any remedy hereunder. The exercise of such rights is further subject to the provisions of Sections 7.09, 7.11 and 7.14 of the Indenture. No one or more Bondholders shall have any right in any manner whatever to enforce any right under the Indenture, except in the manner herein provided. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner herein provided for the equal and ratable benefit of the Bondholders of all Bonds Outstanding.

**Unconditional Right of Bondholder to Receive Payment.** Notwithstanding any other provision of the Indenture, any Bondholder shall have the absolute and unconditional right to receive payment of principal of, redemption premium, if any, and interest on the Bonds on and after the due date thereof, and to institute suit for the enforcement of any such payment.

**Restoration of Rights and Remedies.** If the Trustee or any Bondholder has instituted any proceeding to enforce any right or remedy under the Indenture or the Security Documents, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Bondholder, then the Issuer, the Contracting Members, the Trustee and the Bondholders shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been instituted.

**Rights and Remedies Cumulative.** No right or remedy conferred by the Indenture upon or reserved to the Trustee is intended to be exclusive of any other right or remedy, but each such right or remedy shall, to the extent permitted by law, be cumulative of and in addition to every other right or remedy given hereunder or now or hereafter existing at law, in equity or otherwise.

**Delay or Omission Not Waiver.** No delay or omission by the Trustee or any Bondholder to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of such Event of Default.

**Waiver of Defaults.** The holders of a majority in aggregate principal amount of the Outstanding Bonds may, by written notice to the Trustee and subject to certain indemnity requirements, waive any existing default or Event of Default and its consequences, except an Event of Default in paying Bond principal and interest.

**Notice of Events of Default.** If an Event of Default occurs of which the Trustee has or is deemed to have notice under the Indenture, the Trustee shall give Immediate Notice thereof to the Issuer and the Bond Insurer. Within 30 days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each holder of Bonds then Outstanding, provided, however, that except in the instance of an Event of Default under Section 7.01(a) or (b) of the Indenture (relating to Bond interest and principal payments), the Trustee may withhold such notice to Bondholders if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of such Bondholders, and provided, further, that notice to Bondholders of any other default in the performance, or breach, of any covenant, warranty or representation of the Issuer contained in the Indenture shall be subject to the provisions of Section 7.07 of the Indenture and shall not be given until the grace period has expired.

**Right to Cure.** If the Issuer shall, for whatever reason, at any time fail to pay any amount or perform any act which it is obligated to pay or perform and, as a result, a default or Event of Default occurs or may occur, the Contracting Members shall have the right to perform such act or pay such amount on behalf of the Issuer and thereby cure or prevent such default or Event of Default.

**Control of Remedies By Bond Insurer Upon an Event of Default and Event of Insolvency.** Notwithstanding any other provision in the Indenture, upon the occurrence and continuance of an Event of Default, with respect to the Series 2021 Bonds, the Bond Insurer, acting alone, shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of Series 2021 Bonds under the Indenture.

For Bonds which it insures, the Bond Insurer shall have the right to institute any suit, action, or proceedings at law or in equity under the same action, or proceedings at law or in equity under the same terms as an Owner in accordance with the applicable provisions of the Indenture.

Any reorganization or liquidation plan with respect to the Issuer must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Owners who hold the Bonds insured by the Bond Insurer absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such Series 2021 Bonds.

### *The Trustee*

#### **Duties and Responsibilities of the Trustee.**

(a) Prior to the occurrence of an Event of Default of which it has or is deemed to have notice hereunder, and after the curing or waiver of any Event of Default which may have occurred:

(1) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee; and

(2) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of the Indenture; but in the case of any such certificates or opinions which by any provision of the Indenture are specifically required to be furnished to the Trustee, the Trustee is under a duty to examine same to determine whether or not they conform to the requirements of the Indenture.

(b) In case an Event of Default of which the Trustee has or is deemed to have notice hereunder has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs. At a minimum, the Trustee shall enforce the Agreement on behalf of the Issuer and the Bondholders.

(c) No provision of the Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct with certain exceptions set forth in the Indenture.

**Certain Rights of the Trustee.** Except as otherwise provided:

(a) the Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request, direction, order or demand of the Issuer under the Indenture shall be sufficiently evidenced by an Officer's Certificate (unless other evidence thereof is specifically prescribed) and any resolution of the governing body of the Issuer may be sufficiently evidenced by a copy thereof certified by the Executive or an Attesting Officer of the Issuer, as appropriate;

(c) whenever in the administration of the Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officer's Certificate;

(d) the Trustee may consult with Counsel and the written advice of such Counsel or an opinion of Counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion;

(e) the Trustee is under no obligation to exercise any of the rights or powers vested in it by the Indenture at the request or direction of any of the Bondholders unless such holders have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the holders of a majority in aggregate principal amount of the Bonds;

(f) the Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the Issuer, in person or by agent or attorney;

(g) the Trustee may execute any of its trusts or powers or perform any duties under the Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in Section 8.05 of the indenture, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;

(h) the Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except for principal and interest payment Events of Default, unless a Responsible Officer of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the Issuer, a Contracting Member or the holders of at least 25% in aggregate principal amount of the Outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists;

(i) the Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under the Indenture;

(j) in the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of holders of Bonds, each representing less than a majority in aggregate principal amount of the Bonds Outstanding, pursuant to the provisions of the Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(k) the Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the discharge of the Indenture and final payment of the Bonds;

(l) the permissive right of the Trustee to take the actions permitted by the Indenture shall not be construed as an obligation or duty to do so; and

(m) except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

**Trustee May Own Bonds.** The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if it were not Trustee.

**Qualifications of Trustee.** There shall at all times be a trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$50,000,000, (or an affiliate of a corporation or banking association meeting that requirement which guarantees the obligations and liabilities of the proposed trustee), and subject to supervision or examination by federal or state banking authority. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this section, it shall resign promptly.

**Resignation or Removal of Trustee; Appointment of Successor Trustee.**

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee, acceptable to the Bond Insurer, under the Indenture.

(b) The Trustee may resign at any time by giving written notice to the Issuer and the Bond Insurer. Upon receiving such notice of resignation, the Issuer shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any holder of a Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Trustee.

(c) Prior to the occurrence and continuance of an Event of Default hereunder, or after the curing or waiver of any such Event of Default, the Issuer or the holders of a majority in aggregate principal amount of the Outstanding Bonds, may, and the Issuer, upon request of the Bond Insurer, shall, remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default hereunder, the holders of a majority in aggregate principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the Issuer or such holders, as the case may be, and delivered to the Trustee, the Issuer, and holders of the Outstanding Bonds.

(d) If at any time: (1) the Trustee shall cease to be eligible and qualified under the Indenture and shall fail or refuse to resign after written request to do so by the Issuer or the holder of any Bond, or (2) the Trustee shall become incapable of acting or shall be adjudged insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take charge or control of the Trustee, its property or affairs for the purpose of rehabilitation, conservation or liquidation, then in either such case (A) the Issuer may remove the Trustee and appoint a successor Trustee in accordance with the provisions of subsection (c) of this section; or (B) any holder of a Bond then Outstanding may, on behalf of the holders of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

(e) The Issuer shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each holder of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

**Acceptance of Appointment by Successor Trustee.** Every successor Trustee appointed under the Indenture shall be acceptable to the Bond Insurer shall be approved in writing by the Bond Insurer before the appointment of such successor Trustee shall become effective. Every successor Trustee shall execute, acknowledge and deliver to the Issuer and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, with Bond Insurer approval as provided above, without further act, deed or conveyance become vested with all the estates, properties, rights, powers and duties of the predecessor Trustee. Upon the request of the Issuer or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers and duties of the predecessor Trustee under the Indenture, and shall duly assign, transfer, deliver and pay over to the successor Trustee all the Trust Estate and moneys and other property then held under the Indenture, subject, however, to the lien, if any, provided for in Section 8.05 of the Indenture. The successor Trustee shall promptly give written notice of its appointment to the holders of all Bonds Outstanding in the manner prescribed herein, unless such notice has previously been given.

No successor Trustee shall accept appointment as provided in this section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of the Indenture.

**Merger, Succession or Consolidation of Trustee.** Any corporation or association: (a) into which the Trustee is merged or with which it is consolidated; (b) resulting from any merger or consolidation to which the Trustee is a party; or (c) succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee without the execution or filing of any document or the taking of any further action.

**Notices to Bondholders; Waiver.** Where the Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by each event, at his or her address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders. Where the Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Bondholders shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

For so long as the Bonds are registered solely in the name of the Securities Depository or its nominee, the Trustee, on behalf of the Issuer (at the expense of the Issuer), shall maintain a register (the “Beneficial Owner Register”) in which the Trustee shall record the name and address of any person that is identified to the Trustee as a beneficial owner of an interest in the Bonds and for which the Trustee has: (i) information sufficient to permit delivery of first class mail and (ii) either: (x) a certificate executed, as depository or securities intermediary, by any trust company, bank, banker or member of a national securities exchange (wherever situated), if such certificate is in form satisfactory to the Trustee, or (y) a certificate or affidavit of the Person executing such instrument or writing as a beneficial owner if such certificate or affidavit is in form satisfactory to the Trustee or (z) such other instrument or writing as the Trustee deems sufficient for the purposes of this section. The Trustee and the Issuer shall not be responsible for the accuracy of the Beneficial Owner Register, and no Person listed in the Beneficial Owner Register shall be entitled to any rights under the Indenture other than the right to receive notices in the manner provided in the following paragraph.

For so long as the Bonds are registered solely in the name of the Securities Depository or its nominee, where the Indenture provides for notice to the Bondholders of the existence of, or during the continuance of, any Event of Default or at any time upon the written request of the Issuer, the Trustee, at the expense of the Issuer, shall: (i) establish a record date (the “Record Date”) for determination of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the Depository Participants holding positions in the Bonds affected by such notice as of the Record Date for such notice; (iii) mail, first class postage prepaid, copies of the notice as provided above to each Depository Participant identified in the securities position listing as holding a position in the Bonds as of the Record Date for the notice, to each Person listed in the Beneficial Owner Register, to each nationally recognized municipal securities information repository and state information depository (within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934), and to any Person identified to the Trustee as a nonobjecting beneficial owner pursuant to the immediately following clause; (iv) request that the Depository Participant retransmit the notice to all Persons for which it served as nominee on the Record Date, including nonobjecting beneficial owners, or retransmit the notice to objecting beneficial owners and provide a listing of nonobjecting beneficial owners for whom the Depository Participant served as nominee on the Record Date to the Trustee, (v) provide on behalf of the Issuer and not as its agent, an undertaking of the Issuer to pay to any Depository Participant or other nominee (other than the Securities Depository) the reasonable costs of transmitting the notice to Persons for whom the Depository Participant acts as nominee; and (vi) provide as many copies of the notice as may be requested by any nominee owner of the Bonds. Any default in performance of the duties required by this paragraph shall not affect the sufficiency of notice to the Bondholders given in accordance with the first paragraph of this section, nor the validity of any action taken under the Indenture in reliance on such notice to Bondholders.

Where the Indenture provides for notice to the Bondholders of any event, the form of the notice shall prominently include a title block, separate from the body of the notice, which shall include the following information: (i) the complete title of the Bonds; (ii) the complete name of the Issuer and of the Contracting Members; (iii) the entire nine-digit CUSIP number of each affected maturity of the Bonds; (iv) the Record Date; and (v) a summary that is no more than the maximum number of characters permitted by the Securities Depository.

Any notice required or permitted by the Indenture to be given to the Securities Depository shall be given to it in the manner provided by this section for giving notice to Bondholders, and also shall be given such format requested by the Securities Depository, and shall be sent to: The Depository Trust Company, 570 Washington Blvd., Jersey City, New Jersey 07310, or such other address as may be specified by the Securities Depository in writing to the Trustee.

**Trustee Considerations Relative to Bond Insurance Policy.** In determining whether any amendment, consent or other action to be taken, or any failure to act, under the Indenture would adversely affect the security for the Series 2021 Bonds or the rights of the Series 2021 Bondholders, the Trustee shall consider the effect of any such amendment, consent, action or inaction as if there were no Bond Insurance Policy.



## *Discharge and Defeasance*

### Discharge.

(a) If the principal of any Series of Bonds and the interest due or to become due thereon together with any redemption premium required by redemption of any of the Bonds prior to maturity shall be paid, or is caused to be paid, or is provided for under the next succeeding section, at the times and in the manner to which reference is made in the Bonds, according to the true intent and meaning thereof, or the outstanding Bonds shall have been paid and discharged in accordance with this Article, and

(b) all of the covenants, agreements, obligations, terms and conditions of the Issuer under the Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee, the Bond Registrar and the Paying Agents all sums of money due or to become due to them in accordance with the terms and provisions of the Indenture,

then the right, title and interest of the Trustee in the Trust Estate shall thereupon cease and the Trustee, on request of and at the expense of the Issuer, shall release the Indenture and the Trust Estate and shall execute such documents to evidence such release as may be reasonably required by the Issuer and shall turn over to the Issuer, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds held by the Trustee hereunder except for amounts required to pay such Bonds.

**Defeasance; Deposit of Funds for Payment of Bonds.** If the Issuer (a) deposits with the Trustee, if the Trustee is a Kansas bank with full trust powers, or (b) otherwise deposits with a Kansas bank with full trust powers, if the Trustee is not a Kansas bank with full trust powers, pursuant to an escrow deposit agreement (which shall be acceptable in form and substance to the Bond Insurer) moneys or Defeasance Obligations which, together with the earnings thereon, are sufficient to pay the principal of and redemption premium on any particular Bond or Bonds becoming due, either at maturity, by means of mandatory sinking fund redemption or by call for optional redemption or otherwise, together with all interest accruing thereon to the due date or Redemption Date, and pays or makes provision for payment of all fees, costs and expenses of the Trustee due or to become due with respect to such Bonds, all liability of the Issuer with respect to such Bond or Bonds shall cease, such Bond or Bonds shall be deemed not to be Outstanding hereunder and the holder or holders of such Bond or Bonds shall be restricted exclusively to the moneys or Defeasance Obligations so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to such Bond or Bonds, and the Trustee or other Kansas bank, as the case may be, shall hold such moneys, Defeasance Obligations and earnings in trust for such holder or holders. In determining the sufficiency of the moneys and Defeasance Obligations deposited pursuant to this section, the Trustee or other Kansas bank, as the case may be, shall receive, at the expense of the Issuer, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants or such other accountant as shall be acceptable to the Bond Insurer; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in this Article have been satisfied, (2) the escrow deposit agreement with the Trustee or other Kansas bank, as the case may be, is a valid and binding obligation of the parties thereto enforceable in accordance with its terms (such escrow deposit agreement to provide that only with the Bond Insurer consent may an amendment occur) and, if applicable to any Bonds, (3) that defeasance of the Bonds will not cause interest on the Bonds to be includable in gross income for federal income tax purposes. Upon such defeasance, the Trustee shall execute a certificate of discharge with respect to the defeased Bonds and all rights of the Issuer, including its right to provide for optional redemption of Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee at the time the Defeasance Obligations are deposited with the Trustee or other Kansas bank having full trust powers. Final drafts of the aforementioned verification report, defeasance opinion and certificate of discharge shall be provided to the Bond Insurer not less than five Business Days prior to the funding of the escrow deposit agreement.

Notwithstanding the foregoing provisions, if moneys or Defeasance Obligations are, at the time of deposit with the Trustee or other Kansas bank, as the case may be, sufficient, without taking into account any earnings to accrue thereon, to pay the principal of and redemption premium on any particular Bond or Bonds becoming due, either at maturity, by means of mandatory sinking fund redemption or by call for optional redemption or otherwise, together with all interest accruing thereon to the due date or Redemption Date (i.e., a “gross defeasance escrow”), and pays or makes provision for payment of all fees, costs and expenses of the Trustee due or to become due with respect to such Bonds, the verification referenced in the preceding paragraph shall not be required.

Notwithstanding anything in the Indenture to the contrary, in the event that the principal and/or interest due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer and the assignment and pledge of the Trust Estate and all covenants, agreements and other obligations of the Issuer to the Owners shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such Owners. The Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full.

### *Supplemental Indentures and Amendments*

**Supplemental Indentures Without Bondholders' Consent.** The Issuer and the Trustee may from time to time and at any time enter into trust indentures supplemental to the Indenture, without the consent of or notice to any Bondholder, but with written notice to the Bond Insurer, to effect any one or more of the following:

- (a) cure any ambiguity or defect or omission or correct or supplement any provision herein or in any supplemental indenture;
- (b) grant to or confer upon the Trustee for the benefit of the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders or the Trustee which are not contrary to or inconsistent with the Indenture as then in effect or to subject to the pledge and lien of the Indenture additional revenues, properties or collateral including Defeasance Obligations;
- (c) add to the covenants and agreements of the Issuer in the Indenture other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer which are not contrary to or inconsistent with the Indenture as then in effect;
- (d) permit the appointment of a co-trustee under the Indenture;
- (e) modify, alter, supplement or amend the Indenture in such manner as shall permit the qualification of the Indenture, if required, under the Trust Indenture Act of 1939 or, the Securities Act of 1933, as from time to time amended, or any similar federal statute hereafter in effect;
- (f) make any other change herein that is determined by the Trustee to be not materially adverse to the interests of the Bondholders and which does not involve a change described in Section 10.02 of the Indenture;
- (g) implement the issuance of Additional Bonds as provided by Section 2.13 of the Indenture; or
- (h) if a Series of Bonds are all Book Entry Bonds, amend, modify, alter or replace the Letter of Representations as provided in the Indenture or other provisions relating to Book Entry Bonds.

The Trustee shall not be obligated to enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under the Indenture.

**Supplemental Indentures Requiring Bondholders' Consent.** The Issuer and the Trustee, at any time and from time to time, may execute and deliver a supplemental indenture for the purpose of making any modification or amendment to the Indenture, but only with the written consent of the Bond Insurer and the written consent of the holders of at least two-thirds in aggregate principal amount of the Bonds Outstanding at the time such consent is given, and in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in aggregate principal amount of the Bonds so affected and Outstanding at the time such consent is given; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this section. Notwithstanding the foregoing, no modification or amendment contained in any such supplemental indenture shall permit any of the following, without the consent of each Bondholder whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any installment of interest thereon; (b) a reduction in the principal amount of or redemption premium on any Bond or in the rate of interest thereon or a change in the coin or currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the Trust Estate, or the money or assets pledged under the Indenture or any part thereof; (d) the granting of a preference or priority of any Bond or Bonds over any other Bond or Bonds; (e) a reduction in the aggregate principal amount of Bonds of which the consent of the Bondholders is required to effect any such modification or amendment; or (f) a change in the provisions of the Indenture relating to waiver of defaults. Notwithstanding the foregoing, the holder of any Bond may extend the time for payment of the principal of or interest on such Bond; provided, however, that upon the occurrence of an Event of Default, funds available hereunder for the payment of the principal of and interest on the Bonds shall not be applied to any payment so extended until all principal and interest payments which have not been extended have first been paid in full. Notice of any supplemental indenture executed pursuant to this section shall be given to the Bondholders promptly following the execution thereof by the Trustee.

**Exclusion of Certain Bonds.** Bonds owned or held by or for the account of the Issuer shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Issuer shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article or elsewhere in the Indenture.

**Amendments to Security Documents Not Requiring Bondholders' Consent.** Without the consent of or notice to the Bondholders, but with written notice to the Bond Insurer, the Issuer and the Trustee may consent to any amendment, change or modification of the Security Documents as may be required (a) by the provisions of the Agreement or the Indenture, (b) for the purpose of curing any ambiguity, inconsistency or defect or omission in the Security Documents, (c) in connection with an amendment or to effect any purpose for which there could be an amendment of the Indenture pursuant to the Indenture, (d) in connection with implementing the issuance of Additional Bonds, except that Bond Insurer consent is not necessary unless otherwise required in connection with the issuance of such Additional Bonds, or (e) in connection with any other change therein which is not to the material prejudice of the Trustee or the Bondholders.

**Amendments to Security Documents Requiring Bondholders' Consent.** Except for the amendments, changes or modifications contemplated in the preceding paragraph, neither the Issuer nor the Trustee shall consent to:

(a) any amendment, change or modification of the Security Documents which would change the amount or time as of which Agreement Payments are required to be paid, without the giving of notice of the proposed amendment, change or modification and receipt of the written consent thereto of the Bondholders of all of the then Outstanding Bonds; or

(b) any other amendment, change or modification of the Security Documents without the giving of notice of the proposed amendment, change or modification and receipt of the written consent thereto of the Bondholders of not less than two-thirds in aggregate principal amount of the Bonds then Outstanding.

The notices to and consent of the Bondholders to any amendments shall be obtained as provided in the Indenture with respect to supplemental indentures. Notice of any amendment pursuant to this section shall be given to the Bondholders promptly following the execution thereof by the Issuer or the applicable Contracting Member.

**Effect of Supplemental Indentures.** Upon the execution and delivery of any supplemental indenture under this Article, the Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of the Indenture for all purposes; and every holder of any Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby. Copies of any supplement, modification or amendment to the Indenture or any other Security Document shall be sent to Standard & Poor's and Moody's at least 10 days prior to the effective date thereof.

#### ***Provisions Relating to the Bond Insurance Policy***

**Payment Procedure Pursuant to Bond Insurance Policy.** As long as the Bond Insurance Policy shall be in full force and effect, the Issuer and the Trustee agree to comply with the following provisions:

(a) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date (the "Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the Series 2021 Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to the Insurer's Fiscal Agent by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 2021 Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 2021 Bonds and the amount required to pay principal on the Series 2021 Bonds, confirmed in writing to the Bond Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Bond Insurance Policy.

(b) The Trustee shall designate any portion of payment of principal on Series 2021 Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 2021 Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Bond Insurer, registered in the name of the Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Bond Insurer.

The Trustee shall keep a complete and accurate record of all funds deposited by the Bond Insurer into the Policy Payments Account (as hereinafter defined) and the allocation of such funds to payment of interest on and principal paid in respect of any Series 2021 Bond. The Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a claim under the Bond Insurance Policy the Trustee shall establish a separate special purpose trust account for the benefit of Owners referred to herein as the "Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of Owners and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to Owners in the same manner as principal and interest payments are to be made with respect to the Series 2021 Bonds under the sections hereof regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Bond Insurer for the Series 2021 Bonds (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Bond Insurer until payment thereof in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Series 2021 Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Trust Estate and payable from such Trust Estate on a parity with debt service due on the Bonds.

Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Bond Insurer.

(c) The Bond Insurer shall, to the extent it makes any payment of principal of or interest on the Series 2021 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy. Each obligation of the Issuer to the Bond Insurer under the Security Documents shall survive discharge or termination of such Security Documents.

(d) The Issuer agrees to pay or reimburse the Bond Insurer any and all charges, fees, costs and expenses which the Bond Insurer may reasonably pay or incur in connection with (1) the administration, enforcement, defense or preservation of any rights or security in respect of the Indenture or any Security Document, (2) the pursuit of any remedies under the Indenture or any other Security Document or otherwise afforded by law or equity, (3) any amendment, waiver or other action with respect to, or related to, the Indenture or any other Security Document whether or not executed or completed, (4) the violation by the Issuer or any Contracting Member of any law, rule or regulation, or any judgment, order or decree applicable to it or (5) any litigation or other dispute in connection with the Indenture or any other Security Document or the transactions contemplated thereby, other than amounts resulting from the failure of the Bond Insurer to honor its obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture or any other Security Document.

(e) The Bond Insurer shall be entitled to pay principal or interest on the Series 2021 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Bond Insurance Policy) and any amounts due on the Series 2021 Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Bond Insurer has received a Notice of Nonpayment (as defined in the Bond Insurance Policy) or a claim upon the Bond Insurance Policy.

**Consent of the Bond Insurer.** Any provision of the Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer without the prior written consent of the Bond Insurer.

The Bond Insurer's consent shall be required in addition to Owner consent, when required, for the execution and delivery of any supplemental resolution, or any amendment, supplement or change to or modification of other documents relating to the security for the Series 2021 Bonds; removal or substitution of the Trustee; or approval of any action or document requiring approval of the Owners.

The Bond Insurer shall be deemed to be the sole Owner of the Series 2021 Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the Series 2021 Bonds insured by it are entitled to take pursuant to this Indenture.

No contract shall be entered into nor any action taken by which the rights of the Bond Insurer or security for or sources of payment of the Series 2021 Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Bond Insurer.

**Notices to the Bond Insurer.** (a) While the Bond Insurance Policy is in effect, the Issuer shall, in addition to the other notice requirements contained in the Indenture, furnish to the Bond Insurer:

(1) Within 240 days after the end of the Issuer's fiscal year, a copy of any financial statement, audit and/or annual report of the Issuer, and the Issuer's annual budget within 30 days after the approval thereof, together with such other information, data or reports as the Bond Insurer shall reasonably request from time to time;

(2) A copy of any notice to be given to the Owners, including, without limitation, notice of any redemption of or defeasance of Series 2021 Bonds, and any certificate rendered pursuant to the Indenture relating to the security for the Series 2021 Bonds;

(3) Notice of an Event of Default within five business days after the occurrence of such event; and

(4) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Series Required Reserve and (ii) withdrawals in connection with a refunding of Bonds;

(5) Prior notice of the advance refunding or redemption of any of the Series 2021 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(6) Notice of the commencement of any proceeding by or against the Issuer commenced under the Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(7) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Series 2021 Bonds;

(8) A full original transcript of all proceedings relating to the execution of any amendment or supplement to the Indenture or Security Documents;

(9) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Security Documents; and

(10) Such additional information as the Bond Insurer may reasonably request.

(b) The Trustee shall notify the Bond Insurer of any failure of the Issuer to provide relevant notices, certificates, etc. under the Indenture or Security Documents.

(c) The Issuer will permit the Bond Insurer to discuss the affairs, finances and accounts of the Issuer or any information the Bond Insurer may reasonably request regarding the security for the Series 2021 Bonds with appropriate officers of the Issuer. The Issuer will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Series 2021 Bonds at any reasonable time.

(d) The Bond Insurer shall have the right to direct an accounting at the Issuer's expense, and the Issuer's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed an Event of Default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any Owner.

(e) Notwithstanding any other provision of the Indenture, the Issuer shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any Event of Default under the Indenture.

(f) In each case in which notice or other communication to the Bond Insurer refers to an Event of Default or with respect to which failure on the part of the Bond Insurer to respond shall be deemed to constitute consent or acceptance, then a copy of such notice or other communication shall also be sent to the attention of General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

**Third Party Beneficiary.** To the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy, or claim under or by reason of this Indenture, the Bond Insurer is hereby explicitly recognized as being a thirty-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**Parties Interested Herein.** Nothing in this Indenture, expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the Issuer, the Bond Insurer, the Trustee and the Owners, any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Issuer shall be for the sole and exclusive benefit of the Issuer, the Trustee, the Bond Insurer and the Owners of the Series 2021 Bonds.

**Suspension of Bond Insurer's Rights.** Rights of the Bond Insurer to direct or consent to actions granted under this Indenture shall be suspended during any period in which the Bond Insurer is in default in its payment obligations under the Bond Insurance Policy (except to the extent of amounts previously paid by the Bond Insurer and due and owing to the Bond Insurer) and shall be of no force or effect in the event the Bond Insurance Policy is no longer in effect or the Bond Insurer asserts that the Bond Insurance Policy is not in effect or the Bond Insurer shall have provided written notice that it waives such rights.

**Extraordinary Redemption.** Upon the occurrence of an extraordinary optional redemption in part, the selection of Series 2021 Bonds to be redeemed shall be subject to the approval of the Bond Insurer. The exercise of any provision of the Indenture which permits the purchase of Series 2021 Bond in lieu of redemption shall require approval of the Bond Insurer wherein any Series 2021 Bond so purchased is not extinguished.

**Exercise of Rights by Bond Insurer.** The rights granted to the Bond Insurer under the Indenture or any other Security Document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders nor does such action evidence any position of the Bond Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Bond Insurer.

#### ***Miscellaneous Provisions***

**Security Agreement; Financing Statements.** In addition to the assignment by the Issuer of its rights in the Trust Estate to the Trustee, the Issuer hereby acknowledges that, in order to more fully protect, perfect and preserve the rights of the Trustee and the Bondholders in the Trust Estate, the Issuer grants to the Trustee a security interest in the Trust Estate and the proceeds thereof. Each of the Issuer and the Trustee covenant and agree to take such action (including, as applicable, filing of UCC financing statements and continuations thereof) as is necessary from time to time to perfect or otherwise preserve the priority of the pledge of Trust Estate under applicable law. The Issuer agrees to cooperate with the Trustee in filing financing statements, and continuations thereof, in such manner and in such places as may be required by law and the Security Documents in order to perfect such security interest. At the time of the issuance of the Bonds and at the required intervals under applicable State law, the Trustee, at the expense of the Issuer, may obtain an opinion of Counsel setting forth what, if any, actions by the Issuer or Trustee should be taken in order to protect, perfect and preserve such security interest. The Trustee shall cooperate with the Issuer as necessary, including the execution of any necessary financing statements and continuations thereof.

**Severability.** If any term or provision of the Indenture or the Bonds shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions of the Indenture or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever, and such term and provision shall be valid and enforced to the fullest extent permitted by law.

**Applicable Law.** The Indenture shall be governed in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the United States of America and of the State.

**Immunity of Certain Persons; Non-Recourse Provision.** Notwithstanding anything to the contrary contained herein, for payment of the obligations of the Issuer under the Indenture and the Bonds, the Trustee, the Bondholders and any other party entitled to seek payment from the Issuer under or to enforce the Indenture and the Bonds will be entitled to look solely to amounts on deposit with and held by the Trustee for the benefit of the Bondholders, subject to the terms of the Indenture, such collateral, if any, as may now or hereafter be given to secure the payment of the obligations of the Issuer under the Indenture and the Bonds, and no other property or assets of the Issuer or any officer or director of the Issuer shall be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies hereunder, or for any payment required to be made under the Indenture and the Bonds, or for the performance of any of the covenants or warranties contained herein.

**Consent of Holders.** Any consent, request, direction, approval, objection or other instrument required by the Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and must be signed or executed by such Bondholders in person or by agent appointed in writing.

***Glossary of Definitions.*** In addition to terms defined elsewhere in this Summary of Principal Financing Documents, as used in the Indenture, the following terms shall have the following meanings:

“*Act*” means K.S.A. 12-2901 *et seq.* and with respect to the refunding of any Bonds, K.S.A. 10-116a.

“*Additional Bonds*” means the additional parity bonds authorized to be issued by the Issuer pursuant to the Indenture.

“*AGM*” means Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company, or any successor thereto.

“*Agreement Payments*” means the amounts required to be paid by Contracting Members pursuant to the provisions of the Security Documents, or all amounts realized by the Trustee thereunder.

“*Agreement*” means, jointly, the Water and Wastewater Service Agreements, dated as of the date of the Indenture, as amended and supplemented by First Supplemental Water and Wastewater Service Agreements, dated as of the date of the First Supplemental Indenture, as amended and supplemented by Second Supplemental Water and Wastewater Service Agreements, dated as of the date of the Second Supplemental Indenture, as amended and supplemented by Third Supplemental Water and Wastewater Service Agreements, dated as of the date of the Third Supplemental Indenture, as amended and supplemented by Fourth Supplemental Water and Wastewater Service Agreements, dated as of the date of the Fourth Supplemental Indenture, as amended and supplemented by Fifth Supplemental Water and Wastewater Service Agreements, dated as of the date of the Fifth Supplemental Indenture, and as amended and supplemented by Sixth Supplemental Water and Wastewater Service Agreements, dated as of the date of the Sixth Supplemental Indenture between the Issuer and the Contracting Members, as further amended or supplemented from time to time.

“*Arbitrage Instructions*” means the Arbitrage Instructions contained in, or attached to, the Tax Compliance Agreement regarding the Series 2021 Bonds, as the same may be amended and supplemented in accordance with the provisions thereof.

“*Attesting Officer*” means the duly appointed and/or elected Secretary or, in the Secretary's absence, the duly appointed Deputy Secretary or Acting Secretary of the Issuer.

“*Authorized Denomination*” means \$5,000 and any multiple thereof.

“*Bankruptcy Code*” means Title 11 of the United States Code, as it is amended from time to time and any successor to or replacement of such Title.

“*Beneficial Owner*” means, for any Bond which is held by a nominee, the beneficial owner of such Bond.

“*Bond*” or “*Bonds*” means the Series 2007 Bonds, the Series 2012 Bonds, the Series 2015 Bonds, the Series 2017 Bonds, the Series 2021 Bonds, and any Additional Bonds issued under the Indenture.

“*Bond Counsel*” means, with respect to the Bonds, Gilmore & Bell, P.C., Wichita, Kansas, or any other firm of attorneys of nationally recognized expertise with respect to tax-exempt obligations of political subdivisions, selected by the Issuer and acceptable to the Trustee.

“Bondholder” or “holder of Bonds” or “Owner of Bonds” or “Owner” means the Person who owns a Bond, provided that, the person in whose name a Bond is registered in the Bond Register shall be regarded for all purposes as such owner.

[ “Bond Insurance Policy” means the municipal bond insurance policy issued by the Bond Insurer concurrently with the delivery of the Series 2021 Bonds guaranteeing the scheduled payment when due of the principal of and interest on the Series 2021 Bonds.

“Bond Insurer” means, with respect to the Series 2021 Bonds, AGM.]

“Bond Legislation” means collectively Resolution No. 2002-1, Resolution No. 2004-4, Resolution No. 2007-03, Resolution No. 2012-8, Resolution No. 2015-04, Resolution No. 2017-\_\_, and Resolution 2021-\_\_ of the Issuer, as amended and supplemented.

“Bond Payment Date” means any date on which principal of or interest on any Bond is payable.

“Bond Register” and “Bond Registrar” shall have the respective meanings specified in Section 2.08 of the Indenture.

“Book Entry Bonds” means that part of a Series for which a Securities Depository or its nominee is the Bondholder.

“Contracting Members” means, jointly, the City of Bel Aire, Kansas, a Kansas city of the second class, organized and existing under the laws of the State of Kansas, the City of Park City, Kansas, a Kansas city of the second class, organized and existing under the laws of the State of Kansas and, to the extent permitted by the Agreement, the lawful successors and assigns of such cities, and any other city, political subdivision, public agency or public water supply district, which has entered into or hereafter enters into an Agreement.

“Business Day” means any day of the year other than (a) a Saturday or Sunday, (b) any day on which banks located in the city in which the Principal Office of the Trustee is located are required or authorized by law to remain closed, or (c) any day on which the New York Stock Exchange is closed.

“Code” means the Internal Revenue Code of 1986, as amended, and the Regulations.

“Costs of Issuance Fund-2021” means the Costs of Issuance Fund for Water and Wastewater Facilities Refunding and Improvement Revenue Bonds, Series 2021, created pursuant to the Sixth Supplemental Indenture.

“Counsel” means an attorney-at-law or law firm (who may be counsel for the Issuer), acceptable to the Trustee.

“Debt Service Fund” means the trust fund so designated.

“Defeasance Obligations” means:

- (a) Cash; or
- (b) Government Obligations that are not subject to redemption in advance of their maturity dates; or
- (c) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:
  - (1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
  - (2) the obligations are secured by cash or 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 Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;
  - (4) such cash and Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;



(5) such cash and Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) the obligations are rated in the highest rating category by both Standard & Poor's and Moody's.

“*Depository Participants*” means any Person for which the Securities Depository holds Bonds as securities depository.

“*Derivative*” means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

“*DTC*” shall mean the Depository Trust Company.

“*Eligible Investments*” shall mean, while the Series 2007 Bonds remain Outstanding, the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative:

(a) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below), or

(b) direct obligations of (including obligations issued or held in book entry form on the books of) the United States of America or any agency thereof which are backed by the full faith and credit of the United States of America;

(c) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including:

- Export - Import Bank
- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration;

(d) senior debt obligations issued by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Home Loan Bank System;

(e) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of “A-1” or “A-1+” by Standard & Poor's and “P-1” by Moody's and maturing no more than 360 days after the date of purchase (Ratings on holding companies are not considered as the rating of the bank);

(f) investments in a money market fund, the portfolio of which is comprised entirely of securities described in (b) or (c) above and is rated “AAAm” or “AAAm-G” or better by Standard & Poor's;

(g) pre-refunded municipal obligations defined as follows:

Any bonds or other obligations of the State or of any agency, instrumentality or local governmental unit of the State which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and (1) which are rated, based on an irrevocable escrow account of fund (the “escrow”), in the highest rating category of Standard & Poor's and Moody's or any successors thereto; or (2)(i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (b) above, which escrow may be applied only to the payment of such principal and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) investment agreements or other obligations of a financial institution, the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's, and approved in writing by the Bond Insurer with notice to Standard & Poor's;

(i) interest bearing time deposits in commercial banks or trust companies located in the county or counties in which the Issuer is located, which are fully insured by the Federal Deposit Insurance Corporation or collateralized with obligations described in paragraph (b) above;

(j) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; and

(k) other forms of investments authorized in K.S.A. 10-131 which are approved in writing by the Bond Insurer.

When the Series 2007 Bonds are no longer Outstanding, “Eligible Investments” shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the county or counties in which the Issuer is located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f); or (m) other investment obligations authorized by the laws of the State and approved in writing by the Bond Insurer, all as may be further restricted or modified by amendments to applicable State law.

“*Event of Bankruptcy*” means the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by or against the Issuer, a Contracting Member, as debtor, under the Bankruptcy Code or any other bankruptcy, reorganization, insolvency or other similar law as now or hereafter in effect.

“*Executive*” means the Chairman of the Issuer.

“*Expenses*” means all reasonable and necessary expenses of operation, maintenance and repair of the Project and keeping the Project in good repair and working order (other than interest paid 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, for Project operation, 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 Project and transfers into the Reserve Fund and Reserve Fund for Replacements provided for in the Indenture.

“*Fifth Supplemental Indenture*” means the Fifth Supplemental Trust Indenture, by and between the Issuer and the Trustee, dated as of June 10, 2017.

“*First Supplemental Indenture*” means the First Supplemental Trust Indenture, by and between the Issuer and the Trustee, dated as of October 15, 2004.

“*Fiscal Year*” means the twelve month period ending on December 31.

“*Fitch*” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with notice to the Bond Insurer.

“*Fourth Supplemental Indenture*” means the Fourth Supplemental Trust Indenture, by and between the Issuer and the Trustee, dated as of December 30, 2015.

“*Funds*” means the Debt Service Fund, the Operation and Maintenance Fund, the Reserve Fund, the Reserve for Replacement Fund, the Rebate Fund, the Redemption Fund, the Costs of Issuance Fund and Costs of Issuance Fund--2021 and (a) any account within each such Fund, and (b) any other Fund designated as such with respect to a Series.

“*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 payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a Rating Service and such obligations are held in a custodial account for the benefit of the Issuer.

“*Immediate Notice*” means notice transmitted by electronic means, in writing, by telecopier or other electronic means or by telephone (promptly confirmed in writing), and received by the party addressed.

“*Indenture*” means the Trust Indenture by and between the Issuer and Trustee, as amended and supplemented by a First Supplemental Indenture, Second Supplemental Indenture, Third Supplemental Indenture, Fourth Supplemental Indenture and Fifth Supplemental Indenture, and as further amended or supplemented from time to time.

“*Insurer's Fiscal Agent*” means the agent designated by the Bond Insurer pursuant to the Bond Insurance Policy.

“*Interest Payment Date*” means, (a) for the Series 2007 Bonds, Series 2012 Bonds, and Series 2015 Bonds, the first day of March and September of each year, beginning September 1, 2017, with respect to the Series 2021 Bonds and, for any Additional Bonds, the days designated in the supplemental indenture authorizing such Additional Bonds, (b) for Bonds subject to redemption in whole or in part on any date, the date of such redemption, and (c) for all Bonds any date determined pursuant to Section 7.08 of the Indenture (relating to priority of payment following an Event of Default).

“*Issuance Costs*” means costs incurred by or on behalf of the Issuer in the issuance of Bonds, including, without limitation, the following: payment of financial, legal, accounting and appraisal fees, expenses and disbursements, the Issuer's fees and expenses attributable to the issuance of the Bonds, the cost of printing, engraving and reproduction services, legal fees and expenses for Bond Counsel, Issuer's counsel, Trustee's counsel, and Underwriter's counsel relating to the issuance of the Bonds, the initial or acceptance fee of the Trustee, and all other fees, charges and expenses incurred in connection with the issuance of the Bonds and the preparation and filing or recording of the Indenture and of any document, including the Security Documents, relating to the issuance of the Bonds.

“*Issue Date*” means the date of issuance and delivery of any series of Bonds to the Underwriter for such Bonds, and, with respect to any Additional Bonds, the date of issuance and delivery of such Additional Bonds to the initial purchasers thereof.

“*Issuer*” means the Chisholm Creek Utility Authority and its successors and assigns.

“*Issuer Representative*” means the Executive or any other person designated as an Authorized Representative by the Executive, such designation being approved by the governing body of the Issuer as set forth in a certificate or letter signed by the Executive and filed with the Trustee.

“*Legislative Authority*” means the Board of Commissioners of the Issuer.

“*Letter of Representations*” shall mean the Blanket Letter of Representations executed by the Issuer and delivered to the Securities Depository and any amendments thereto or successor blanket agreements between the Issuer and any successor Securities Depository, relating to a system of Book Entry Bonds to be maintained by the Securities Depository with respect to any bonds, notes or other obligations issued by the Issuer.

“*Moody's*” means Moody's Investor's Service, Inc., a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “*Moody's*” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with notice to the Bond Insurer.

“*Officer's Certificate*” of the means a written certificate, statement, request, direction or order signed in the name of the Issuer by its Executive, Attesting Officer, an Issuer Representative, or such other person as may be designated and authorized in writing to sign for the Issuer and forwarded to the Trustee.

*“Operation and Maintenance Fund”* means the trust fund so designated.

*“Ordinance”* means the Ordinances of the Contracting Members, which approved and authorized the Agreement and amendments thereto, and made certain covenants with respect thereto.

*“Outstanding,”* in connection with Bonds means, as of the time in question, all Bonds authenticated and delivered under the Indenture, except:

- (a) Bonds theretofore cancelled or delivered to the Trustee for cancellation under the Indenture;
- (b) Bonds which are deemed to be no longer Outstanding in accordance with the defeasance provisions of the Indenture;
- (c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to the Indenture; and
- (d) Bonds the principal and interest of which has been paid by the Bond Insurer.

In determining whether the owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are held by or on behalf of the Issuer (unless all of the Outstanding Bonds are then owned by the Issuer) shall be disregarded for the purpose of any such determination.

*“Paying Agent”* or *“Co-Paying Agent”* means any national banking association, bank and trust company or trust company appointed by the Issuer and meeting the qualifications of, and subject to the obligations of, the Trustee. Initially, the Trustee shall be the Paying Agent.

*“Person”* or *“person”* means an individual, corporation, firm, association, partnership, limited liability company, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

*“Principal Office of any Paying Agent”* means the office of any Paying Agent designated in writing to the Trustee.

*“Principal Office of the Trustee”* means the designated corporate trust office of the Trustee.

*“Project”* means the Initial Project, together with any Project Additions.

*“Project Additions”* means the improvements acquired, constructed, installed or financed from proceeds of an series of Bonds, authorized and issued pursuant to the Indenture.

*“Rating Service”* means any nationally recognized securities rating service that shall have assigned a rating that is then in effect with respect to the Bonds upon application of the Issuer.

*“Rebate Amount”* has the meaning ascribed in Section 1.148-3(b) of the Regulations and generally means the excess as of any date of the future value of all receipts on nonpurpose investments over the future value of all payments on nonpurpose investments all as determined in accordance with Section 1.148-3 of the Regulations.

*“Rebate Fund”* means the fund so designated.

*“Record Date”* means, (a) with respect to any Interest Payment Date described in subsections (a) or (b) of that defined term, (1) in the case of Bonds which are not Book Entry Bonds the Trustee's close of business on the 15th day of the calendar month next preceding such Interest Payment Date, regardless of whether such day is a Business Day, and (2) in the case of Book Entry Bonds the Trustee's close of business on the Business Day preceding the Interest Payment Date, and (b) with respect to any other Interest Payment Date, a date selected by the Trustee.

*“Redemption Fund”* means the Redemption Fund for Series 2021 Bonds, created pursuant to the Sixth Supplemental Indenture.

“*Refunded Bonds*” means the Series 2012 Bonds further described as follows:

<u>Maturity Amount</u>	<u>Refunded Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Redemption Price</u>
\$245,000	\$245,000	09/01/2025	2.375%	100%
260,000	260,000	09/01/2028	2.625%	100%
315,000	315,000	09/01/2032	3.000%	100%

“*Refunded Bonds Redemption Date*” means [May 30], 2021

“*Regulations*” means any applicable Internal Revenue Service Regulations promulgated in proposed, temporary or final form. Proposed regulations are “applicable” only if, in the event they are adopted in final form, such regulations would apply to the Bonds.

“*Required Reserve*” means, as of any date, the aggregate of the Series Required Reserve for all Series of Bonds for which any Bonds of such Series are at the time Outstanding.

“*Reserve Fund*” means the Debt Service Reserve Fund so designated.

“*Reserve Fund for Replacements*” means the Reserve Fund for Replacements so designated.

“*Reserve Fund for Replacements Requirement*” means \$[\_\_\_\_\_].

“*Responsible Officer,*” when used with respect to the Trustee, means any officer in the corporate trust department (or any successor thereto) of the Trustee, or any other officer or representative of the Trustee customarily performing functions similar to those performed by any of such officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

“*Revenues*” means (a) the Agreement Payments, (b) all amounts payable to the Trustee with respect to the principal of, redemption premium, if any, or interest on, the Bonds (1) by the Contracting Members as required under the Agreement and (2) upon deposit in the Debt Service Fund from the proceeds of the Bonds and (c) investment income with respect to any moneys held by the Trustee in the Redemption Fund, the Debt Service Fund and the Reserve Fund. The term “Revenues” does not include any moneys or investments or investment income in the Rebate Fund.

“*Second Supplemental Indenture*” means the Second Supplemental Trust Indenture, by and between the Issuer and the Trustee, dated as of April 1, 2007.

“*Securities Depository*” means a person that is registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934 or whose business is confined to the performance of the functions of a clearing agency with respect to exempted securities, as defined in Section 3(a)(12) of such Act for the purposes of Section 17A thereof.

“*Security Documents*” means the Agreement and the Ordinance.

“*Series*” means the Series 2007 Bonds, the Series 2012 Bonds, the Series 2015 Bonds, the Series 2017 Bonds, the Series 2021 Bonds and any Additional Bonds so designated pursuant to the Indenture.

“*Series 2007 Bonds*” means the Issuer's \$19,415,000 Water and Wastewater Facilities Refunding Revenue Bonds, Series 2007 (Cities of Bel Aire and Park City, Kansas Project).

“*Series 2012 Bonds*” means the Issuer's \$6,400,000 Water and Wastewater Facilities Refunding and Improvement Revenue Bonds, Series 2012 (Cities of Bel Aire and Park City, Kansas Project).

“*Series 2015 Bonds*” means the Issuer's \$1,870,000 Water and Wastewater Facilities Revenue Bonds, Series 2015 (Cities of Bel Aire and Park City, Kansas Project).

“*Series 2017 Bonds*” means the Issuer's \$13,970,000 Water and Wastewater Facilities Refunding Revenue Bonds, Series 2021 (Cities of Bel Aire and Park City, Kansas Project).

“*Series 2021 Bonds*” means the Issuer's \$[\_\_\_\_\_] Water and Wastewater Facilities Refunding and Improvement Revenue Bonds, Series 2021 (Cities of Bel Aire and Park City, Kansas Project).

“*Series 2021 Debt Service Account*” means the Debt Service Account for the Series 2021 Bonds, which account is created within the Debt Service Fund.

“*Series 2021 Rebate Fund*” means the Rebate Fund for Water and Wastewater Facilities Refunding Revenue Bonds, Series 2021, created pursuant to the Fifth Supplemental Indenture.

“*Series Required Reserve*” means, (a) for the Series 2007 Bonds, the Series 2012 Bonds, the Series 2015, the Series 2017 Bonds and the Series 2021 Bonds, collectively, an amount equal to \$[ ] and (b) for any Series of Additional Bonds, an amount, determined at the time of issuance of such Additional Bonds, not to exceed the least of (1) 10% of the original principal amount of such Additional Bonds, (2) 125% of the average annual debt service payment on such Additional Bonds, and (3) 100% of the maximum annual debt service payable on such Additional Bonds; provided the Series Required Reserve for any Series of Additional Bonds may be revised to a lesser amount in accordance with requirements of Regulations specifying the maximum amount in a reserve fund permitted to be invested without regard to investment yield.

“*Sixth Supplemental Indenture*” means the Sixth Supplemental Trust Indenture, by and between the Issuer and the Trustee, dated as of May [ ], 2021.

“*Standard & Poor's*” means Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer with notice to the Bond Insurer.

“*State*” means the State of Kansas.

“*Third Supplemental Indenture*” means the Third Supplemental Trust Indenture, by and between the Issuer and the Trustee, dated as of November 27, 2012.

“*Trust Estate*” means all right, title and interest of the Issuer in and to (a) the Security Documents, (b) Revenues, (c) Funds (except for the Rebate Fund), (d) the Project and (d) all other property of every name and nature from time to time hereafter by delivery or by writing mortgaged, pledged, delivered or hypothecated as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent in favor of the Trustee.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., St. Louis, Missouri, a national banking association and any successor trustee under the Indenture, acting in its trust capacity.

“*Underwriter*” means, with respect to the Series 2021 Bonds [ ], City, State, and with respect to the Additional Bonds, the initial purchasers of such Additional Bonds.

## THE AGREEMENT

***Effective Date, Term.*** Upon execution of the Agreement by the Authority and a Contracting Member, the Agreement shall be in full force and effect. The term of the Agreement shall extend to the last day of the Contract Year in which all Bonds and the interest thereon have been paid in full or provision for the payment thereof has been made in accordance with any indenture or Indenture relating thereto.

***Water Delivery Pressure.*** The Authority agrees to furnish and the Contracting Member agrees to purchase and is entitled to receive Water at a reasonably constant pressure at the Points of Delivery. The Water shall be delivered at a rate of flow sufficient to deliver the Contracting Member's Contracted Water Purchase Amount. Emergency failure of pressure or supply due to main supply line breaks, power failures, fire and use of water to fight fire, earthquake or other catastrophe shall excuse the Authority from this provision for such reasonable period of time that may be necessary to restore service.

***Delivery of Water Output; Notification.*** Water required to be delivered to the Contracting Member shall be delivered and title thereto shall pass at the Point(s) of Delivery and at authorized service meter connections. The Authority agrees to notify the Contracting Member in writing at least 30 days in advance of the estimated date of initial delivery of Water to the Contracting Member.

***Delivery of Wastewater Services; Notification.*** Wastewater delivered from the Contracting Member shall be delivered and title thereto shall pass at the Point(s) of Delivery and at authorized service meter connections. The Authority agrees to notify the Contracting Member in writing at least 30 days in advance of the estimated date of initial capability to accept wastewater from Contracting Member.

***Budget, Payment.***

(a) On or before the sixtieth (60th) day prior to the estimated commencement of the first Contract Year and on or before the sixtieth (60th) day prior to the beginning of each Contract Year thereafter (unless the first Contract year begins after January 1 of such year, in which case such notice shall be given on or before the sixtieth (60th) day prior to the beginning of the second Contract Year), the Authority shall prepare and mail to the Contracting Member a budget presenting a detailed estimate of the Monthly Wastewater Service Costs and Monthly Water Supply Costs for such Contract Year and the Wastewater Rate and Water Rate required to meet such costs.

(b) At the end of each Month of each Contract Year the Authority shall review its budget of Monthly Wastewater Service Costs and Monthly Water Supply Costs for such Contract Year, including credits thereto. If the budget does not substantially correspond with actual receipts or expenditures or if there have been or are expected to be at any time during any Contract Year extraordinary receipts, credits or payments of costs substantially affecting the Monthly Wastewater Service Costs and Monthly Water Supply Costs, the Authority shall prepare and mail to the Contracting Member a revised budget of Monthly Wastewater Service Costs and Monthly Water Supply Costs incorporating adjustments to reflect such receipts, credits or payments and any payments required to replenish working capital, which revised budget shall supersede the previous budget of Monthly Wastewater Service Costs and Monthly Water Supply Costs.

(c) On or before the tenth (10th) day of each Month beginning with the month following the initial Month of the first Contract Year the Authority shall render to the Contracting Member monthly statements representing:

- (i) the Wastewater Rate multiplied by the greater of (A) the actual number of 1,000 gallon units of wastewater collected from the Contracting Member by the Authority during the preceding Month at all Points of Collection or (B) the Contracted Wastewater Amount allocable to the preceding Month; and
- (ii) the Water Rate multiplied by the greater of (A) the actual number of 1,000 gallon units of Water delivered to the Contracting Member during the preceding Month at all Points of Delivery or (B) the Contracted Water Amount allocable to the preceding Month.

The Contracting Member shall pay to the Authority the amounts shown on such statement on or before the 20th day of such Month.

(d) As of June 1 of each year, the Authority shall determine the amount of surplus revenues, funds and monies from prior fiscal years as are retained by Authority in the Surplus Fund of Authority. The Contracting Member shall receive as a credit against the amounts due under subparagraphs (c)(i) and (c)(ii) above, pro rata over the fiscal year next succeeding such June 1 date, all such surplus revenues, funds and monies as are allocable to the Contracting Member. Such surplus revenues, funds and monies shall be allocated to Contracting Members as follows:

Each Contracting Member is entitled to, and is paying for, a percentage of the capacity of the wastewater collection and treatment portion of the Project and a percentage of the capacity of the water treatment and supply portion of the Project. To the extent that the surplus revenues, funds and monies from a prior fiscal year were generated by payments from a Contracting Member for wastewater services or water, or both, that do not exceed the foregoing capacity portion of the Contracting Member, such surplus revenues, funds and monies shall be credited solely to that Contracting Member and its obligations. Otherwise the surplus revenues, funds and monies from a prior fiscal year generated by payments from that Contracting Member shall be credited solely to the other Contracting Members and their obligations.

(e) The payments to be made pursuant to paragraph (c) above shall be due and payable from Revenues of the Contracting Member's System as an operating expense of the Contracting Member's System at the office of the Authority, whether or not the Project has been completed and whether or not the Project is operating or operable or its production is suspended, interrupted, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to any reduction, whether by offset, counterclaim, recoupment or otherwise, and shall not be conditioned upon the performance or nonperformance by the Authority or any other party under the Agreement or any other agreement for any cause whatsoever, including the Authority's inability to furnish Water or Wastewater Services.

(f) Amounts due and not paid by the Contracting Member on or before the 30th day of the Month in which they are due shall bear an additional charge equal to the lesser of one and one-half percent (1 1/2%) per month, compounded monthly, or the maximum amount permitted under applicable law, until such amount and such additional charge are paid in full.

(g) In the event of any dispute as to any portion of any monthly statement, the Contracting Member shall nevertheless pay the full amount shown on such statement when due and shall, within sixty (60) days from the date of such statement, give written notice of the dispute to the Authority. Such notice shall identify the disputed statement, state the amount in dispute and set forth a full statement of the grounds on which such dispute is based. No adjustment shall be considered or made for disputed charges unless notice is given as aforesaid. The Authority shall give consideration to such dispute and shall advise the Contracting Member with regard to the Authority's position relative thereto within thirty (30) days following receipt of such written notice. Upon determination of the correct amount, any difference between such correct amount and such full amount shall be subtracted from the statement next submitted to the Contracting Member pursuant to paragraph (c) above after such determination.

***Characteristics of Service.***

(a) The Authority will, at all times, operate and maintain the Project in an efficient manner and will take such action as may be necessary to furnish the Contracting Member with Water and Wastewater Service in such quantity and quality as specified herein. Temporary or partial failure to deliver Water or accept Wastewater for treatment shall be remedied with all possible dispatch. In the event of an extended reduction of System capacity for Wastewater treatment, Wastewater Service, measured by amounts of Wastewater accepted by the Authority for treatment, to the Contracting Member shall be reduced or diminished in the same ratio or proportion as the Wastewater Service to all Contracting Members is reduced or diminished. In the event of an extended shortage of water, or if the supply of Water available to the Authority is otherwise diminished over an extended period of time, the supply of Water to the Contracting Member shall be reduced or diminished in the same ratio or proportion as the supply to all Contracting Members is reduced or diminished.

(b) The Agreement is subject to such rules, regulations or other laws as may be applicable to similar agreements in the State of Kansas, including Authority's Rules and Regulations. So long as the same are applicable, the Authority and the Contracting Member will collaborate in obtaining such permits, certificates or the like as may be required to comply therewith.

(c) The Authority will establish, to the extent practicable, scheduled periods when a portion of the Project will be shut down for maintenance and will, whenever possible, give the Contracting Member at least one hundred twenty (120) days notice of such periods.

(d) The Authority may temporarily interrupt or reduce delivery of Water or acceptance of Wastewater if the Authority determines that such interruption or reduction is necessary in case of emergencies affecting the ability of the Authority to produce or deliver Water or to accept and treat Wastewater and in order to install equipment, make repairs and replacements to and make investigations and inspections of or perform maintenance work on the Project. Such interruption or reduction of service cannot impair Contracting Member's ability to provide service to its customers and cannot create a danger to public health and welfare.

Except as interrupted or reduced by Uncontrollable Forces, or as otherwise provided in the Agreement, the Authority shall operate the Project, accept and treat therein Wastewater from the Contracting Member and deliver Water therefrom to the Contracting Member at all times during the term of the Agreement commencing with the Commercial Operation Date.

(e) Nothing contained in the Agreement shall be construed to prohibit the Authority from contracting with others for the operation, maintenance or dispatch of the Project.

***Measurement of Water and Wastewater Service.*** The Authority will furnish, install, operate and maintain at Point(s) of Delivery the necessary metering equipment, including a meter house or pit and required devices of standard type for properly measuring the quantity of Water delivered to and Wastewater delivered by the Contracting Member.

***Records and Accounts.*** The Authority shall keep accurate records and accounts of the Project.

***Authority's Rate Covenant.*** The Authority will establish, maintain and collect rates and charges for the Wastewater Service and Water and water supply service provided so as to provide revenues at least sufficient to enable the Authority to make all payments required to be made by it under the Indenture and all other lawful charges against or liens on the revenues of the Project and to comply with all terms and conditions contained in the Indenture.



***Facilities to be Provided by the Contracting Member.*** The Contracting Member shall contract for or provide, operate and maintain, all without cost or expense to the Authority, such wastewater lines, sewer lines, water lines, storage facilities, pumps and other facilities as may be necessary to enable it to receive and use Water and Wastewater Services purchased under the Agreement at and from the Point(s) of Collection and the Point(s) of Delivery, including such protective devices as may be necessary in the reasonable judgment of the Authority to protect the Project and the water utility system or wastewater utility system, or both, of each other Contracting Members from disturbance thereto caused by the Contracting Member.

***Water and Water Rights to be Provided by the Purchaser.*** All water rights currently owned by the Contracting Member are granted to the Seller, provided that the Seller shall be responsible for maintaining such rights and associated pumps and lines.

***Other Duties of the Contracting Member.*** The Contracting Member agrees, subject to the terms of any conflicting provisions of any existing resolution, contract or other agreement or obligation of the Contracting Member, to the following:

Promptly after the end of each fiscal year of the Contracting Member, the Contracting Member will cause an audit of the Contracting Member's System for the preceding fiscal year to be made by a certified public accountant or firm of certified public accountants employed for that purpose and paid from Revenues of the Contracting Member's System.

The Contracting Member will maintain the Contracting Member's System in efficient operating condition, will make such improvements, enlargements, extensions and repairs thereto as may be necessary or advisable in accordance with Prudent Utility Practice, will engage experienced and competent management personnel, and will continue to own and operate the Contracting Member's System, all in a manner that will enable it to purchase Water and Wastewater Services from the Authority in accordance with the Agreement throughout its term and any extensions thereof.

The Contracting Member will duly observe and comply with all valid requirements of any governmental authority relative to any part of the Contracting Member's System. The Contracting Member will neither create nor suffer to be created any lien or charge upon the Contracting Member's System or upon the revenues therefrom that would cause the Contracting Member to fail to perform any of its obligations hereunder.

To the extent permitted by law, the Contracting Member, in the operation of the Contracting Member's System, will carry or cause to be carried such types of insurance as are in accordance with Prudent Utility Practice and as are required by all agreement to which the Contracting Member is a party. In the event of any loss or damage to the Contracting Member's System, or in the event part or all of the System is taken by the exercise of power of eminent domain, the insurance proceeds or the condemnation award shall be used for restoring, replacing or repairing property lost, damaged or taken, and the remainder thereof, if any, shall be considered Revenues of the Contracting Member's System.

The Contracting Member will maintain its corporate identity and existence so long as the Agreement is in effect, unless another municipal or political corporation by operation of law succeeds to the powers, privileges, rights, liabilities, duties and obligations of the Contracting Member hereunder.

Except for the use of the Contracting Member's facilities in the normal course of business, neither all nor a substantial part of the Contracting Member's System will be sold, leased, mortgaged, pledged, encumbered, alienated or otherwise disposed of so long as the Agreement is in effect; provided, however, that the Contracting Member at any time and from time to time may sell, exchange, lease or otherwise dispose of or cause to be transferred out of the Contracting Member's System any property or facilities not useful or necessary for the efficient operation of the Contracting Member's System, or which will have been replaced by other property of at least equal value.

The Contracting Member will faithfully and punctually perform all duties with respect to the Contracting Member's System required by the Constitution and laws of the State of Kansas, the Agreement.

***Sale of Contracted Water and Wastewater Service Not Taken by the Contracting Member.*** Any Water or Wastewater Service that the Contracting Member is entitled to receive as a Contracted Wastewater Amount or Contracted Water Purchaser Amount under the Agreement, but does not take, may be sold by the Authority to any party upon such terms and conditions as the Authority in its sole discretion shall determine. All receipts, revenues and other moneys received shall be applied as a credit to the Contracting Member against Monthly Wastewater Service Costs or Monthly Water Costs as described in the Agreement. The Contracting Member shall have no right, by offset or otherwise, to any amounts realized by the Authority in connection with such sale.

**Other Sales of Water and Wastewater Service.** The Authority may sell any Wastewater Service in excess of Total Wastewater Amount or any Water in excess of Total Water Purchase Amount that the Contracting Member is not entitled to receive pursuant to the Agreement on such terms and conditions as the Authority in its sole discretion shall determine. In such event, such sales will be applied equally to all Contracting Members and such application will reduce the capacity of the Purchaser as set forth in Section 3.2(d) of the Agreement. All receipts, revenues and other moneys received from such sale of Wastewater Service or Water allocable to the Contracting Member's capacity shall be applied as a credit to the Purchaser against Monthly Wastewater Service Costs or Monthly Water Costs, as appropriate, at the times and in the manner described in the Agreement.

The Contracting Member shall not make any sale or sales of Water and Wastewater Service which might adversely affect the tax-exempt status of any Bonds. The Contracting Member shall not, without the prior written consent of the Authority, resell any of the Water purchased under the terms of the Agreement except by retail to regular customers of the Contracting Member's System. No such sale shall be made to any public water supply district, city or any other entity operating a water distribution system, except with the prior written consent of the Authority.

**Default by the Contracting Member; Remedies of the Authority.** If the Contracting Member fails to perform any obligation under the Agreement or the Contracting Member's Ordinance, including failure to make to the Authority when due any payment required hereunder, the Authority shall have, in addition to any other rights or remedies it may have under law, the following rights and remedies:

(a) The Authority may bring any suit, action or proceedings in law or in equity, including mandamus and action for specific performance, as may be necessary and appropriate to enforce against the Contracting Member any covenant, agreement or obligation to make any payment for which provision is made in the Agreement or the Contracting Member's Ordinance, or to collect amounts due under the Agreement;

(b) If such failure continues for fifteen (15) days following written notice thereof to the Contracting Member, the Authority may, upon ten (10) days written notice to the Contracting Member, cease and discontinue delivering Wastewater Service or Water, or both, to the Contracting Member so long as such failure continues; provided, however, that any such cessation and discontinuance shall not relieve the Contracting Member of any obligation under the Agreement, including the obligation to pay amounts becoming due on and after the date of such cessation and discontinuance; and

(c) Whether or not the Authority has ceased and discontinued delivering Wastewater Service or Water, or both, pursuant to clause (b) above, if such failure continues for six months following written notice to the Contracting Member, the Authority may at any time thereafter while such failure is continuing, upon written notice to the Contracting Member, terminate the Agreement; provided, however, that any such termination shall not relieve the Contracting Member of the obligation to pay any amounts required to be paid under the Agreement with respect to any Month ending on or prior to such termination and for the Month in which such termination occurs, without proration.

Notwithstanding the foregoing, any failed payment by the Contracting Member for Wastewater Service as a result of lawful non-appropriation by the Contracting Member's governing body shall constitute a default only with respect to Wastewater Service hereunder and the remedies set forth above shall only be available with respect to Wastewater Service and obligations and facilities related thereto, *provided that* the Contracting Member and Authority expressly recognize that there are certain economies to the Authority in providing both Water and Wastewater Service to the Contracting Member, that the Water Rate and Wastewater Rate are established, in part, on the basis of such economies and that any cessation or termination of Wastewater Service to the Contracting Member may result in a loss of such economies and a corresponding Water Rate increase.

**Default by the Authority.** In the event of any default by the Authority in the performance of any of its obligations under the Agreement, the Contracting Member may bring any suit, action or proceeding at law or in equity, including mandamus, injunction, and action for specific performance as may be necessary or appropriate to enforce such obligation against the Authority, but the same shall not give the Contracting Member the right to discontinue the performance of its obligations under the Agreement.

If any action or proceeding taken by the Authority or the Contracting Member in connection with any default by the other has been discontinued or abandoned for any reason, the Authority and the Contracting Member shall be restored to their former positions under the Agreement, and all rights, remedies, powers and obligations of the Authority and the Contracting Member shall continue as though no such action or proceeding had been taken. The failure of either party to insist in any one or more instances upon strict performance by the other of the Agreement or to take advantage of any of its rights hereunder shall not be construed as a waiver or relinquishment.

***Assignment, Sale of Contracting Member's System.***

(a) The Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the parties to the Agreement; provided, however, that, except as otherwise provided in the Agreement in the event of a default and except for the assignment by the Authority authorized in paragraph (b) below, neither the Agreement nor any interest herein shall be transferred or assigned by either party to the Agreement except with the written consent of the other. No assignment or transfer shall relieve the assigning or transferring party of any obligation contained in the Agreement. The Contracting Member acknowledges that the rights of the Authority to transfer or assign its interest in the Agreement may be limited by the Indenture. Further, the Authority will not mortgage, pledge or otherwise encumber the Project or any part thereof, nor will it sell, lease or otherwise dispose of the Project or any material part thereof; provided however, the Authority may dispose of certain assets in certain circumstances described in the Indenture.

(b) The Contracting Member acknowledges and agrees that (i) the Authority will pledge and assign to the Trustee in the Indenture all of the Authority's right, title and interest in and to the Project, all payments to be made to the Authority by the Contracting Member under the Agreement as security for the payment of the principal (including sinking fund installments) of and premium, if any, and interest on the Bonds, and (ii) upon the execution of such pledge and assignment, the Trustee shall have all of the rights and remedies provided to the Authority with respect thereto.

***Termination, Amendment.***

(a) The Agreement may not be terminated by either party to the Agreement under any circumstances, including upon the default of the other party.

(b) Subject to the provisions of the Indenture, the Agreement may not be amended, modified or otherwise altered in any manner except in writing signed by both parties.

***Severability.*** If any provision in the Agreement is declared illegal or no longer in force by reason of any judgment or order issued by any court or regulatory body of jurisdiction, all remaining provisions of the Agreement not affected by such judgment or order shall continue in full force and effect.

***Liability of the Authority.*** The Authority shall not be liable to the Contracting Member for any failure of the Authority to perform its obligations to the Contracting Member due to Uncontrollable Forces and in no event shall be liable to the Contracting Member for any consequential damages.

***Glossary of Definitions.*** In addition to terms defined elsewhere in this Summary of Principal Financing Documents, as used in the Agreement, the following terms shall have the following meanings:

“*Agreement*” shall mean, collectively, the Original Agreement, the First Supplemental Agreement, the Second Supplemental Agreement, the Third Supplemental Agreement, the Fourth Supplemental Agreement, the Sixth Supplemental Agreement, and the Sixth Supplemental Agreement, by and between Contracting Members and the Authority, as the same may be amended from time to time.

“*Authority*” means the Chisholm Creek Utility Authority.

“*Commercial Operation Date*” with respect to the Project means 12:01 a.m. on the day the Project is, in the opinion of the Consulting Engineer, (a) producing and delivering water for use and distribution to the Contracting Member or (b) collecting and treating wastewater from the Contracting Member or (c) both.

“*Consulting Engineer*” shall mean one or more engineers or engineering firms designated as such by the Authority, having demonstrated expertise in the fields of water production, treatment and distribution and waterworks facility operations, rates and feasibility studies and wastewater collection and treatment and wastewater facility operations, rates and feasibility studies.

“*Contracted Wastewater Amount*” shall mean the amount set forth on ***Exhibit A*** to the Agreement.

“*Contracted Water Purchase Amount*” shall mean the amount set forth on ***Exhibit A*** to the Agreement.

“*Contracting Member*” shall mean the City of Bel Aire, Kansas, the City of Park City, Kansas, any and other city, political subdivision, or public water supply district, which has entered into or hereafter enters into a written contract with the Authority for the purchase of Water from the Authority or the purchase of wastewater collection and treatment services from the Authority.

*“Contracting Member's System”* means the entire combined waterworks plant and system and sewerage plant and system owned and operated by the Contracting Member for the production, storage, treatment and distribution of water, and for the collection, treatment and disposal of sewage, to serve the needs of the Contracting Member 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 Contracting Member.

*“Contract Year”* shall mean the twelve (12) month period commencing at 12:00 a.m. on January 1 of each year and ending at 12:00 a.m. on the following December 31.

*“Debt Service”* shall mean, with respect to any period, the aggregate of the amounts required to be paid during such period for the sole purpose of paying the principal (including any sinking fund installments) of and premium, if any, and interest on the Bonds from time to time outstanding as the same shall become due; provided, however, that Debt Service shall not include payment of principal on any System Bond which becomes due by reason of the acceleration of the maturity thereof.

*“Fifth Supplemental Agreement”* means the Fifth Supplemental Water Supply and Wastewater Service Agreements, dated as of June 10, 2017, by and between Contracting Members and the Authority.

*“First Supplemental Agreement”* means the First Supplemental Water Supply and Wastewater Service Agreements, dated as of October 1, 2004, by and between Contracting Members and the Authority.

*“Fourth Supplemental Agreement”* means the Fourth Supplemental Water Supply and Wastewater Service Agreements, dated as of December 30, 2015, by and between Contracting Members and the Authority.

*“mgd”* means millions of gallons per day.

*“Month”* shall mean a calendar month.

*“Monthly Wastewater Service Costs”* shall mean all of the Authority's costs that are calculated in total dollars and in the form of a rate per 1,000 gallons of wastewater treated to the extent not included in the Costs of Acquisition and Construction resulting from the ownership, operation, maintenance and repair of, and renewals, replacements, additions, improvements, betterments and modifications to, the wastewater collection and treatment portion of the Project, including, but not limited to, the following items of costs that are paid or incurred by the Authority during each Month of each Contract Year in connection with the Wastewater collection and treatment portion of the Project:

- (1) the Wastewater Base Charge for the month (i.e., the amount of Debt Service required to be deposited during such Month into any fund or account established by the Indenture allocable to the wastewater collection and treatment portion of the Project);
- (2) one-twelfth (1/12) of the costs of operation, maintenance, administration and general expenses of the wastewater collection and treatment portion of the Project for such Contract Year which are not included in the costs and expenses specified in other clauses of the definition of “Monthly Wastewater Service Costs;”
- (3) the amount required to be paid or deposited during such Month into any fund or account established by the Indenture, other than funds and accounts referred to in clause (1) above, other than amounts required to be paid or deposited by reason of the transfer of amounts from such funds or accounts to the funds or accounts referred to in clause (1) above, including the trustee's fees and expenses and amounts required to replenish the Reserve Fund for Replacements established by the Indenture, allocable to the wastewater collection and treatment portion of the Project;
- (4) any amount which the Authority may require to pay for the prevention or correction of any unusual loss or damage or for major renewals, replacements, repairs, additions, improvements, betterments and modifications necessary, in the opinion of the Consulting Engineer, to keep the wastewater collection and treatment portion of System in good operating condition or to prevent a loss of revenues therefrom to the extent that (A) the Authority is not reimbursed by the proceeds of insurance covering the same; (B) funds for such payment are not available to the Authority from any funds or accounts established under the Indenture or Resolution for such purpose, or are available, but subject to replenishment under the Indenture; and (C) funds for such payment are not provided by the issuance of additional bonds; and
- (5) any other amounts necessary for the Authority to comply with the covenants and conditions contained in the Indenture, allocable to the wastewater collection and treatment portion of the Project.

Authority shall apply, as a credit against Monthly Wastewater Service Costs, all receipts, revenues and other moneys received by it from the sale of surplus equipment, materials and supplies relating to the wastewater collection and treatment portion of the Project and from the sale of Wastewater Services pursuant to Section 8.1 of the Agreement. The Contracting Member shall receive as a credit against the amount due under subparagraph (1) above all surplus revenues, funds and monies from prior fiscal years as described in Section 3.2 of the Agreement.

If such Contract Year embraces eleven (11) or fewer whole Months, the fraction expressed in clause (2) above shall be adjusted by substituting a denominator equal to such number of whole Months.

*“Monthly Water Supply Costs”* shall mean all of the Authority's costs that are calculated in total dollars and in the form of a rate per 1,000 gallons of Water sold to the extent not included in the Costs of Acquisition and Construction resulting from the ownership, operation, maintenance and repair of, and renewals, replacements, additions, improvements, betterments and modifications to, the water treatment and supply portion of the Project, including, but not limited to, the following items of costs that are paid or incurred by the Authority during each Month of each Contract Year in connection with the water treatment and supply portion of the Project:

- (1) the Water Base Charge for the month (i.e., the amount of Debt Service required to be deposited during such Month into any fund or account established by the Indenture allocable to the water treatment and supply portion of the Project);
- (2) one-twelfth (1/12) of the costs of operation, maintenance, administration and general expenses of the water treatment and supply portion of the Project for such Contract Year which are not included in the costs and expenses specified in other clauses of the definition of *“Monthly Water Supply Costs;”*
- (3) the amount required to be paid or deposited during such Month into any fund or account established by the Indenture (other than funds and accounts referred to in clause (1) above), other than amounts required to be paid or deposited by reason of the transfer of amounts from such funds or accounts to the funds or accounts referred to in clause (1) above, including the trustee's fees and expenses and amounts required to replenish the Reserve and Replacement Fund established by the Indenture, allocable to the water treatment and supply portion of the Project;
- (4) any amount which the Authority may require to pay for the prevention or correction of any unusual loss or damage or for major renewals, replacements, repairs, additions, improvements, betterments and modifications necessary, in the opinion of the Consulting Engineer, to keep the water treatment and supply portion of System in good operating condition or to prevent a loss of revenues therefrom to the extent that (A) the Authority is not reimbursed by the proceeds of insurance covering the same; (B) funds for such payment are not available to the Authority from any funds or accounts established under the Indenture or Resolution for such purpose or are available, but subject to replenishment under the Indenture; and (C) funds for such payment are not provided by the issuance of additional bonds; and
- (5) any other amounts necessary for the Authority to comply with the covenants and conditions contained in the Indenture, allocable to the water treatment and supply portion of the Project.

Authority shall apply, as a credit against Monthly Water Supply Costs, all receipts, revenues and other moneys received by it from the sale of surplus equipment, materials and supplies relating to the water treatment and supply portion of the Project and from the sale of Water pursuant to Section 8.1 of the Agreement. The Contracting Member shall receive as a credit against the amount due under subparagraph (1) above all surplus revenues, funds and monies from prior fiscal years as described in Section 3.2 of the Agreement.

If such Contract Year embraces eleven (11) or fewer whole Months, the fraction expressed in clause (2) above shall be adjusted by substituting a denominator equal to such number of whole Months.

*“Point(s) of Delivery”* shall mean the point or points of interconnection between the facilities of, or available to, the Contracting Member and the terminal facilities of the water treatment and supply portion of the Authority's System.

*“Point(s) of Collection”* shall mean the point or points of interconnection between the facilities of, or available to, the Contracting Member and the terminal facilities of the wastewater collection and treatment portion of the Authority's System.

*“Project”* means acquiring, purchasing, constructing and equipping a wholesale water supply system and a wastewater collection and treatment system to provide a wholesale water supply or wastewater collection and treatment services, or both, to the Contracting Members, financed and refinanced by the Bonds and all extensions, improvements,

additions and enlargements to the Project hereafter made or acquired by the Authority that are specifically designated by the Authority to be a part of the Project.

*“Resolution”* shall mean the resolution of the Authority authorizing the Indenture and the issuance of the Series 2002 Bonds, Series 2004 Bonds, Series 2007 Bonds, Series 2012 Bonds, Series 2015 Bonds, Series 2017 Bonds and Series 2021 Bonds.

*“Revenues of the Contracting Member's System”* means “Revenues,” as defined in the Ordinance.

*“Rules and Regulations”* shall mean those rules and/or regulations established from time to time by the governing body of the Authority for the operation of the Project.

*“Second Supplemental Agreement”* means the Second Supplemental Water Supply and Wastewater Service Agreements, dated as of April 1, 2007, by and between Contracting Members and the Authority.

*“Series 2002 Bonds”* means the Issuer's \$28,980,000 Water and Wastewater Facilities Revenue Bonds, Series 2002 (Cities of Bel Aire and Park City, Kansas Project).

*“Sixth Supplemental Agreement”* means the Sixth Supplemental Water Supply and Wastewater Service Agreements, dated as of May [\_\_\_], 2021, by and between Contracting Members and the Authority.

*“Third Supplemental Agreement”* means the Third Supplemental Water Supply and Wastewater Service Agreements, dated as of November 27, 2012, by and between Contracting Members and the Authority.

*“Uncontrollable Forces”* shall mean any cause beyond the control of the Authority and which by the exercise of due diligence the Authority is unable to prevent or overcome, including but not limited to an act of God, fire, flood, explosion, earthquake, strike, sabotage, pestilence, an act of the public enemy, civil or military authority, including court orders, injunctions and orders of governmental agencies with proper jurisdictions, insurrection or riot, an act of the elements, failure of equipment, inability of the Authority or any contractor engaged in work on the Project to obtain or ship materials or equipment because of the effect of similar causes on suppliers or carriers, or inability of the Authority to sell or issue Bonds.

*“Wastewater”* shall mean water with organic and inorganic contaminants collected into the Contracting Member's wastewater collection system meeting the requirements of Contracting Member's or Authority's sewer use regulations or ordinances from residential, commercial, and industrial customers of Contracting Member.

*“Wastewater Base Charge”* shall mean the amount owed by the Contracting Member to Authority with respect to Debt Service for the wastewater collection and treatment portion of the Project, plus amounts necessary, following draws on the Reserve Fund established by the Indenture, to replenish such Fund to the Series Required Reserve established by the Indenture. Such replenishment shall be done in the proportion to the \$[\_\_\_\_\_] wastewater collection and treatment portion of the Bonds bears to the total principal amount of the Bonds.

*“Wastewater Services”* shall mean the collection, treatment, and disposal of Wastewater from the Contracting Member and the disposal of any residual wastes of such treatment by Authority in accordance with State and Federal regulations.

*“Wastewater Rate”* shall mean an amount established by the Authority for the collection and treatment of each 1,000 gallons of wastewater, which Wastewater Rate will be based on the total Monthly Wastewater Costs.

*“Water”* shall mean potable treated water meeting applicable purity standards of the State of Kansas, Department of Health and Environment and Federal regulations.

*“Water Base Charge”* shall mean the amount owed by the Contracting Member to Authority with respect to Debt Service for the water treatment and supply portion of the Project, plus amounts necessary, following draws on the Reserve Fund established by the Indenture, to replenish such Fund to the Series Required Reserve established by the Indenture. Such replenishment shall be done in the proportion that the \$[\_\_\_\_\_] water treatment and distribution portion of the Bonds bears to the total principal amount of the Bonds.

*“Water Rate”* shall mean an amount established by the Authority for the sale of each 1,000 gallons of Water, which Water Rate will be based on the total Monthly Water Supply Costs.

## THE ORDINANCE

**Authorization of the Agreement.** The Agreement is authorized by the Ordinance and the appropriate officials of the Contracting Members are authorized and directed to execute the Agreement on behalf of the Contracting Member.

### **Calculation of Debt Service Requirements.**

(a) **Debt Service Requirements on Balloon, Put, Short-Term and Interim Indebtedness**

(1) The amount of Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness being treated as Long-Term Indebtedness under the “Additional Indebtedness” section of the Ordinance, or Interim Indebtedness shall be deemed due and payable at its Stated Maturity; provided, however, that at the election of the Contracting Member for the purpose of any computation of Debt Service Requirements, whether historical or projected, the principal deemed payable on Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness being treated as Long-Term Indebtedness under the “Additional Indebtedness” section of the Ordinance, or Interim Indebtedness, shall be deemed to be payable as set forth below:

(A) If the Contracting Member has obtained a binding commitment of a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated “A” or better by any Rating Agency) to refinance such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or a portion thereof, including without limitation, a letter of credit or a line of credit, the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or portion thereof to be refinanced, may be deemed to be payable in accordance with the terms of the refinancing arrangement;

(B) If the Contracting Member has entered into a binding agreement providing for the deposit by the Contracting Member with a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated “A” or better by any Rating Agency), in trust (herein called a “Special Redemption Fund”) of amounts, less investment earnings realized and retained in the Special Redemption Fund, equal in aggregate to the principal amount of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or a portion thereof, when due from the sums so deposited and investment earnings realized thereon, then the principal amount of the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, or portion thereof, may be deemed to be payable in accordance with the terms of such agreement;

(C) If the Contracting Member has entered into arrangements or agreements with respect to the principal amount of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness, other than those referred to in subsections (A) and (B) above, which a Consultant in a certificate filed with the Contracting Member determines, taking into account the interests of the Owners of System Indebtedness, provides adequate assurances that the Contracting Member will be able to meet the Debt Service Requirements due on such System Indebtedness, the Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness may be deemed to be payable in accordance with the terms of such arrangement or agreement; or

(D) Such Balloon Indebtedness, Put Indebtedness or Short-Term Indebtedness may be deemed to be Additional Indebtedness which, at the date of its original incurrence, was payable over a term not to exceed twenty (20) years in equal annual installments of principal and interest at the Index Rate.

A Consultant shall deliver to the Contracting Member a certificate stating that it is reasonable to assume that installment obligations of such term of the Contracting Member can be incurred and stating the interest rate then applicable to installment obligations of such term of comparable quality. Interim Indebtedness may be deemed to be Additional Indebtedness which, at the date of its original incurrence, would meet the conditions specified in the statement of the Consultant as required in the “Additional Indebtedness” section of the Ordinance; provided that the Consultant shall for each annual period that the

Payment Obligation Requirement is computed, provide a supplemental statement that at such period, the certifications contained in the statement are reasonable.

(2) Interest that is payable prior to the Stated Maturity of any Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness shall be taken into account for such appropriate period in computation of Debt Service Requirements. Interest payable at maturity or early redemption on Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness may either be amortized over the anticipated maturity or such longer period as is permitted under the Ordinance or may be treated as principal payable on the principal maturity date of such Balloon Indebtedness, Put Indebtedness, Short-Term Indebtedness or Interim Indebtedness.

(3) In measuring compliance with the applicable tests hereunder in connection with incurring Put Indebtedness and generally for purposes of determining the Debt Service Requirements relating thereto, Put Indebtedness shall be deemed to mature based upon the actual amortization requirements for the Put Indebtedness, only to the extent that the Contracting Member has a commitment to refinance such Put Indebtedness.

(b) **Debt Service Requirements on Discount Indebtedness.** At the election of the Contracting Member for the purpose of any computation of Debt Service Requirements, whether historical or projected, the principal and interest deemed payable on Discount Indebtedness shall be deemed to be payable as set forth below:

(1) If the Contracting Member has obtained a binding commitment of a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency) to refinance such Discount Indebtedness, or a portion thereof, including without limitation, a letter of credit or a line of credit, the Discount Indebtedness, or portion thereof to be refinanced, may be deemed to be payable in accordance with the terms of the refinancing arrangement;

(2) If the Contracting Member has entered into a binding agreement providing for the deposit with a bank or other financial institution (whose senior debt obligations, or the senior debt obligations of the holding company of which such bank or financial institution is the principal subsidiary, are then rated "A" or better by any Rating Agency), in trust (herein called a "Special Redemption Fund") of amounts, less investment earnings realized and retained in the Special Redemption Fund, equal in aggregate to the principal amount of such Discount Indebtedness, or a portion thereof, and providing for the payment of such principal amount when due from the sums so deposited, and investment earnings realized thereon, then the Discount Indebtedness, or portion thereof, may be deemed to be payable in accordance with the terms of such agreement;

(3) If the Contracting Member has entered into arrangements or agreements with respect to the principal amount of such Discount Indebtedness, other than those referred to in subsections (1) and (2) above, which a Consultant in a certificate filed with the Contracting Member determines, taking into account the interests of the holders of Additional Indebtedness, provides adequate assurances that the Contracting Member will be able to meet the Debt Service Requirements due on such Additional Indebtedness, the Discount Indebtedness may be deemed to be payable in accordance with the terms of such arrangement or agreement; or

(4) As of any time the maturity amount represented by Discount Indebtedness shall be deemed to be the accreted value of such Additional Indebtedness computed on the basis of a constant yield to maturity.

(c) **Debt Service Requirements on Variable Rate Indebtedness.** When calculating interest requirements on Variable Rate Indebtedness which bears a variable rate of interest for periods as to which the rate of interest has not been determined, the rate of interest on Outstanding Variable Rate Indebtedness shall be the average annual rate of interest which was payable on such Variable Rate Indebtedness during the twelve (12) months immediately preceding the date as of which the calculation is made; and the rate of interest on Variable Rate Indebtedness to be incurred (or incurred less than twelve (12) months preceding such date) shall be the average annual rate of interest which would have been payable on such Variable Rate Indebtedness had it been outstanding for a period of twelve (12) months immediately preceding the date as of which the calculation is made, all as set forth in a certificate of a Consultant, delivered to the Contracting Member.

***Security for the Agreement.*** The Agreement Obligations of the Contracting Member shall constitute an Expense of the System, payable solely from, and secured as to the payment of it by a pledge of, the Revenues, and the Contracting Member hereby pledges said Revenues to the payment thereof. The Agreement Obligations shall not be or constitute a general obligation of the Contracting Member, nor shall they constitute an indebtedness of the Contracting Member within the meaning of any



constitutional, statutory or charter provision, limitation or restriction, and the taxing power of the Contracting Member is not pledged to the payment of the obligations under the Agreement.

The Contracting Member's Agreement Obligations shall not have any priority with respect to the payment thereof from said Revenues or otherwise over other Operating Expenses and other Operating Expenses shall not have any priority with respect to the payment thereof from said Revenues or otherwise over the Contracting Member's Agreement Obligations.

***Establishment of Funds and Accounts; Deposit and Application of Bond Proceeds and Other Moneys***

**Creation of Funds and Accounts.** There have been created within the Treasury of the Contracting Member the following Funds and Accounts:

- (a) Water and Wastewater Utility System Revenue Fund;
- (b) Water and Wastewater Utility System Operation and Maintenance Account;
- (c) Operating Reserve Account for Water and Wastewater Utility System;
- (d) Water and Wastewater Utility System Depreciation and Replacement Account;
- (e) Water and Wastewater Utility System Surplus Account.

The Funds and Accounts established herein shall be administered in accordance with the provisions of the Ordinance so long as the Agreement Obligations are Outstanding.

***Collection and Application of Revenues of the System***

**Revenue Fund.** The Contracting Member covenants and agrees that from and after the beginning of the first Contract Year (as defined in the Agreement), and continuing as long as the Agreement remains in effect, all of the Revenues derived and collected from the operation of the System shall as and when received be paid and deposited into the Revenue Fund. Said Revenues shall be segregated and kept separate and apart from all other moneys, revenues, Funds and Accounts of the Contracting Member and shall not be commingled with any other moneys, revenues, Funds and Accounts of the Contracting Member. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in the Ordinance.

**Application of Moneys in Funds and Accounts.** The Contracting Member covenants and agrees that 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 operating and maintaining the System during the ensuing month. All amounts paid and credited to the Operation and Maintenance Account shall be expended and used by the Contracting Member solely for the purpose of paying the Expenses of the System.

(b) **Operating Reserve Account.** Except as hereinafter provided in this Section, all amounts paid and credited to the Operating Reserve Account shall be expended and used by the Contracting Member solely to prevent any default in the payment of Expenses of the System if the moneys in the Operation and Maintenance Account are insufficient to pay as they become due. If the Operating Reserve Account aggregates the Operating Reserve Requirement, no payments into the Operating Reserve Account shall be required, but if the Contracting Member is ever required to expend and use a part of the moneys in said Account for the purpose herein authorized and such expenditure reduces the amount of the Operating Reserve Account below the Operating Reserve Requirement, or if the valuation of the Account establishes that the value of the Operating Reserve Account is below the Operating Reserve Requirement, the Contracting Member shall monthly transfer available Revenues, after providing for the transfers set forth above, into the Operating Reserve Account, so that within 12 months the Operating Reserve Account shall aggregate the Operating Reserve Requirement.

(c) **Depreciation and Replacement Account.** Except as hereinafter provided, moneys in the Depreciation and Replacement Account shall be expended and used by the Contracting Member, if no other funds are available therefor, solely for the purpose of making emergency 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. No moneys in the Depreciation and Replacement Account shall be used for the purpose of extending, improving or enlarging the System. If the Depreciation and Replacement Account aggregates the Depreciation and Replacement Requirement, no payments into the Depreciation and Replacement Account shall be required, but if the Contracting Member is ever required to expend and use a part of the moneys in said Account for the purpose herein authorized and such expenditure reduces the amount of the

Depreciation and Replacement Account below the Depreciation and Replacement Requirement, or if the valuation of the Account establishes that the value of the Depreciation and Replacement Account is below the Depreciation and Replacement Requirement, the Contracting Member shall monthly transfer available Revenues, after providing for the transfers set forth above, into the Depreciation and Replacement Account, so that within 12 months the Depreciation and Replacement Account shall aggregate the Depreciation and Replacement Requirement.

(d) Surplus Account. After all payments and credits required at the time to be made under the provisions of the preceding subsections have been made, all moneys remaining in the Revenue Fund shall be paid and credited to the Surplus Account. Moneys in the Surplus Account may be expended and used for the following purposes as determined by the governing body of the Contracting Member:

(1) Paying the cost of the operation, maintenance and repair 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;

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

(3) Preventing default in, anticipating payments into or increasing the amounts in the any debt service account for Additional Bonds, the Operating Reserve Account or the Depreciation and Replacement Account referred to in this Section, or any one of them;

(4) Prepaying all or a part of the obligations under the Agreement or calling, redeeming and paying prior to Stated Maturity, or, at the option of the Contracting Member, purchasing in the open market at the best price obtainable not exceeding the redemption price (if any bonds are callable), any Additional Bonds, including principal, interest and redemption premium, if any;

(5) Any other lawful purpose in connection with the operation of the System and benefiting the System;

(6) To make transfers to the Revenue Fund;

(7) To make lawful transfers to any fund of the Contracting Member.

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

**Transfer of Funds to the Authority or Trustee.** The Treasurer of the Contracting Member is hereby authorized and directed to withdraw from the Operation and Maintenance Account, and, to the extent necessary to prevent a default in the payment of either principal or interest on the Bonds, from the Operating Reserve Account, the Depreciation and Replacement Account and the Surplus Account, sums sufficient to pay the Agreement Obligations as and when the same become due, and to forward such sums to the Authority, or the Trustee.

***Deposits and Investment of Moneys.*** Moneys in each of the Funds and Accounts shall be deposited in a bank, savings and loan association or savings bank: (a) organized under the laws of the State or the United States with main offices located in the county or counties in which the Contracting Member is located; or (b) under certain conditions of State law, organized under the laws of the United States or any other State thereof, with main offices located outside of the State, but with a branch located in the county or counties in which the Contracting Member is located. All such depositories shall be members of the Federal Deposit Insurance Corporation. All such deposits shall be invested in Permitted Investments as set forth in this Article or shall be adequately secured as provided by the laws of the State. All moneys held in the Funds and Accounts shall be kept separate and apart from all other funds of the Contracting Member so that there shall be no commingling with any other funds of the Contracting Member.

Moneys held in any Fund or Account may be invested in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account. All earnings on investments held in the Operating Reserve Account shall accrue to and become a part of the Operating Reserve Account until the amount on deposit in the Operating Reserve Account shall aggregate the Operating Reserve Requirement; thereafter, all such earnings shall be credited to the Revenue Fund. All earnings on investments held in the Depreciation and Replacement Account shall accrue to and become a part of the Depreciation and Replacement Account until the amount on deposit in the Depreciation and Replacement Account shall aggregate the Depreciation and Replacement Requirement; thereafter, all such earnings shall be credited to the Revenue Fund.

In determining the amount held in any Fund or Account under any of the provisions of the Ordinance, Permitted Investments shall be valued at the lower of the cost or the market value thereof. Such valuation shall be made as of January 1 of each year. If and when the amount held in any Fund or Account shall be in excess of the amount required by the provisions of the Ordinance, the Contracting Member shall direct that such excess be paid and credited to the Revenue Fund.

***General Covenants and Provisions.*** The Contracting Member covenants and agrees that so long as the Agreement remains in effect, it will comply with each of the following covenants:

**Efficient and Economical Operation.** The Contracting Member 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 Contracting Member will establish and maintain such rules and regulations for the use of the System as may be necessary to assure maximum utilization and most efficient operation of the System.

**Rate Covenant.** The Contracting Member, 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) enable the Contracting Member to have in each Fiscal Year, a Coverage Ratio of not less than 1.25 with respect to the Base Charges; (c) enable the Contracting Member to have in each Fiscal Year a Coverage Ratio of net less than 1.10 on any Additional Indebtedness and (d) provide reasonable and adequate reserves for the payment of Additional Indebtedness and for the protection and benefit of the System as provided in the Ordinance. The Contracting Member 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 Contracting Member 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, Net Revenues and Net Operating Revenues will be sufficient to cover the obligations under this Section and otherwise under the provisions of the Ordinance. If in any Fiscal Year, Revenues, Net Revenues or Net Operating Revenues are an amount less than as hereinbefore provided, the Contracting Member will immediately employ a Consultant to make recommendations with respect to such rates and charges. A copy of the Consultant's report and recommendations shall be filed with the Clerk, the Bond Insurer and the Authority. The Contracting Member shall, to the extent feasible, follow the recommendations of the Consultant.

**Reasonable Charges for all Services.** None of the facilities or services provided by the System will be furnished to any user (excepting the Contracting Member itself) without a reasonable charge being made therefor. If the Revenues derived from the System are at any time insufficient to pay the reasonable Expenses of the System and also to pay the Debt Service Requirements of any Additional Indebtedness as and when the same become due, then the Contracting Member will thereafter pay into the Revenue Fund a fair and reasonable payment in accordance with effective applicable rates and charges for all services or other facilities furnished to the Contracting Member or any of its departments 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 Expenses or the Debt Service Requirements of any Additional Indebtedness.

**Restrictions on Mortgage or Sale of System.** The Contracting Member 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 Contracting Member may:

(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 Contracting Member will apply the proceeds to either (1) redemption of Additional Indebtedness then Outstanding and any remaining Agreement Obligations in accordance with the provisions governing repayment thereof 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 System 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 Contracting Member;

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

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

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

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

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

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

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

(6) The Contracting Member receives the written consent of the Bond Insurer, provided that any Bonds insured by the Bond Insurer are Outstanding and the Bond Insurance Policy remains in effect.

**Insurance.** The Contracting Member 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, business interruption or use and occupancy insurance, worker's compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other enterprises engaged in similar activities of comparable size and similarly situated; provided the amount of such liability insurance shall be 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 State's tort claims act or other similar future law (currently \$500,000 per occurrence). In the event of loss or damage, the Contracting Member, 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 Contracting Member will pay and deposit the proceeds of such insurance into the Revenue Fund. The Contracting Member 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.

**Books, Records and Accounts.** The Contracting Member will install and maintain proper books, records and accounts (entirely separate from all other records and accounts of the Contracting Member) 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 Contracting Member according to generally accepted accounting principles as applicable to the operation of municipal utilities. The Contracting Member shall make comparative quarterly reports to the Office of the Contracting Member Administrator relative to Revenues, Expenses, Net Revenues and Net Operating Revenues.

**Annual Budget.** Prior to the commencement of each Fiscal Year, the Contracting Member will cause to be prepared and filed with the Clerk a budget setting forth the estimated receipts and expenditures of the System for the next succeeding Fiscal Year. The Clerk, promptly upon the filing of said budget in the Clerk's office, will mail a copy of said budget to the Authority and the Bond Insurer. Said annual budget shall be prepared in accordance with the requirements of the laws of the State and shall contain all information that is required by such laws, including:

(a) An estimate of the Revenues from the System during the next ensuing Fiscal Year.

- (b) A statement of the estimated Expenses of the System during the next ensuing Fiscal Year.
- (c) A statement of any anticipated unusual Expenses for the System during the next Fiscal Year.
- (d) A statement of any necessary repairs or replacements to the System which may be anticipated during the next Fiscal Year.
- (e) A statement of the amount to be paid on System Indebtedness to be paid from Revenues, Net Revenues or Net Operating Revenues of the System during the next Fiscal Year.
- (f) A statement of the estimated Net Revenues and Net Operating Revenues during the next Fiscal Year.

**Annual Audit.** Annually, promptly after the end of the Fiscal Year, the Contracting Member will cause an audit to be made of the System for the preceding Fiscal Year by an Independent Accountant to be employed for that purpose and paid from the Revenues of the System. Said annual audit shall cover in reasonable detail the operation of the System during such Fiscal Year. The report of said annual audit shall include:

- (a) A classified statement of the Revenues received, the Expenses for operation and maintenance, the Net Revenues, and the Net Operating Revenues and the amount of any capital expenditures made in connection with the System during the previous Fiscal Year;
- (b) A complete balance sheet as of the end of each Fiscal Year with the amount on hand at the end of such Fiscal Year in each of the Funds and Accounts created by and referred to in the Ordinance;
- (c) A statement of all System Indebtedness matured or redeemed and interest paid thereon during said Fiscal Year;
- (d) A statement of the number of customers served by the System at the beginning and the end of such Fiscal Year;
- (e) A statement showing the amount and character of the insurance carried on the property constituting the System and showing the names of the insurers, the expiration dates of the policies and the premiums thereon; and
- (f) Such remarks and recommendations regarding the practices and procedures of operating the System and its accounting practices as said Independent Accountant may deem appropriate.

Within 30 days after the completion of each such annual audit, a copy of the report of thereof shall be filed in the office of the Clerk, and a duplicate copy shall be mailed to the Authority and to the Bond Insurer. Such audit reports shall at all times during the usual business hours be open to the examination and inspection by any user of the services of the System, the Authority, or by the Trustee.

As soon as possible after the completion of the annual audit, the governing body of the Contracting Member shall review the report of such audit, and if the audit report discloses that proper provision has not been made for all of the requirements of the Ordinance and the Act, the Contracting Member will promptly cure such deficiency and will promptly proceed to modify the rates and charges to be charged for the use and services furnished by the System or take such other action as may be necessary to adequately provide for such requirements.

**Right of Inspection.** The Authority, the Bond Insurer, and the Trustee 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 Authority or the Trustee may reasonably request.

**Administrative Personnel.** The Contracting Member shall use its best efforts to employ at all times administrative personnel experienced and well qualified to operate the System. The Contracting Member further agrees that such administrative personnel shall be employed in sufficient numbers to ensure that the System will be operated in a prudent and efficient manner.

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

**Report on System Condition.** The Contracting Member shall annually cause a qualified employee of the Contracting Member to make an examination of and report on the condition and operations of the System. At least every five years such examination and report shall be made by the Consulting Engineer. Each such report shall make recommendations as to any changes in operations of the System deemed desirable and shall also make reference to any unusual or extraordinary items of maintenance and repair and any extensions, enlargements or improvements that may be needed in the period prior to the preparation of the next report required by this Section. A copy of each such report shall be filed in the office of the Clerk, shall be sent to the Authority, the Bond Insurer and the Trustee.

#### ***ADDITIONAL INDEBTEDNESS***

**Senior Obligations.** The Contracting Member covenants and agrees that so long as the Agreement remains effective, the Contracting Member will not issue or incur any Additional Indebtedness payable out of the Revenues of the System or any part thereof which are superior to the Contracting Member's Agreement Obligations.

**Additional Indebtedness.** The Contracting Member covenants and agrees that so long as the Agreement remains effective, it will not incur any Additional Indebtedness unless the following conditions are met:

(a) The Contracting Member shall not be in default in the payment of any of the Contracting Member's Agreement Obligations 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 the Ordinance or any Additional Indebtedness Resolution (unless such Additional Indebtedness is being incurred to cure such default) nor shall any other Event of Default have occurred and be continuing;

(b) The Contracting Member shall deliver the following:

(1) *Long-Term Indebtedness.* A certificate signed by the Contracting Member evidencing *either* of the following:

(A) The Coverage Ratio for the Fiscal Year immediately preceding the issuance of such Additional Indebtedness, as reflected by information provided by the Independent Accountant, shall be not less than 1.10, including the Additional Indebtedness proposed to be secured. In the event that the Contracting Member has instituted any increase in rates for the use and services of the System and such increase shall not have been in effect during the full Fiscal Year immediately preceding the issuance of such proposed Additional Indebtedness, the additional Net Revenues 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 may be added to the stated Net Revenues for the calculation of the Coverage Ratio, provided that such estimated additional Net Revenues shall be determined by a Consultant.

(B) The estimated Coverage Ratio (as determined by a Consultant), for the Fiscal Year immediately following the Fiscal Year in which the Additional Indebtedness is to be incurred, shall be not less than 1.10 including the Additional Indebtedness proposed to be incurred. In the event that the Contracting Member anticipates additional Revenues as a result of expansion or modification of the System by such Additional Indebtedness, the Contracting Member may adjust the estimated Net Revenues in determining the Coverage Ratio, by adding thereto any estimated increase in Net Revenues that will result, or would have resulted, in the opinion of the Consultant, are reasonable.

(2) *Short-Term Indebtedness.* A certificate signed by the Contracting Member evidencing any *one* of the following:

(A) The principal amount of all Outstanding Short-Term Indebtedness does not exceed 15% of the Revenues for the most recently ended Fiscal Year for which financial information is available from the Independent Accountant;

(B) The Short-Term Indebtedness could be incurred under subsection (b)(1) above assuming it was Long-Term Indebtedness.

(C) There is delivered to the Contracting Member a certificate of a Consultant to the effect that it is such Consultant's opinion that it is reasonable to assume that the Contracting Member will be able to refinance such Short-Term Indebtedness prior to its Stated Maturity in compliance with the provisions of this Section and the conditions described in subsection (b)(1) are met with respect to such Short-Term Indebtedness when it is assumed that such Short-Term Indebtedness is Long-Term Indebtedness maturing over 20 years (or such shorter period as such Consultant indicates is reasonable to assume in such statement) from the date of issuance of the Short-Term Indebtedness and bears interest on the unpaid principal balance at the Index Rate and is payable on a level annual debt service basis over a 20-year period (or such shorter period as such Consultant indicates is reasonable to assume in such statement).

(3) *Interim Indebtedness.* A certificate signed by the Contracting Member evidencing *either* of the following:

(A) The Interim Indebtedness could be incurred under subsection (b)(1) of the Indenture assuming it was Long-Term Indebtedness.

(B) There is delivered to the Contracting Member a certificate of a Consultant to the effect that it is such Consultant's opinion that it is reasonable to assume that the Contracting Member will be able to refinance such Interim Indebtedness prior to its Stated Maturity in compliance with the provisions of this Section and the conditions described in subsection (b)(1) above are met with respect to such Interim Indebtedness when it is assumed that such Interim Indebtedness is Long-Term Indebtedness maturing over 20 years (or such shorter period as such Consultant indicates is reasonable to assume in such statement) from the date of issuance of the Interim Indebtedness and bears interest on the unpaid principal balance at the Index Rate and is payable on a level annual debt service basis over a 20-year period (or such shorter period as such Consultant indicates is reasonable to assume in such statement).

(c) When the issuance of Additional Indebtedness is permitted by the Statutes of the State.

(d) The Additional Indebtedness Resolution shall contain or provide for substantially the same terms, conditions, covenants and procedures as established in the Ordinance.

Notwithstanding the foregoing restrictions, Additional Indebtedness may be issued under this Section if it is necessary: (1) in the opinion of the Consulting Engineer to do so to repair the System if damaged or destroyed by disaster to such extent necessary to keep it in good operating condition; or (2) in the opinion of the Contracting Member's legal counsel to remedy any deficiency of the System relating to environmental pollution matters or to comply with the requirements of any governmental agency having jurisdiction over the Contracting Member with respect thereto.

The Contracting Member shall make provision for paying the Additional Indebtedness out of the Revenue Fund and may likewise provide for the creation of reasonable reserve accounts for the payment of such Additional Indebtedness out of moneys in the Revenue Fund.

**Additional Agreement Obligations.** Nothing in the Ordinance shall prohibit or restrict the right of the Contracting Member to permit the amendment of the Agreement to provide for increases in the Base Charge or other Agreement Obligations, including those increases resulting from the issuance of Bonds by the Authority for any lawful purpose in connection with the operation of and benefiting the System and to provide that such additional Agreement Obligations shall be payable out of the Revenues of the System.

Prior to incurring any additional Agreement Obligations, the Contracting Member shall deliver a certificate signed by the Contracting Member evidencing *either* of the following:

(a) The Coverage Ratio for the Fiscal Year immediately preceding the incurrence of such additional Agreement Obligations, as reflected by information provided by the Independent Accountant, shall be not less than 1.25, including the additional Agreement Obligations proposed to be secured. In the event that the Contracting Member has instituted any increase in rates for the use and services of the System and such increase shall not have been in effect during the full Fiscal Year immediately preceding the issuance of such proposed additional Agreement Obligations, the additional Net Operating Revenues 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 may be added to the stated Net Operating Revenues for the calculation of the Coverage Ratio, provided that such estimated additional Net Operating Revenues shall be determined by a Consultant.

(b) The estimated Coverage Ratio (as determined by a Consultant), for the Fiscal Year immediately following the Fiscal Year in which the additional Agreement Obligations is to be incurred, shall be not less than 1.25 including the additional Agreement Obligations proposed to be incurred. In the event that the Contracting Member anticipates additional Revenues as a result of expansion or modification of the System by such additional Agreement Obligations, the Contracting Member may adjust the estimated Net Revenues in determining the Coverage Ratio, by adding thereto any estimated increase in Net Revenues that will result, or would have resulted, in the opinion of the Consultant, are reasonable.

Notwithstanding the foregoing restrictions, Additional Agreement Obligations may be incurred in connection with any refunding of Bonds; provided, however, that if only a portion of any Series of Bonds is refunded and if said refunding results in an increase in the average annual Agreement Obligations of the Contracting Member, then said Additional Agreement Obligations may be incurred without complying with the above provisions only by and with the written consent of the Owners of a majority in principal amount and the Bond Insurer of any Series of Bonds that are not refunded.

Additional Agreement Obligations incurred under the conditions set forth in this Section shall stand on a parity with existing Agreement Obligations and shall enjoy complete equality or lien on and claim against the Revenues of the System, and the Contracting Member shall make equal provision for paying such additional Agreement Obligations out of the Revenue Fund and may likewise provide for the creation of reasonable reserve accounts for the payment of such additional Agreement Obligations out of moneys in the Revenue Fund.

### ***Default and Remedies***

**Remedies.** The provisions of the Ordinance, including the covenants and agreements herein contained, shall constitute a contract between the Contracting Member and the Authority. If an Event of Default occurs and shall be continuing, the Authority, or the Trustee, on behalf of the Authority, shall have the right:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the Contracting Member and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Ordinance or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Contracting Member, 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 Authority.

The Contracting Member hereby directs the Authority or Trustee to notify the Bond Insurer of any Event of Default of which either has actual notice.

**Remedies Cumulative.** No remedy conferred herein 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 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 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 Authority by the Ordinance may be enforced and exercised from time to time and as often as may be deemed expedient. If action or proceedings taken by the Authority on account of any default or to enforce any right or exercise any remedy has been discontinued or abandoned for any reason, or shall have been determined adversely to the Authority, then, and in every such case, the Contracting Member and the Authority shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Authority shall continue as if no such suit, action or other proceedings had been brought or taken.

**No Obligation to Levy Taxes.** Nothing contained in the Ordinance shall be construed as imposing on the Contracting Member any duty or obligation to levy any taxes to meet any obligation incurred herein.



**Defeasance** When the Base Charge has been paid and discharged, then the requirements contained in the Ordinance and the pledge of the Revenues hereunder and all other rights granted hereby shall terminate with respect to the Agreement shall be deemed to have been paid and discharged within the meaning of the Ordinance if there has been deposited with the Trustee, or other commercial bank or trust company located in the State and having full trust powers, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of all Base Charge amounts due or to become due under the Agreement. Any money and Defeasance Obligations that at any time shall be deposited with the Paying Agent or other commercial bank or trust company by or on behalf of the Contracting Member, for the purpose of paying and discharging all Base Charge amounts due or to become due under the Agreement, shall be and are hereby assigned, transferred and set over to the Trustee or other bank or trust company in trust for the Authority, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All money and Defeasance Obligations deposited with the Trustee or such bank or trust company shall be deemed to be deposited in accordance with and subject to all of the provisions of the Ordinance. The Contracting Member shall notify the Bond Insurer of any defeasance under this section.

### ***Tax Covenants***

(a) The Contracting Member covenants and agrees that (1) it will comply with all applicable provisions of the Code, including Code §§ 103 and 141 through 150, necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Series 2021 Bonds and (2) it will not use or permit the use of any proceeds of the Series 2021 Bonds or any other funds of the Contracting Member, will not take or permit any other action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Series 2021 Bonds. The Contracting Member will, in addition, adopt such other ordinances or resolutions and take such other actions as may be necessary to comply with the Code and with all other applicable future laws, regulations, published rulings and judicial decisions, in order to ensure that the interest on the Series 2021 Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the Contracting Member.

(b) The Contracting Member covenants and agrees that (1) it will use any proceeds of the Series 2021 Bonds as soon as practicable and with all reasonable dispatch for the purposes for which such proceeds are intended, and (2) it will not invest or directly or indirectly use or permit the use of any proceeds of the Series 2021 Bonds or any other funds of the Contracting Member in any manner, or take or omit to take any action, that would cause the Series 2021 Bonds to be “arbitrage bonds” within the meaning of Code § 148(a).

(c) The Contracting Member covenants and agrees that it will not use any portion of the proceeds of the Series 2021 Bonds, including any investment income earned on such proceeds, directly or indirectly, in a manner that would cause any Initial Bond to be a “private activity bond” within the meaning of Code § 141(a), or to make or finance a loan to any Person other than the State or a political subdivision thereof.

### ***PROVISIONS RELATING TO THE BOND INSURANCE POLICY***

Consent of Bond Insurer. Any provision of the Ordinance expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer under the Ordinance without the prior written consent of the Bond Insurer.

The Bond Insurer's consent shall be required in addition to Authority consent, when required, for the execution and delivery of any supplemental Ordinance, or any amendment, supplement or change to or modification of other documents relating to the security for the Agreement Obligations.

### **Notices.**

- (a) While the Bond Insurance Policy is in effect, the Contracting Member shall furnish to the Bond Insurer:
- (1) As soon as practicable after the filing thereof, a copy of any financial statement of the Contracting Member and a copy of any audit and annual report of the Contracting Member;
  - (2) A copy of any notice to be given to the Authority, including, without limitation, notice of defeasance of the Agreement Obligations; and
  - (3) Such additional information it may reasonably request.
- (b) The Contracting Member shall notify the Bond Insurer of any failure of the Contracting Member to provide relevant notices, certificates, etc.

(c) Notwithstanding any other provision of the Ordinance, the Contracting Member shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of Agreement Obligations and immediately upon the occurrence of any Event of Default hereunder.

(d) All notices required to be given to the Bond Insurer under the Ordinance shall be in writing and shall be sent by registered or certified mail addressed to the applicable notice address.

### ***Miscellaneous Provisions***

**Amendments.** The rights and duties of the Contracting Member and the terms and provisions of the Ordinance, may be amended or modified at any time in any respect by ordinance of the Contracting Member with the written consent of the Authority, the Bond Insurer, and the Trustee, such consent to be evidenced by an instrument or instruments executed by the Bond Insurer on the Authority and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall:

(a) alter the requirements for the written consent to any modification or alteration of the provisions of the Ordinance; or

(b) permit the creation of a lien on the Revenues of the System prior to the lien of the Agreement Obligations.

Without notice to or the consent of any other entity, the Contracting Member may amend or supplement the Ordinance for the purpose of curing any formal defect, omission, inconsistency or ambiguity herein, to grant to or confer any additional rights, remedies, powers or authority that may lawfully be granted to or conferred, to conform the Ordinance to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Authority.

Every amendment or modification of the provisions of the Ordinance, to which the written consent of the Bond Insurer, the Authority and Trustee is given, as above provided, shall be expressed in an Ordinance adopted by the governing body of the Contracting Member amending or supplementing the provisions of the Ordinance and shall be deemed to be a part of the Ordinance. A certified copy of every such amendatory or supplemental ordinance, if any, and a certified copy of the Ordinance shall always be kept on file in the office of the Clerk, shall be delivered to the Bond Insurer and shall be made available for inspection by the Authority and Trustee or a prospective purchaser or owner of any Bond.

Any and all modifications made in the manner hereinabove provided shall not become effective until there has been filed with the Clerk a copy of the resolution of the Contracting Member hereinabove provided for, duly certified, as well as proof of any required consent to such modification by the Authority, Trustee, the Bond Insurer and the Owners of the Bonds then Outstanding.

**Inconsistent Provisions.** In case any one or more of the provisions of the Ordinance shall for any reason be inconsistent with the provisions of any ordinance or resolution authorizing any Additional Indebtedness, the provisions of the Ordinance shall prevail so long as any Agreement Obligations are Outstanding.

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

**Governing Law.** The Ordinance shall be governed exclusively by and construed in accordance with the applicable laws of the State.

***Glossary of Definitions.*** In addition to terms defined elsewhere in this Summary of Principal Financing Documents, as used in the Ordinances, the following terms shall have the following meanings:

“*Act*” means the Constitution and statutes of the State including K.S.A. 12-101 *et seq.*; K.S.A. 12-825j; K.S.A. 12-2901 *et seq.*; and with respect to refunding Bonds, K.S.A. 10-116a, all as amended and supplemented from time to time.

“*Additional Bonds*” means any bonds secured by the Revenues hereafter issued by the Contracting Member pursuant to the Ordinance.

“*Additional Indebtedness*” means, collectively, Additional Bonds and Additional Obligations.

“*Additional Indebtedness Resolution*” means the Ordinance and the ordinances or resolutions under which any Additional Indebtedness is authorized.

“*Additional Obligations*” means any leases or other obligations of the Contracting Member payable from the Revenues, other than Additional Bonds or Operating Expenses.

“*Agreement Obligations*” means the required payment obligations from the Contracting Member to the Authority under the Agreement.

“*Balloon Indebtedness*” means Long-Term Indebtedness, 25% or more of the original amount of which becomes due during any consecutive twelve-month period, if such amount becoming due is not required to be amortized below such percentage by mandatory prepayment prior to such twelve-month period.

“*Base Charge*” means, jointly, the Water Base Charge and Wastewater Base Charge set forth in the Agreement.

“*Business Day*” means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Trustee is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

“*Clerk*” means the duly appointed and/or elected Clerk or, in the Clerk's absence, the duly appointed Deputy Clerk or Acting Clerk of a Contracting Member.

“*Consultant*” means the Consulting Engineer, the Independent Accountant or an independent consultant qualified and having a favorable reputation for skill and experience in financial affairs selected by the Contracting Member for the purpose of carrying out the duties imposed on the Consultant by the Ordinance.

“*Coverage Ratio*” means, for any Fiscal Year: (a) with respect to the covenants contained in **Sections 702(b)** (rate covenant) and **803** (additional base charges) of the Ordinance, the ratio determined by dividing (i) a numerator equal to the Net Operating Revenues for such Fiscal Year by (ii) a denominator equal to the Base Charge for such Fiscal Year; and (b) with respect to the covenants contained in **Sections 702(c)** (rate covenant) and **802(b)** (additional indebtedness) of the Ordinance, the ratio determined by dividing (i) a numerator equal to the Net Revenues for such Fiscal Year by (ii) a denominator equal to the Maximum Annual Debt Service on all Additional Indebtedness.

“*Debt Service Requirements*” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on Additional Indebtedness 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 the Paying Agent or other commercial bank or trust company located in the State and having full trust powers.

“*Depreciation and Replacement Account*” means the Water and Wastewater Utility System Depreciation and Replacement Account created by the Ordinance.

“*Depreciation and Replacement Requirement*” means an amount equal to \$10,000.

“*Discount Indebtedness*” means Long-Term Indebtedness that originally sold at a price (excluding accrued interest, but without deduction of any underwriters' discount) of less than 75% of the amount to be repaid including the amount of principal and interest to accrete at maturity of such Long-Term Indebtedness.

“*Event of Default*” means each of the following occurrences or events:

- (a) Payment of the Agreement Obligations shall not be made when the same shall become due and payable; or
- (b) The Contracting Member shall for any reason be rendered incapable of fulfilling its obligations hereunder; or
- (c) Any substantial part of the System shall be destroyed or damaged to the extent of impairing its efficient operation or adversely affecting its Revenues and the Contracting Member shall not within a reasonable time commence the repair, replacement or reconstruction thereof and proceed thereafter to complete with reasonable dispatch the repair, replacement or reconstruction thereof; or

(d) Final judgment for the payment of money shall be rendered against the Contracting Member as a result of the ownership, control or operation of the System and any such judgment shall not be discharged within one hundred twenty (120) days from the entry thereof or an appeal shall not be taken therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, in such manner as to stay the execution of or levy under such judgment, order, decree or process or the enforcement thereof; or

(e) An order or decree shall be entered, with the consent or acquiescence of the Contracting Member, appointing a receiver or receivers of the System or any part thereof or of the revenues thereof, or if such order or decree, having been entered without the consent or acquiescence of the Contracting Member, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(f) Any proceeding shall be instituted, with the consent or acquiescence of the Contracting Member, for the purpose of effecting a composition between the Contracting Member and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now or hereafter enacted, if the claims of such creditors are under any circumstances payable from the Net Revenues of the System; or

(g) The Contracting Member shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Agreement or in the Ordinance (other than the covenants relating to continuing disclosure contained in the Ordinance) on the part of the Contracting Member to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Contracting Member by the Authority or the Trustee; or

(h) A monetary default shall have occurred on any Additional Indebtedness.

*“Expenses”* means Operating Expenses and all Base Charges.

*“Funds and Accounts”* means funds and accounts created pursuant to or referred to in the Ordinance.

*“Independent Accountant”* means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Contracting Member for the purpose of carrying out the duties imposed on the Independent Accountant by the Ordinance.

*“Index Rate”* means the rate of interest set forth in *The Bond Buyer* Revenue Bond Index (or, in the event that *The Bond Buyer* does not compile such index or ceases publication, another comparable publication recognized in the municipal bond market) published for the week immediately preceding the date of determination.

*“Insurance Consultant”* means an individual or firm selected by the Contracting Member qualified to survey risks and to recommend insurance coverage for entities engaged in operations similar to those of the System and having a favorable reputation for skill and experience in making such surveys and recommendations.

*“Interim Indebtedness”* means Additional Indebtedness having a term not less than one year, and not in excess of five years, incurred or assumed in anticipation of being refinanced or refunded with Long-Term Indebtedness.

*“Issue Date”* means the date when the Contracting Member delivers any Additional Indebtedness to a purchaser thereof in exchange for the purchase price thereof.

*“Long-Term Indebtedness”* means Additional Indebtedness having an original stated maturity or term greater than one year, or renewable or extendible at the option of the debtor for a period greater than one year from the date of original issuance or incurrence thereof.

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

*“Mayor”* means the duly elected and acting Mayor, or in the Mayor's absence, the duly appointed and/or elected Vice Mayor or Acting Mayor of a Contracting Member.

*“Maximum Annual Debt Service”* means the maximum amount of Debt Service Requirements as computed for the then current or any future Fiscal Year; provided that the Debt Service Requirements in the final Stated Maturity of any Additional Indebtedness shall be reduced by the value of cash and Permitted Investments on deposit in any reserve account therefore.

“*Net Operating Revenues*” means, for the period of determination, all Revenues, less all Operating Expenses.

“*Net Revenues*” means, for the period of determination, all Revenues, less all Expenses.

“*Operating 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 Additional Indebtedness 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, all amounts and charges due and payable under the Agreement (other than Base Charges), 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, for System operation, 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 Indebtedness 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 Contracting Member not related to the operation of the System and transfers into the Operating Reserve Account and Depreciation and Replacement Account provided for in the Ordinance.

“*Operating Reserve Account*” means Water and Wastewater Utility System Operating Reserve Account created by the Ordinance.

“*Operating Reserve Requirement*” means, during any Fiscal Year, an amount equal to the average monthly Agreement Obligations budgeted for such Fiscal Year, multiplied by two.

“*Operation and Maintenance Account*” means the Water and Wastewater Utility System Operation and Maintenance Account created by the Ordinance.

“*Ordinance*” means, jointly, the Ordinances of the Contracting Members, which approved and authorized the Agreement and amendments thereto, and made certain covenants with respect thereto.

“*Permitted Investments*” shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative(a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Contracting Member's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the county or counties in which the Contracting Member is located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; or (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f); all as may be further restricted or modified by amendments to applicable State law.

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

“*Put Indebtedness*” means Long-Term Indebtedness which are (a) payable or required to be purchased or redeemed from the holder by or on behalf of the underlying obligor, at the option of the holder thereof, prior to its stated maturity date, or (b) payable or required to be purchased or redeemed from the holder by or on behalf of the underlying obligor, other than at the option of the holder, prior to its stated maturity date, other than pursuant to any mandatory sinking fund or other similar fund, or other than by reason of acceleration upon the occurrence of an Event of Default under the Ordinance.

“*Rating Agency*” means Moody's, Standard & Poor's, Fitch and any other company, agency or entity that provides ratings for any Bonds.

“*Revenue Fund*” means the Water and Wastewater Utility System Revenue Fund created by the Ordinance.

“*Revenues*” means all income and revenues derived and collected by the Contracting Member from the operation and ownership of the System, including investment and rental income, net proceeds from business interruption insurance, transfers from the Surplus Account to the Revenue Fund of Net Operating Revenues derived in a prior Fiscal Year and any amounts deposited in escrow in connection with the acquisition, construction, remodeling, renovation and equipping of facilities to be applied during the period of determination to pay interest on System Indebtedness, 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.

“*Short-Term Indebtedness*” means Additional Indebtedness having an original maturity or term less than or equal to one year from the date of original incurrence thereof, and not renewable or extendible at the option of the obligor thereon for a term greater than one year beyond the date of original issuance.

“*Stated Maturity*” when used with respect to any System Obligation or any installment payment (of interest or otherwise) thereon means the date specified in such System Obligation as the fixed date on which any payment obligation (of principal, interest or otherwise) is due and payable.

“*Surplus Account*” means the Water and Wastewater Utility System Surplus Account created by the Ordinance.

“*System*” means the entire combined waterworks plant and system and sewerage plant and system owned and operated by the Contracting Member for the production, storage, treatment and distribution of water, and for the collection, treatment and disposal of sewage, to serve the needs of the Contracting Member 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 Contracting Member.

“*System Indebtedness*” means collectively the Agreement Obligations, the Additional Bonds and any Additional Obligations which are payable out of, or secured by an interest in, the income and Revenues derived from the operation of the System.

“*Treasurer*” means the duly appointed and/or elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Contracting Member.

“*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 payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Contracting Member.

“*Variable Rate Indebtedness*” means any Additional Indebtedness which provide for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Additional Indebtedness.

**APPENDIX D**

**FORM OF DISCLOSURE UNDERTAKING**

**APPENDIX E**  
**SPECIMEN BOND INSURANCE POLICY**