CICO-C (FmHA)

STATE OF IOWA, MADISON COUNTY, ss.

Inst. No. 909 Filed for Record this 27 day of Nov. 19 79 at 9:45 a.m.
Book 32 Page 633 Recording Fee 7.00 Mary E. Welty, Recorder, By M Welty Deputy

TRANSCRIPT CERTIFICATE

I, Mark J. Nitchals, being first duly sworn, do hereby depose and certify that I am the duly appointed qualified and acting Secretary of the Board of Trustees of the Municipal Water Utility of the City of Winterset, Iowa and that as such Secretary I have in my possession and have access to the complete corporate records of said Board of Trustees and of its officials, and that I have carefully compared the transcript hereto attached with the aforesaid corporate records and that said transcript hereto attached is a true and complete copy of all the corporate records in relation to the authorization, issuance and disposition of a $ 625,000 Water Revenue Bond of said Municipality dated the date of delivery and that said transcript hereto attached contains a true and complete statement of all the measures adopted and proceedings, acts and things had, done and performed up to the present time, in relation to the authorization, issuance and disposition of said bond, and that said Board of Trustees consists of three Trustees, and that said offices were duly and lawfully filled by the individuals listed in the attached transcript as of the dates and times referred to therein.

I further certify that all meetings of the Board of Trustees at which action was taken in connection with said bonds were open to the public at all times in accordance with a notice of meeting and tentative agenda, a copy of which was timely served on each member of the Board and was duly given at least twenty-four hours prior to the commencement of the meeting by notification of the communications media having requested such notice and posted on a bulletin board or other prominent place designated for the purpose and easily accessible to the public at the principal office of the Board all pursuant to the provisions and in accordance with the conditions of the local rules of the Council and Chapter 28A, Code of Iowa.

WITNESS my hand and the seal of said Board hereto attached, this 27th day of November, 19 79, at Winterset, Iowa.

(SEAL)

Mark J Nitchals
Secretary of the Board of Trustees of the Municipal Water Utility, of the City of Winterset, Iowa

STATE OF IOWA)
) SS
COUNTY OF MADISON)

Subscribed and sworn to before me by Mark J. Nitchals, on this 27th day of November, 19 79.

VELMA L. HENDRICKS

Velma L. Hendricks
Notary Public in and for Madison County, Iowa

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Recorder's Copy

Member Roach introduced the following Resolution entitled "A RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF A $625,000 WATER REVENUE BOND OF THE CITY OF WINTERSET, IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF SAID BOND" and moved its adoption. Member Trask seconded the motion to adopt. The roll was called and the vote was:

AYES: Reed, Roach, Trask

NAYS: none

Whereupon, the Chairman declared the following Resolution duly adopted:

A RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF A $625,000 WATER REVENUE BOND OF THE CITY OF WINTERSET, IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF SAID BOND

WHEREAS, the Board of Trustees of the Municipal Water Utility of the City of Winterset, Iowa, sometimes hereinafter referred to as the "Issuer", has heretofore established charges, rates and rentals for services which are and will continue to be collected as system revenues of the Municipal Water Utility, sometimes hereinafter referred to as the "System", and said revenues have not been pledged and are available for the payment of Revenue Bonds, subject to the following premises; and

WHEREAS, Issuer proposes to issue its Revenue Bond or Bonds to the extent of $625,000, for the purpose of defraying the costs of the project as set forth in this Resolution; and

WHEREAS, it is found and determined that the aforesaid refunding of present indebtedness is necessary and in the interest of the Issuer and will benefit the Owners and occupants of properties served by the Municipal Water Utility by the adjustment of its present and anticipated obligations payable from Water revenues and by obtaining and thereby to effect the defeasance of the Water Revenue Bonds presently outstanding and to be refunded so as to avoid the necessity of performing under the provisions of Resolution dated August 20, 1968, authorizing the issuance of the outstanding bonds and substitution therefor of provisions deemed more advantageous and appropriate; and

WHEREAS, proceedings have been previously adopted by the governing body whereby during the course of construction of such project Revenue Pledge Orders, bearing interest at not more than 8% per annum may from time to time issued to the respective persons furnishing materials and services constituting the project under the terms of contracts therefor, on estimates approved by the Consulting Engineer for work performed and materials furnished or to persons providing services in connection with the project and said Revenue Pledge Orders, together with accrued interest computed to the date of the Bond hereinafter authorized, should now be refunded in an amount certified by the treasurer at the time of the delivery of the bond herein authorized; and

WHEREAS, the notice of intention of Issuer to take action for the issuance of a $625,000 Water Revenue Bond has heretofore been duly published and no objections to such proposed action have been filed:

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF TRUSTEES OF THE MUNICIPAL WATER UTILITY OF THE CITY OF WINTERSET, IN THE COUNTY OF MADISON, STATE OF IOWA:

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Section 1. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by necessary implication requires otherwise:

(a) "Issuer" and "City" shall mean the City of Winterset, Iowa;

(b) "Governing Body" shall mean the Board of Trustees of the Municipal Water Utility of the City, or its successor in function with respect to the operation and control of the System;

(c) "Clerk" shall mean the Secretary of the Board of Trustees or such other officer of the successor governing body as shall be charged with substantially the same duties and responsibilities;

(d) "Treasurer" shall mean the City Treasurer or such other officer as shall succeed to the same duties and responsibilities with respect to the recording and payment of the Bonds issued hereunder;

(e) "System" shall mean the Municipal Water Utility of the Issuer and all properties of every nature hereinafter owned by the Issuer comprising part of or used as a part of the System, including all improvements and extensions made by Issuer while any of the Bonds or Parity Bonds remain outstanding; all real and personal property; and all appurtenances, contracts, leases, franchises and other intangibles;

(f) "Net Revenues" shall mean gross earnings of the System after deduction of current expenses; "Current Expenses" shall mean and include the reasonable and necessary cost of operating, maintaining, repairing and insuring the System, including water purchased at wholesale, if any, salaries, wages, costs of materials and supplies and insurance, but excluding depreciation

and principal of and interest on the Bonds and any parity bonds or payments to the various funds established herein;

(g) "Fiscal Year" shall mean the twelve months' period beginning on July 1 of each year and ending on the last day of June of the following year, or any other consecutive twelve month period adopted by the governing body or by law as the official accounting period of the System;

(h) "Original Purchaser" shall mean the purchaser of the Bond from Issuer at the time of its original issuance;

(i) "Bond or Bonds" shall mean a single, fully registered $ Revenue Bond, authorized to be issued by this Resolution;

(j) "Parity Bonds" shall mean Revenue Bonds payable solely from the net revenues of the System on an equal basis with the Bond herein authorized to be issued;

(k) "Corporate Seal" shall mean the official seal of Issuer adopted by the governing body; and

(l) "Independent Auditor" shall mean an independent firm of Certified Public Accountants or the Auditor of State.

Section 2. Authority. The Bonds authorized by this Resolution shall be issued pursuant to Division V, Chapter 384; of the City Code of Iowa, and in compliance with all applicable provisions of the Constitution and laws of the State of Iowa.

Section 3. Authorization and Purpose. There is hereby authorized to be issued, one negotiable, fully registered Revenue Bond of Winterset, in the County of Madison, State of

Iowa, Series 1979 to be designated as "Water Revenue Bond", to be at the request of the Farmers Home Administration, the original purchaser, in the amount and denomination of $625,000 for the purpose of paying costs of improvements and extensions to the Municipal Water Utility and the refunding of presently outstanding water revenue pledge orders, if any, with accrued interest thereon issued in payment of said project, and refunding all of the outstanding Water Revenue Bonds of the City including $100,000 of said bonds dated August 1, 1968, being the unpaid balance of a total issue of $275,000.

Section 4. Source of Payment. The Bond herein authorized and Parity Bonds and the interest thereon shall be payable solely and only out of the net earnings of the System and shall be a first lien on the future net revenues of the System. The Bonds shall not be general obligations of the Issuer nor shall they be payable in any manner by taxation and the Issuer shall be in no manner liable by reason of the failure of the said net revenues to be sufficient for the payment thereof.

Section 5. Term of Bond. The Bond shall be designated "Series 1979", shall be dated the date of delivery to the original purchaser, shall be in the principal amount and denomination of $625,000; shall be numbered R1, shall bear interest at the rate of five percent (5%) per annum from its date until payment; shall be payable as to both principal and interest by check or draft, mailed to the registered holder at his address appearing on the registration book or if not so paid, at the office of the Treasurer, in any coin or currency which, on the respective dates of payment, is legal tender for the payment of public and private debts, and shall mature in installments in the amounts and in each year as follows:

> Interest only shall be payable annually on July 1, 1980 and July 1, 1981, and thereafter principal of and interest on the bond shall become due in installments of $37,057 on July 1, 1982, and annually thereafter on July 1 until the principal and interest are fully paid, except that the final installments of the entire balance of principal and interest, if not sooner paid, shall become due and payable on July 1, 2019.

Section 6. Execution. The Bond shall be executed by the Chairman and Secretary and sealed with the corporate seal. In case any officer of the Issuer who shall have signed or sealed any Bond shall cease to be such officer before the Bond so signed or sealed shall have actually been delivered or issued, such Bond may be delivered and issued with the same effect as though the person who had signed and sealed such Bond had not ceased to be an officer of the Issuer.

Section 7. Form of Bond. That said Bond shall be in form substantially as follows:

(FORM OF FULLY REGISTERED BOND)

UNITED STATES OF AMERICA

STATE OF IOWA COUNTY OF MADISON

CITY OF WINTERSET

WATER REVENUE BOND, SERIES 1979

No. R1 $625,000

KNOW ALL MEN BY THESE PRESENTS: That the City of Winterset in the County of Madison, State of Iowa, for value received, hereby promises to pay to the registered holder hereof, his legal representatives or registered assigns, upon presentation hereof at the office of the Treasurer of said City, out of the net revenues hereinafter described, the principal amount of $625,000, together with interest on said amount from the date hereof, until paid at the rate of 5% per annum, payable as follows:

Interest only shall be payable annually on July 1, 1980 and July 1, 1981, and thereafter principal of and interest on the bond shall become due in installments of $37,057 on July 1, 1982, and annually thereafter on July 1 until the principal and interest are fully paid, except that the final installments of the entire balance of principal and interest, if not sooner paid, shall become due and payable on July 1, 2019.

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All principal due after July 1, 1992, will be subject to call prior to maturity in whole or from time to time in part, in inverse order on July 1, 1992, and on any interest payment date thereafter at the option of the Issuer, upon terms of par plus accrued interest to date of call.

Every payment made on any indebtedness evidenced by this Bond shall be first applied to accrued interest and then to principal.

Such principal and interest being payable by check or draft mailed to the registered holder at his address appearing on the registration book of the City, or if not so paid by check or draft, at the office of the Treasurer. Payment of principal and interest on this bond are payable at the office of the Treasurer in any coin or currency which, on the date of payment of said principal and interest, is legal tender for the payment of public and private debts.

Final payment shall be payable upon presentation and surrender of this bond at the office of the City Treasurer.

This bond is issued by the City pursuant to and in strict compliance with Chapter 384, City Code of Iowa, and in compliance with all other applicable provisions of the Constitution and laws of the State of Iowa, and in conformity with a Resolution of the Board of Trustees of the Waterworks duly passed and approved, entitled "A RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF A $625,000 WATER REVENUE BOND, SERIES 1979, OF THE CITY OF WINTERSET,IOWA, UNDER THE PROVISIONS OF THE CITY CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF SAID BOND."

For a more complete statement of the basis upon which this revenue bond has been issued and additional revenue bonds ranking on a parity therewith may be issued, a description of the source of payment of all such bonds and a statement of the rights and duties of the City, the rights of the holders of revenue bonds and the modification thereof, reference is made

to said Resolution. This bond is issued for the purpose of extensions to the Municipal Utility of said City and/or providing funds to refund presently outstanding revenue obligations, together with accrued interest computed to date hereof, heretofore issued to defray costs of the project.

Installments of principal and interest may be called for payment prior to maturity in whole, or in part in inverse order, on July 1, 1992, and on any payment date thereafter at the option of the City at the price of par plus accrued interest to the date of payment. All installments are subject to payment prior to maturity in whole, or from time to time in part in inverse order on any date, on terms of par and accrued interest to the date of payment, only from the unused proceeds of the issue of this bond remaining in the Construction Account created by the Bond Resolution after the construction of the project has been finally completed, accepted and paid for and/or from the proceeds of government grants received in respect of the project, as provided in said Resolution. Notice of prepayment of this bond or any installment of principal and interest shall be given by registered mail deposited in the United States mail not less than thirty days prior to prepayment date, postage prepaid, to the registered owner of this bond, at the address of such owner as shown on the Treasurer's registration book.

This bond is transferable, as provided in the aforesaid Resolution only upon the registration books of the City kept for that purpose by the Treasurer, upon presentation of this bond to such Treasurer together with a written instrument of transfer satisfactory to such Treasurer duly executed by the registered holder or his duly authorized attorney, whereupon such transfer shall be similarly endorsed hereon.

Said City and the City Officers may treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment thereof and for all other purposes and shall not be affected by any notice to the contrary whether principal on this bond be overdue or not.

This bond, together with any additional bonds which may be hereafter issued and outstanding from time to time, on a parity, as provided in the Bond Resolution of which notice is hereby given and is hereby made a part hereof, are payable from and secured by a pledge of the net revenues of said Utility, said net revenues being defined by said Resolution as the gross earnings of said Utility after deduction of current expenses as defined in said Resolution. There has heretofore been established by ordinance of the City and the City hereby covenants and agrees that it will maintain just and equitable rates or charges for the use of and service rendered by said Utility in each year for the payment of the proper and reasonable expenses of operation and maintenance of said Utility and for the establishment of a sufficient sinking fund to meet the principal of and interest on this bond, as the same become due. This bond is not payable in any manner by taxation and under no circumstances shall the City be in any manner liable by reason of the failure of said net earnings to be sufficient for the payment hereof.

IN TESTIMONY WHEREOF, said City by its Board of Trustees of the Municipal Water Utility has caused this bond to be signed by its Chairman and attested by its Secretary, with the City seal affixed, all this

_____
Chairman

ATTEST:

_____
Secretary

On the back of each bond there shall be endorsed a certificate of the Treasurer in the following form:

(FORM OF TREASURER'S CERTIFICATE)

This bond has been duly and properly registered in my office as of _____.

_____
City Treasurer of Winterset, Iowa

There shall also be printed on the back of the bond the following form of registration:

Date of Registration	In Whose Name Registered	Signature of City Treasurer
	United States of America Farmers Home Administration	

Section 8. Registration. The Bond will be registered as to principal and interest in the name of the owner, on the books in the office of the Treasurer, such registration to be noted on the reverse side of the Bond by said official and thereafter the principal and interest on such Bond shall be payable only to the registered holder, his legal representatives or assigns. Such registered Bond shall be transferable to another registered holder, only upon presentation to said official with a legal assignment duly acknowledged or proved.

Section 9. Lost, Destroyed or Mutilated Bond. In case any Bond shall become mutilated, lost, stolen, or destroyed, the appropriate officers of the Issuer, in their discretion, may issue a new Bond, of like tenor, amount, maturity and date, and bearing the same or a different number, in exchange and substitution for, and upon the cancellation of the mutilated Bond or in lieu of and substitution for such lost, stolen or destroyed Bond; or if such Bond shall have matured or shall be about to mature, instead of issuing a substituted bond, said officers may pay such Bond without surrender thereof. In any case the applicant shall furnish evidence satisfactory to the officers of the destruction, theft or loss of the Bond, and indemnity satisfactory to said officers; and said officers shall charge for the issue of such new Bond, an amount sufficient to reimburse the Issuer for the expense incurred by it in the issue thereof.

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Section 10. Redemption. All installments due after July 1, 1992, will be subject to call prior to maturity in whole or from time to time in part, in inverse order on July 1, 1992, and on any interest payment date thereafter at the option of the Issuer, upon terms of par plus accrued interest to date of call.

Section 11. Legal Opinion. A copy of the legal opinion of Ahlers, Cooney, Dorweiler, Haynie & Smith, Attorneys, of Des Moines, Iowa, will be provided to the original purchaser at the time of initial delivery.

Section 12. Equality of Lien. The timely payment of principal of and interest on the Bond and Parity Bonds shall be secured equally and ratably by the revenues of the System without priority by reason of number or time of sale or delivery; and the revenues of the System are hereby irrevocably pledged to the timely payment of both principal and interest as the same become due. Every payment made shall be first applied to accrued interest and then to principal.

Section 13. Application of Bond Proceeds. After the execution of the Bond, said Bond shall be delivered to the Treasurer and shall be by him duly and properly registered in his office, and he shall thereupon deliver the same to the purchaser as determined by the governing body. Proceeds of the Bond other than accrued interest except as may be provided below shall be credited to the Construction Account and expended therefrom for the purposes of issuance. Any amounts on hand in the Project Fund shall be available for the payment of the principal of or interest on the Bonds at any time that other funds of the System shall be insufficient to the purpose, in which event such funds shall be repaid to the Construction Account at the earliest opportunity. Any balance on hand in the Construction Account and not immediately required for its purposes may be invested not inconsistent with limitations provided by law or this Resolution. Accrued interest, if any, shall be deposited in the Sinking Fund. Any excess proceeds remaining on hand after completion of the project, shall be paid into the Reserve Fund. Provided however, that initial proceeds of the Bonds to the extent determined by the treasurer to be in conformance with the Loan

Resolution previously adopted and evidenced by his Certificate executed at the time of delivery, shall be credited to and become a part of the Reserve Fund hereinafter established.

Section 14. User Rates. There has heretofore been established and published as required by law, just and equitable rates or charges for the use of the service rendered by the System. So long as the Bond is outstanding and unpaid the rates or charges to consumers of services of the System shall be sufficient in each year for the payment of the proper and reasonable expenses of operation and maintenance of the System and for the payment of principal and interest on the Bonds and Parity Bonds as the same fall due, and to provide for the creation of reserves as hereinafter provided.

In the event the Issuer or any department, agency or instrumentality thereof in any way uses or is served by the System, the rates or charges provided for shall be paid by the Issuer from its Corporate Fund, or by such department, agency or instrumentality thereof. Any revenues so collected by the Issuer shall be used and accounted for in the same manner as any other revenues derived from the operations of the System.

Section 15. Application of Revenues. From and after the delivery of any Bonds, and as long as any of the Bonds or Parity Bonds shall be outstanding and unpaid either as to principal or as to interest, or until all of the Bonds and Parity Bonds then outstanding shall have been discharged and satisfied in the manner provided in this Resolution, the entire income and revenues of the System shall be deposited as collected in a fund to be known as the Revenue Fund, and shall be disbursed only as follows:

(a) Operation and Maintenance Fund. Money in the Revenue Fund shall first be disbursed to make deposits into a separate and special fund to pay current expenses. The fund shall be known as the Operation and Maintenance Fund. There shall be deposited in the Operation and Maintenance Fund each month an amount equal to 1/12th of the current expenses budgeted for the current fiscal year.

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(b) Sinking Fund. Money in the Revenue Fund shall next be disbursed to make deposits into a separate and special fund to pay principal of and interest on the Bond and Parity Bonds. The fund shall be known as the Revenue Bond and Interest Sinking Fund. The minimum amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/12th of the installment of principal and interest coming due on such Bond on the next succeeding payment date. Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Bond and Parity Bonds as the same shall become due and payable.

(c) Reserve Fund. Money in the Revenue Fund shall next be disbursed to maintain a debt service reserve in an amount equal to at least the maximum amount of principal and interest coming due on the Bond and Parity Bonds in any succeeding fiscal year. Such fund shall be known as the "Reserve Fund". In each month there shall be deposited in the Reserve Fund an amount equal to the amount required by the Loan Resolution to be deposited in the Reserve Fund; provided, however, that when the amount on deposit in the Reserve Fund shall be not less than the minimum required by said Loan Resolution, no further deposits need be made into the Reserve Fund except to maintain said fund at such level. Money in the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the Bond and Parity Bonds for the payment of which insufficient money shall be available in the Sinking Fund. Whenever it shall become necessary to so use money in the Reserve Fund, the payments required above shall be continued or resumed until it shall have been restored to the required minimum amount.

(d) Subordinate Obligations. Money in the Revenue Fund may next be used to pay principal of and interest on (including reasonable reserves therefor) any other obligations which by their terms shall be payable from the revenues of the System, but subordinate to the Bonds and Parity Bonds, and which has been

issued for the purposes of extensions and improvements to the System or to retire the Bonds or Parity Bonds in advance of maturity, or to pay for extraordinary repairs or replacements to the System.

(e) Surplus Revenue. All money thereafter remaining in the Revenue Fund may be deposited in any of the funds created by this Resolution, or as otherwise allowed by law.

Money in the Revenue Fund shall be allotted and paid into the various funds and accounts hereinbefore referred to in the order in which said funds are listed, on a cumulative basis on the 10th day of each month, or on the next succeeding business day when the 10th shall not be a business day; and if in any month the money in the Revenue Fund shall be insufficient to deposit or transfer the required amount in any of said funds or accounts, the deficiency shall be made up in the following month or months after payments into all funds and accounts enjoying a prior claim to the revenues shall have been met in full.

Moneys on hand in the Construction Account and all of the funds provided by this Section except the Operation and Maintenance Fund may be invested only in direct obligations of the United States Government or deposited in banks which are members of the Federal Deposit Insurance Corporation and the deposits in which are insured thereby and all such deposits exceeding the maximum amount insured from time to time by FDIC or its equivalent successor in any one bank shall be continuously secured by a valid pledge of direct obligations of the United States Government having an equivalent market value. All such interim investments shall mature before the date on which the moneys are required for payment of principal of or interest on the Bonds or otherwise as herein provided but in no event maturing in more than five years. The provisions of this Section shall not be construed to require the Issuer to maintain separate bank accounts for the funds created by this Section.

All income derived from such investments shall be deposited in the Revenue Fund and shall be regarded as revenues of the System. Such investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective fund was created.

Section 16. Covenants Regarding the Operation of The System. The Issuer hereby covenants and agrees with each and every holder of the Bonds and Parity Bonds:

(a) Maintenance & Efficiency. That the Issuer will maintain the System in good condition and operate it in an efficient manner and at reasonable cost.

(b) Rates. That on or before the beginning of each fiscal year the governing body will adopt or continue in effect rates for all services rendered by the System sufficient to produce net revenues for the next succeeding fiscal year sufficient to meet the requirements of the several funds as provided in this Resolution. For purposes of the last clause of the next preceding sentence "net revenues" shall be those for the next succeeding fiscal year as determined from the budget for such year as required herein, and for purposes of such determination the budgeted total revenues may be increased by the amount, if any, by which deposits into the Sinking Fund during the current fiscal year shall have exceeded the requirement of this Resolution.

(c) Insurance. That the Issuer shall maintain insurance for the benefit of the bondholders on the insurable portions of the System of a kind and in an amount which normally would be carried by private companies engaged in a similar kind of business. The proceeds of any insurance, except public liability insurance, shall be used to repair or replace the part or parts of the System damaged or destroyed, or if not so used shall be placed in the Improvement Fund.

(d) Accounting & Audits. That the Issuer will cause to be kept proper books and accounts adapted to the Utility and in accordance with generally accepted accounting practices, and will cause the books and accounts to be audited annually not later than 90 days after the end of each fiscal year by an independent auditor and will file copies of the audit report with the Original Purchaser and will make generally available to the holders of any of the Bonds and Parity Bonds, the balance sheet and the operating statement of the System as certified by such auditor. The Original Purchaser and holders of any of the Bonds and Parity Bonds shall have at all reasonable times the right to inspect the System and the records, accounts and data of the Issuer relating thereto. It is further agreed that if the Issuer shall fail to provide the audits and reports required by this Subsection, the Original Purchaser or the holder or holders of 25% of the outstanding Bonds and Parity Bonds may cause such audits and reports to be prepared at the expense of the Issuer. The audit reports required by this Section shall include, but not be limited to, the following information:

(i) An evaluation of the manner in which the Issuer has complied with the covenants of this Resolution, including particularly the rate covenants included herein;

(ii) A statement of net revenues and current expenses;

(iii) Analyses of each fund and account created hereunder, including deposits, withdrawals and beginning and ending balances;

(iv) A balance sheet;

(v) The rates in effect at the end of the fiscal year, and the number of customers of the System;

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(vi) A schedule of insurance policies and fidelity bonds in force at the end of the fiscal year, showing with respect to each policy and bond the nature of the risks covered, the limits of liability, the name of the insurer, and the expiration date;

(vii) The names and titles of the principal officers of the Issuer; and

(viii) A general statement covering any event or circumstances which might affect the financial status of the System.

In the event the audit provided for in this Section is prepared by the State Auditor the governing body will cause to be prepared a certified supplemental report containing the information required by this Section.

(e) State Laws. That the Issuer will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Iowa, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will segregate the revenues of the System and apply said revenues to the funds specified in this Resolution.

f) Property. That the Issuer will not sell, lease, mortgage, or in any manner dispose of the System, or any capital part thereof, including any and all extensions and additions that may be made thereto, until satisfaction and discharge of all of the Bonds and Parity Bonds shall have been provided for in the manner provided in this Resolution. Provided, however, this covenant shall not be construed to prevent the disposal by the Issuer of property which in the judgment of its governing body has become inexpedient or unprofitable to use in connection with the System, or if it is to the advantage of the System that other property of

equal or higher value be substituted therefor, and provided further that the proceeds of the disposition of such property shall be placed in the Improvement Fund to be used for capital improvements as therein provided, except, that no such proceeds shall be used to pay principal or interest on the Bonds and Parity Bonds or payments into the Sinking or Reserve Funds. Any such payments made into the Improvement Fund shall be in addition to the regular monthly payments and the Fund balance provided for in Section 15 of this Resolution.

(g) Fidelity Bond. That each officer of the Issuer having custody of funds of the System shall be under fidelity bond at all times in an amount previously determined and evidenced in the letter of conditions received from the Farmers Home Administration.

(h) Additional Charges. That the Issuer will require proper connecting charges and/or other security for the payment of service charges.

(i) Budget. That the governing body of the Issuer will adopt a system budget of revenues and current expenses on or before the end of each fiscal year for the ensuing fiscal year, and will file copies of such budgets, and any amendments thereto, with the Original Purchaser and any bondholder requesting the same. Such budget shall take into account revenues and current expenses during the current and last preceding fiscal years. The Issuer will incur no current expense not included in such budget, and will not permit total current expenses to exceed the budget, unless the governing body shall first have adopted a Resolution declaring the necessity of such expenses. Copies of such budget and approvals of expenditures in excess of the budget shall be mailed to the Original Purchaser and to the bondholders upon request.

Section 17. Remedies of Bondholders. Except as herein expressly limited the holder or holders of the Bonds and

Parity Bonds shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa and of the United States of America for the enforcement of payment of their Bonds and coupons, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder.

Section 18. Prior Lien and Parity Bonds. The Issuer will issue no other Bonds or obligations of any kind or nature payable from or enjoying a lien or claim on the property or revenues of the System having priority over the Bonds or Parity Bonds except as herein provided.

Additional Bonds may be issued on a parity and equality of rank with the Bonds with respect to the lien and claim of such additional Bonds to the revenues of the System and the money on deposit in the funds adopted by this Resolution, for the following purposes and under the following conditions, but not otherwise:

(a) For the purpose of refunding any of the Bonds or Parity Bonds which shall have matured or which shall mature not later than three months after the date of delivery of such refunding Bonds and for the payment of which there shall be insufficient money in the Sinking Fund and the Reserve Fund;

(b) For the purpose of refunding any Bonds or Parity Bonds outstanding, or making extensions, additions, improvements or replacements to the System, if all of the following conditions shall have been met:

(i) before any such Bonds ranking on a parity are issued, there will have been procured and filed with the Clerk, a statement of an independent consulting engineer or engineering firm, not a regular employee of the Issuer, reciting the opinion based upon necessary investigations, that the net annual revenues of the System, including the then contemplated project, throughout the life of the Bonds then

outstanding, will be equal to at least 1 1/4th times the maximum amount that will become due in any fiscal year for both principal of and interest on the Bonds then outstanding added to the respective annual amounts that will be required for payment of both principal of and interest on the Bonds then proposed to be issued. Notwithstanding the foregoing, such amendments, including the issuance of parity bonds may be waived by the Farmers Home Administration or successor Federal agency if the Farmers Home Administration or such agency shall then be the holder or guarantor of all principal and interest on all outstanding bonds.

(ii) the additional Bonds must be payable as to principal on the same month and day as the Bonds herein authorized unless such requirement is waived by the holder of all outstanding bonds.

Section 19. Disposition of Bond Proceeds. Arbitrage Not Permitted. The Issuer reasonably expects and covenants that no use will be made of the proceeds from the issuance and sale of the Bonds issued hereunder which will cause any of the Bonds to be classified as arbitrage Bonds within the meaning of Section 103(c)(2) of the Internal Revenue Code of the United States and that throughout the term of said Bonds it will comply with the requirements of said statute and regulations issued thereunder.

To the best knowledge and belief of the Issuer, there are no facts or circumstances that would materially change the foregoing statements or the conclusion that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be arbitrage Bonds. The Treasurer is hereby directed to deliver a certificate at issuance of the Bonds to certify as to the reasonable expectation of the Issuer at that date.

Section 20. Discharge and Satisfaction of Bonds. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Bonds and Parity Bonds, or

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(a) By paying the Bonds or Parity Bonds when the same shall become due and payable; and

(b) By depositing in trust with the Treasurer, or with a corporate trustee designated by the governing body, for the payment of said obligations and irrevocably appropriated exclusively to that purpose an amount in cash or direct obligations of the United States which shall be sufficient to retire at maturity, or by redemption prior to maturity on the next succeeding date upon which said obligations may be redeemed, all of such obligations outstanding at the time, together with the interest thereon to maturity, premiums thereon, if any that may be payable on the redemption of the same; provided that proper notice of redemption of all such obligations to be redeemed shall have been previously published or provisions shall have been made for such publication.

Upon such payment or deposit of money or securities, or both, in the amount and manner provided by this Section, all liability of the Issuer with respect to the Bonds or Parity Bonds shall cease, determine and be completely discharged, and the holders thereof shall be entitled only to payment out of the money or securities so deposited.

Section 21. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the holder or holders of the Bonds and Parity Bonds, and after the issuance of any of the Bonds no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as provided in the next succeeding Section, until such time as all of the Bonds and Parity Bonds, and interest due thereon, shall have been satisfied and discharged as provided in this Resolution.

Section 22. Modification of Resolution. This Resolution may be amended from time to time if such amendment shall have been consented to by holders of not less than two-thirds in principal amount of the Bonds and Parity Bonds at any time outstanding (not including in any case any Bonds which may

then be held or owned by or for the account of the Issuer, but including such Refunding Bonds as may have been issued for the purpose of refunding any of such Bonds if such Refunding Bonds shall not then be owned by the Issuer); but this Resolution may not be so amended unless approved by the holder or holders of all of the bonds outstanding in such manner as to:

(a) Make any change in the maturity or interest rate of the Bonds, or modify the terms of payment of principal of or interest on the Bonds or any of them or impose any conditions with respect to such payment;

(b) Materially affect the rights of the holders of less than all of the Bonds and Parity Bonds then outstanding; and

(c) Reduce the percentage of the principal amount of Bonds, the consent of the holders of which is required to effect a further amendment.

Whenever the Issuer shall propose to amend this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be filed with the Original Purchaser and to be published one time in a newspaper having general circulation in the State of Iowa or a financial newspaper or journal published in Chicago, Illinois. Such notice shall briefly set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory Resolution is on file in the office of the Clerk.

Whenever at any time within one year from the date of the publication of said notice there shall be filed with the Clerk an instrument or instruments executed by the holders of at least two-thirds in aggregate principal amount of the Bonds then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory Resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the governing body of the Issuer may adopt such amendatory Resolution and such Resolution shall become effective and binding upon the holders of all of the Bonds and Parity Bonds.

Any consent given by the holder of a Bond pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Bond during such period. Such consent may be revoked at any time after six months from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the Clerk.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Bonds held by any person executing such instrument and the date of his holding the same may be proved by an affidavit by such person or by a certificate executed by an officer of a bank or trust company showing that on the date therein mentioned such person had on deposit with such bank or trust company the Bonds described in such certificate.

Section 23. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions.

Section 24. Repeal of Conflicting Ordinances or Resolutions and Effective Date. All other Ordinances, resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby

repealed; and this Resolution shall be in effect from and after its adoption.

Adopted and approved this 26th day of November, 1979.

William J. Roach
Chairman

ATTEST:

Mark J. Nitchals
Secretary

CITY SEAL
WINTERSET