

OSAWATOMIE CITY COUNCIL
SPECIAL MEETING

AGENDA

December 1, 2015

6:30 p.m., Memorial Hall

1. Call to order
2. Roll Call
3. Pledge of Allegiance
4. Invocation

5. Business
 - A. Overview of Project and Debt Financing
 - B. Bond Ordinance to Authorize Issuance of \$6,095,000 in Electric Revenue Bonds
 - C. Bond Resolution Prescribing Details for Delivery of Electric Revenue Bonds

6. Adjournment

REGULAR MEETING – December 10, 2015

REGULAR MEETING – December 17, 2015

REQUEST FOR SPECIAL MEETING

We, the undersigned Council members being of the Governing Body of the City of Osawatomie, Kansas, respectfully request that a special meeting of the Council of the City of Osawatomie, Kansas, to be held in the **MEMORIAL HALL** in said City at **6:30PM** on **TUESDAY, DECEMBER 1ST, 2015** for the following purpose:

CONSIDERATION OF ORDINANCES, RESOLUTIONS AND OTHER RELATED DOCUMENTS AND AGREEMENTS CONCERNING THE ISSUANCE OF \$6,095,000 OF ELECTRIC SYSTEM REVENUE BONDS FOR THE ELECTRIC GENERATION AND SYSTEM IMPROVEMENTS PROJECT

Respectfully Submitted:

/s/ Ted Hunter

/s/ Nick Hampson

/s/ Karen LaDuex



STAFF AGENDA MEMORANDUM

DATE OF MEETING: December 1, 2015

AGENDA ITEM: Generation Project – Bond Issuance

PRESENTER: Don Cawby, City Manager

ISSUE SUMMARY: On August 27, 2015, the City Council approved a resolution of intent to issue electric revenue bonds not to exceed \$6.8 million to fund the proposed 14 mW generation project. Since the resolution was issued and passed the protest period, the City has been able to refine the project scope, financing amounts and the operational pro forma. After these changes, the City only needs to issue \$6.095 million in bonds to receive \$5.85 million in proceeds to fund a proposed 12 mW generation project.

The revised project scope still meets all of the original goals for a generation project. The City will increase its emergency generation capacity while still allowing the option to purchase electricity at the most cost effective rates. The City will have adequate capacity to allow it to purchase wholesale electric and will be able to market excess capacity to other municipalities. The City will make a major step in converting its voltage to a higher and more effective voltage to increase reliability and reduce line loss.

The original projections and current costs related to this proposed project are included on **Table 1 below**.

Included with this memo are:

- (1) The revised pro forma as presented to the City Council on November 19
- (2) The current project timeline as presented to the City Council on November 19
- (3) The bond pro forma for the recommended bond sale
- (4) The proposed bond ordinance
- (5) The proposed bond resolution

Table 1 - Projected Expense Summary

	<u>Original 7-Units</u>	<u>Revised 7-Units</u>	<u>Final 6-Units</u>
Generator Delivery	\$ 220,000	\$ 112,000	\$ 220,000
Generator Warranty	-	157,850	90,000
Site Development	50,000	50,000	50,000
Generator Foundations	100,000	100,000	100,000
Substation	500,000	500,000	500,000
Sub-T Trans (12/14/15 KVA)	500,000	500,000	500,000
Station Power	40,000	40,000	40,000
Generator Connections	150,000	150,000	150,000
Switchgear	100,000	100,000	100,000
Relays (SEL-300G)	60,000	60,000	60,000
Reactors/Surge Protection	120,000	120,000	120,000
Controls/Monitoring	50,000	50,000	50,000
Generator Megger Testing	42,000	6,000	6,000
Generator Load Testing	-	31,000	31,000
Generator Engine Testing	-	36,400	36,400
Generator #2 Repairs	-	150,000	150,000
Dual Fuel Conversion	700,000	-	-
Plant Sub/Trans		450,000	450,000
New Electric Shop		450,000	450,000
Subtotal	\$ 2,632,000	\$ 3,063,250	\$ 3,103,400
Contingencies (~20 %)	394,800	612,650	608,260
Permitting/Eng/Legal (15 %)	300,000	459,488	465,510
Generators	2,200,000	1,950,000	1,671,400
Total Project Cost	\$ 5,526,800	\$ 6,085,388	\$ 5,848,570
Change from Original	-	\$ 558,588	\$ 321,770
Debt Service			
Est. 20 year	\$ 455,408	\$ 501,436	-
Actual Avg. 20 year	-	-	\$ 434,700

COUNCIL ACTION NEEDED: Review and discuss the project and consider the proposed bond ordinance and bond resolutions as presented.

STAFF RECOMMENDATION TO COUNCIL: To finalize the bond sale, the City Council will need to make the following separate motions.

1. Approve the proposed Bond Ordinance.
2. Approve the proposed Bond Resolution.

Upon approval the closing process will begin and the bond proceeds will be delivered on December 14.

Electrical System - City of Osawatomie
Historical and Projected Financial Statement
Prepared by City of Osawatomie
Usage at 2015 Levels

	Audited 2010	Audited 2011	Audited 2012	Audited 2013	Audited 2014	2015	2016	Projected			
								2017	2018	2019	2020
Revenues:											
Charges for Services	3,529,088	3,612,738	3,476,687	3,288,092	3,687,768	3,500,000	3,714,373	3,879,689	3,976,337	4,079,026	4,181,714
Penalties and Fees	91,761	93,430	90,238	92,236	102,774	96,932	87,288	91,173	93,444	95,857	98,270
Utility Deposits	53,075	53,450	58,500	55,998	49,950	52,500	53,000	53,000	53,000	53,000	53,000
Sales Taxes	106,511	113,888	109,636	105,189	122,673	111,601	111,431	116,391	119,290	122,371	125,451
Transfers In/Reimbursed Expenses	4,356	23,347	37,504	1,537	4,512	2,500	2,500	2,500	2,500	2,500	2,500
Loan Repayment			291,162	160,970							
Interest Income	2,985	2,528	1,512	931	819	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	7,200	26,841	17,724	10,824	8,281	7,000	12,180	12,180	12,180	12,180	12,180
Add: Future Capacity Sales								40,000	60,000	80,000	100,000
Total Revenues	3,794,976	3,926,224	4,082,963	3,715,777	3,976,776	3,771,533	3,981,772	4,195,932	4,317,751	4,445,934	4,574,116
O&M Expenditures:											
Personnel											
Salaries	366,594	305,063	335,245	361,166	358,543	359,680	377,664	385,217	392,922	400,780	408,796
Health Insurance	22,533	21,279	31,187	43,381	49,254	61,166	66,529	72,517	79,043	86,157	93,912
All Other Benefits	69,144	65,635	64,783	67,790	70,618	77,047	83,420	86,658	88,392	90,159	91,963
Other Operating Expenses											
Purchased Power/Trans/Prod. Fuel	1,973,340	2,061,424	1,944,704	2,039,191	2,091,062	2,035,658	2,107,366	2,202,439	2,238,885	2,277,804	2,315,722
Less: Reduction in Nearman Contract	-	-	-	-	-	-	(240,000)	(240,000)	(240,000)	(240,000)	(240,000)
Insurance	70,219	72,910	75,958	61,630	57,887	48,608	63,963	67,161	70,519	74,045	77,747
Professional Services	26,794	39,886	16,245	19,527	26,586	48,610	31,000	31,000	31,000	31,000	31,000
Bldg & Mach Parts & Supplies	102,926	94,023	63,975	71,093	85,096	60,310	61,818	63,363	64,947	66,571	68,235
Motor Fuel	16,415	20,770	16,406	7,730	7,644	7,640	8,251	9,902	10,892	11,981	13,179
State & Local Taxes	123,080	131,481	125,583	122,340	143,369	135,909	130,374	136,177	139,569	143,174	146,778
Deposit Refunds/Interest	52,829	52,955	62,426	56,838	54,311	54,523	55,120	55,120	55,120	55,120	55,120
Other Expenses	105,832	137,694	72,879	95,043	100,640	80,990	83,015	85,090	87,217	89,398	91,633
Capital Expenses											
Distribution Upgrades*	46,295	39,407	32,366	40,995	37,290	55,545	100,000	102,500	105,063	107,689	110,381
Vehicles/Equipment	-	161,122	-	7,195	-	6,000	51,000	7,000	22,000	37,000	8,000
Plant/Buildings/All Other	8,829	14,647	309,434	16,361	37,160	88,171	45,000	45,000	45,000	45,000	45,000
Transfers/Other Assistance**	908,884	913,300	503,000	518,000	512,000	554,000	433,000	447,000	461,000	467,000	479,000
Loan for Cashflow		452,132									
Admin Overhead Fees			202,200	210,603	233,806	226,891	226,892	234,108	240,973	248,172	255,729
Total Expenses	3,893,714	4,583,727	3,856,390	3,738,883	3,865,268	3,900,748	3,684,413	3,790,252	3,892,542	3,991,050	4,052,195
Revenue over Expenses	(98,738)	(657,504)	226,573	(23,106)	111,509	(129,215)	297,359	405,680	425,209	454,883	521,922
Annual Debt Service	-	-	-	-	-	-	287,290	433,600	435,275	432,500	434,100
Available After Debt Service							10,069	(27,920)	(10,066)	22,383	87,822
Rate Increase (as % of Sales) needed to cover debt without Capacity Sales							-0.27%	0.72%	0.25%	-0.55%	-2.10%
							-0.27%	1.75%	1.76%	1.41%	0.29%

* \$100,000 dedicated to equipment annually for distribution upgrade beginning in 2016

** Represents discretionary transfers out of the System that are not specifically related to costs associated with operating the System. (e.g. transfers to golf course, parks, tourism, other capital improvements)

11/19/15

	2010	2011	Actual 2012	2013	2014	2015	2016	Projected 2017	2018	2019	2020
ELECTRIC DATA											
Revenues											
Billed Usage	31,636,802	31,249,398	30,946,480	30,038,463	29,546,809	29,439,642	29,439,642	29,439,642	29,439,642	29,439,642	29,439,642
Billed per kWh	0.1100	0.1103	0.1092	0.1117	0.1227	0.1227	0.1264	0.1321	0.1354	0.1389	0.1425
Collected per kWh	0.1080	0.1121	0.1088	0.1095	0.1219	0.1208	0.1245	0.1301	0.1334	0.1369	0.1403
Collection %	98.12%	101.70%	99.56%	97.97%	99.39%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%
Late Charge %	2.40%	2.37%	2.44%	2.66%	2.64%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%
Expenses											
Purchased Electric	36,475,000	36,559,000	35,337,397	35,492,782	35,328,416	34,738,778	34,738,778	34,738,778	34,444,382	34,149,985	33,855,589
Line Loss %	13.26%	14.52%	12.43%	15.37%	16.37%	18.00%	18.00%	18.00%	17.00%	16.00%	15.00%
Cost per kWh	0.0536	0.0564	0.0575	0.0568	0.0589	0.0589	0.0607	0.0634	0.0650	0.0667	0.0684
% Increase (Decrease)		5.11%	1.92%	-1.13%	3.66%	0.00%	3.00%	4.51%	2.52%	2.62%	2.55%
GENERAL EXPENSE FACTORS											
Salaries		-16.78%	9.89%	7.73%	-0.73%	-1.50%	5.00%	2.00%	2.00%	2.00%	2.00%
Health Insurance	8.22%	-5.32%	3.76%	36.10%	-24.34%	23.71%	11.04%	9.00%	9.00%	9.00%	9.00%
All Other Benefits (as % of salaries)	18.86%	21.52%	19.32%	18.77%	19.70%	22.11%	22.50%	22.50%	22.50%	22.50%	22.50%
P&L Insurance*		3.83%	4.18%	-18.86%	-6.07%	-14.77%	2.79%	5.00%	5.00%	5.00%	5.00%
Fuel	5.84%	26.53%	-21.01%	-52.88%	-1.11%	-0.05%	8.00%	20.00%	10.00%	10.00%	10.00%
General (CPI-U)	2.20%	4.00%	2.30%	1.40%	0.50%	0.10%	2.50%	2.50%	2.50%	2.50%	2.50%

Electrical System - City of Osawatomie
Historical and Projected Financial Statement
Prepared by City of Osawatomie
Four-year Average Usage

	Audited 2010	Audited 2011	Audited 2012	Audited 2013	Audited 2014	2015	2016	Projected			
								2017	2018	2019	2020
Revenues:											
Charges for Services	3,529,088	3,612,738	3,476,687	3,288,092	3,687,768	3,498,737	3,783,231	3,951,653	4,050,117	4,154,736	4,259,354
Penalties and Fees	91,761	93,430	90,238	92,236	102,774	96,932	88,906	92,864	95,178	97,636	100,095
Utility Deposits	53,075	53,450	58,500	55,998	49,950	52,500	53,000	53,000	53,000	53,000	53,000
Sales Taxes	106,511	113,888	109,636	105,189	122,673	111,601	113,497	118,550	121,504	124,642	127,781
Transfers In/Reimbursed Expenses	4,356	23,347	37,504	1,537	4,512	2,500	2,500	2,500	2,500	2,500	2,500
Loan Repayment			291,162	160,970							
Interest Income	2,985	2,528	1,512	931	819	1,000	1,000	1,000	1,000	1,000	1,000
Miscellaneous	7,200	26,841	17,724	10,824	8,281	7,000	12,180	12,180	12,180	12,180	12,180
Add: Future Capacity Sales								40,000	60,000	80,000	100,000
Total Revenues	3,794,976	3,926,224	4,082,963	3,715,777	3,976,776	3,770,270	4,054,314	4,271,746	4,395,479	4,525,694	4,655,910
O&M Expenditures:											
Personnel											
Salaries	366,594	305,063	335,245	361,166	358,543	359,680	377,664	385,217	392,922	400,780	408,796
Health Insurance	22,533	21,279	31,187	43,381	49,254	61,166	66,529	72,517	79,043	86,157	93,912
All Other Benefits	69,144	65,635	64,783	67,790	70,618	77,047	83,420	86,658	88,392	90,159	91,963
Other Operating Expenses											
Purchased Power/Trans/Prod. Fuel	1,973,340	2,061,424	1,944,704	2,039,191	2,091,062	2,035,658	2,146,966	2,243,825	2,280,956	2,320,607	2,359,237
Less: Reduction in Nearman Contract	-	-	-	-	-	-	(240,000)	(240,000)	(240,000)	(240,000)	(240,000)
Insurance	70,219	72,910	75,958	61,630	57,887	48,608	63,963	67,161	70,519	74,045	77,747
Professional Services	26,794	39,886	16,245	19,527	26,586	48,610	31,000	31,000	31,000	31,000	31,000
Bldg & Mach Parts & Supplies	102,926	94,023	63,975	71,093	85,096	60,310	61,818	63,363	64,947	66,571	68,235
Motor Fuel	16,415	20,770	16,406	7,730	7,644	7,640	8,251	9,902	10,892	11,981	13,179
State & Local Taxes	123,080	131,481	125,583	122,340	143,369	135,909	132,791	138,703	142,159	145,831	149,503
Deposit Refunds/Interest	52,829	52,955	62,426	56,838	54,311	54,523	55,120	55,120	55,120	55,120	55,120
Other Expenses	105,832	137,694	72,879	95,043	100,640	80,990	83,015	85,090	87,217	89,398	91,633
Capital Expenses											
Distribution Upgrades*	46,295	39,407	32,366	40,995	37,290	55,545	100,000	102,500	105,063	107,689	110,381
Vehicles/Equipment	-	161,122	-	7,195	-	6,000	51,000	7,000	22,000	37,000	8,000
Plant/Buildings/All Other	8,829	14,647	309,434	16,361	37,160	88,171	45,000	45,000	45,000	45,000	45,000
Transfers/Other Assistance**	908,884	913,300	503,000	518,000	512,000	554,000	432,000	455,000	469,000	476,000	488,000
Loan for Cashflow		452,132									
Admin Overhead Fees			202,200	210,603	233,806	226,891	226,892	234,108	240,973	248,172	255,729
Total Expenses	3,893,714	4,583,727	3,856,390	3,738,883	3,865,268	3,900,748	3,725,430	3,842,164	3,945,203	4,045,510	4,107,435
Revenue over Expenses	(98,738)	(657,504)	226,573	(23,106)	111,509	(130,478)	328,884	429,582	450,276	480,184	548,475
Annual Debt Service	-	-	-	-	-	-	287,290	433,600	435,275	432,500	434,100
Available After Debt Service							41,594	(4,018)	15,001	47,684	114,375
Rate Increase (as % of Sales) needed to cover debt without Capacity Sales							-1.10%	0.10%	-0.37%	-1.15%	-2.69%
							-1.10%	1.11%	1.11%	0.78%	-0.34%

* \$100,000 dedicated to equipment annually for distribution upgrade beginning in 2016

** Represents discretionary transfers out of the System that are not specifically related to costs associated with operating the System. (e.g. transfers to golf course, parks, tourism, other capital improvements)

11/19/15

	2010	2011	Actual 2012	2013	2014	2015	2016	Projected 2017	2018	2019	2020
ELECTRIC DATA											
Revenues											
Billed Usage	31,636,802	31,249,398	30,946,480	30,038,463	29,546,809	29,439,642	29,992,849	29,992,849	29,992,849	29,992,849	29,992,849
Billed per kWh	0.1100	0.1103	0.1092	0.1117	0.1227	0.1227	0.1264	0.1321	0.1354	0.1389	0.1425
Collected per kWh	0.1080	0.1121	0.1088	0.1095	0.1219	0.1208	0.1245	0.1301	0.1334	0.1369	0.1403
Collection %	98.12%	101.70%	99.56%	97.97%	99.39%	98.50%	98.50%	98.50%	98.50%	98.50%	98.50%
Late Charge %	2.40%	2.37%	2.44%	2.66%	2.64%	2.35%	2.35%	2.35%	2.35%	2.35%	2.35%
Expenses											
Purchased Electric	36,475,000	36,559,000	35,337,397	35,492,782	35,328,416	34,738,778	35,391,561	35,391,561	35,091,633	34,791,704	34,491,776
Line Loss %	13.26%	14.52%	12.43%	15.37%	16.37%	18.00%	18.00%	18.00%	17.00%	16.00%	15.00%
Cost per kWh	0.0536	0.0564	0.0575	0.0568	0.0589	0.0589	0.0607	0.0634	0.0650	0.0667	0.0684
% Increase (Decrease)		5.11%	1.92%	-1.13%	3.66%	0.00%	3.00%	4.51%	2.52%	2.62%	2.55%
GENERAL EXPENSE FACTORS											
Salaries		-16.78%	9.89%	7.73%	-0.73%	-1.50%	5.00%	2.00%	2.00%	2.00%	2.00%
Health Insurance	8.22%	-5.32%	3.76%	36.10%	-24.34%	23.71%	11.04%	9.00%	9.00%	9.00%	9.00%
All Other Benefits (as % of salaries)	18.86%	21.52%	19.32%	18.77%	19.70%	22.11%	22.50%	22.50%	22.50%	22.50%	22.50%
P&L Insurance*		3.83%	4.18%	-18.86%	-6.07%	-14.77%	2.79%	5.00%	5.00%	5.00%	5.00%
Fuel	5.84%	26.53%	-21.01%	-52.88%	-1.11%	-0.05%	8.00%	20.00%	10.00%	10.00%	10.00%
General (CPI-U)	2.20%	4.00%	2.30%	1.40%	0.50%	0.10%	2.50%	2.50%	2.50%	2.50%	2.50%

Capital One Purchases with BAM Insurance

City of Osawatomie, Kansas
Electric System Revenue Bonds
Series 2015-A

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Capital One Purchases with BAM Insurance

City of Osawatomie, Kansas
Electric System Revenue Bonds
Series 2015-A

Sources & Uses

Dated 12/14/2015 | Delivered 12/14/2015

Sources Of Funds

Par Amount of Bonds	\$6,095,000.00
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Total Sources	\$6,095,000.00
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Uses Of Funds

Deposit to Project Construction Fund	5,848,570.00
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Costs of Issuance	142,755.00
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Gross Bond Insurance Premium (97.8 bp)	83,587.61
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Reserve Fund Surety	15,295.88
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Rounding Amount	4,791.51
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Total Uses	\$6,095,000.00
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Capital One Purchases with BAM Insurance

City of Osawatomie, Kansas
 Electric System Revenue Bonds
 Series 2015-A

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
12/14/2015	-	-	-	-	-
09/01/2016	135,000.00	3.500%	152,290.35	287,290.35	287,290.35
03/01/2017	-	-	104,300.00	104,300.00	-
09/01/2017	225,000.00	3.500%	104,300.00	329,300.00	433,600.00
03/01/2018	-	-	100,362.50	100,362.50	-
09/01/2018	235,000.00	3.500%	100,362.50	335,362.50	435,725.00
03/01/2019	-	-	96,250.00	96,250.00	-
09/01/2019	240,000.00	3.500%	96,250.00	336,250.00	432,500.00
03/01/2020	-	-	92,050.00	92,050.00	-
09/01/2020	250,000.00	3.500%	92,050.00	342,050.00	434,100.00
03/01/2021	-	-	87,675.00	87,675.00	-
09/01/2021	260,000.00	3.500%	87,675.00	347,675.00	435,350.00
03/01/2022	-	-	83,125.00	83,125.00	-
09/01/2022	270,000.00	3.500%	83,125.00	353,125.00	436,250.00
03/01/2023	-	-	78,400.00	78,400.00	-
09/01/2023	280,000.00	3.500%	78,400.00	358,400.00	436,800.00
03/01/2024	-	-	73,500.00	73,500.00	-
09/01/2024	285,000.00	3.500%	73,500.00	358,500.00	432,000.00
03/01/2025	-	-	68,512.50	68,512.50	-
09/01/2025	300,000.00	3.500%	68,512.50	368,512.50	437,025.00
03/01/2026	-	-	63,262.50	63,262.50	-
09/01/2026	310,000.00	3.500%	63,262.50	373,262.50	436,525.00
03/01/2027	-	-	57,837.50	57,837.50	-
09/01/2027	320,000.00	3.500%	57,837.50	377,837.50	435,675.00
03/01/2028	-	-	52,237.50	52,237.50	-
09/01/2028	330,000.00	3.500%	52,237.50	382,237.50	434,475.00
03/01/2029	-	-	46,462.50	46,462.50	-
09/01/2029	340,000.00	3.500%	46,462.50	386,462.50	432,925.00
03/01/2030	-	-	40,512.50	40,512.50	-
09/01/2030	355,000.00	3.500%	40,512.50	395,512.50	436,025.00
03/01/2031	-	-	34,300.00	34,300.00	-
09/01/2031	365,000.00	3.500%	34,300.00	399,300.00	433,600.00
03/01/2032	-	-	27,912.50	27,912.50	-
09/01/2032	380,000.00	3.500%	27,912.50	407,912.50	435,825.00
03/01/2033	-	-	21,262.50	21,262.50	-
09/01/2033	390,000.00	3.500%	21,262.50	411,262.50	432,525.00
03/01/2034	-	-	14,437.50	14,437.50	-
09/01/2034	405,000.00	3.500%	14,437.50	419,437.50	433,875.00
03/01/2035	-	-	7,350.00	7,350.00	-
09/01/2035	420,000.00	3.500%	7,350.00	427,350.00	434,700.00
Total	\$6,095,000.00	-	\$2,451,790.35	\$8,546,790.35	-

Yield Statistics

Bond Year Dollars	\$70,051.15
Average Life	11.493 Years
Average Coupon	3.5000000%
Net Interest Cost (NIC)	3.5000000%
True Interest Cost (TIC)	3.4989930%
Bond Yield for Arbitrage Purposes	3.6807603%
All Inclusive Cost (AIC)	3.9509019%

IRS Form 8038

Net Interest Cost	3.5000000%
Weighted Average Maturity	11.493 Years

2015 Electric (20 Year) C | SINGLE PURPOSE | 11/19/2015 | 11:13 AM

Capital One Purchases with BAM Insurance

City of Osawatomie, Kansas
Electric System Revenue Bonds
Series 2015-A

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
09/01/2016	Serial Coupon	3.500%	3.500%	135,000.00	100.000%	135,000.00
09/01/2017	Serial Coupon	3.500%	3.500%	225,000.00	100.000%	225,000.00
09/01/2018	Serial Coupon	3.500%	3.500%	235,000.00	100.000%	235,000.00
09/01/2019	Serial Coupon	3.500%	3.500%	240,000.00	100.000%	240,000.00
09/01/2020	Serial Coupon	3.500%	3.500%	250,000.00	100.000%	250,000.00
09/01/2021	Serial Coupon	3.500%	3.500%	260,000.00	100.000%	260,000.00
09/01/2022	Serial Coupon	3.500%	3.500%	270,000.00	100.000%	270,000.00
09/01/2023	Serial Coupon	3.500%	3.500%	280,000.00	100.000%	280,000.00
09/01/2024	Serial Coupon	3.500%	3.500%	285,000.00	100.000%	285,000.00
09/01/2025	Serial Coupon	3.500%	3.500%	300,000.00	100.000%	300,000.00
09/01/2026	Serial Coupon	3.500%	3.500%	310,000.00	100.000%	310,000.00
09/01/2027	Serial Coupon	3.500%	3.500%	320,000.00	100.000%	320,000.00
09/01/2028	Serial Coupon	3.500%	3.500%	330,000.00	100.000%	330,000.00
09/01/2029	Serial Coupon	3.500%	3.500%	340,000.00	100.000%	340,000.00
09/01/2030	Serial Coupon	3.500%	3.500%	355,000.00	100.000%	355,000.00
09/01/2031	Serial Coupon	3.500%	3.500%	365,000.00	100.000%	365,000.00
09/01/2032	Serial Coupon	3.500%	3.500%	380,000.00	100.000%	380,000.00
09/01/2033	Serial Coupon	3.500%	3.500%	390,000.00	100.000%	390,000.00
09/01/2034	Serial Coupon	3.500%	3.500%	405,000.00	100.000%	405,000.00
09/01/2035	Serial Coupon	3.500%	3.500%	420,000.00	100.000%	420,000.00
Total	-	-	-	\$6,095,000.00	-	\$6,095,000.00

Bid Information

Par Amount of Bonds	\$6,095,000.00
Gross Production	\$6,095,000.00
Bid (100.000%)	6,095,000.00
Total Purchase Price	\$6,095,000.00
Bond Year Dollars	\$70,051.15
Average Life	11.493 Years
Average Coupon	3.500000%
Net Interest Cost (NIC)	3.500000%
True Interest Cost (TIC)	3.4989930%

2015 Electric (20 Year) C | SINGLE PURPOSE | 11/19/2015 | 11:13 AM

Capital One Purchases with BAM Insurance

City of Osawatomie, Kansas
Electric System Revenue Bonds
Series 2015-A

Proof of Reserve Fund Requirement

Date	Principal	Interest	TOTAL P+I
09/01/2016	135,000.00	152,290.35	287,290.35
09/01/2017	225,000.00	208,600.00	433,600.00
09/01/2018	235,000.00	200,725.00	435,725.00
09/01/2019	240,000.00	192,500.00	432,500.00
09/01/2020	250,000.00	184,100.00	434,100.00
09/01/2021	260,000.00	175,350.00	435,350.00
09/01/2022	270,000.00	166,250.00	436,250.00
09/01/2023	280,000.00	156,800.00	436,800.00
09/01/2024	285,000.00	147,000.00	432,000.00
09/01/2025	300,000.00	137,025.00	437,025.00
09/01/2026	310,000.00	126,525.00	436,525.00
09/01/2027	320,000.00	115,675.00	435,675.00
09/01/2028	330,000.00	104,475.00	434,475.00
09/01/2029	340,000.00	92,925.00	432,925.00
09/01/2030	355,000.00	81,025.00	436,025.00
09/01/2031	365,000.00	68,600.00	433,600.00
09/01/2032	380,000.00	55,825.00	435,825.00
09/01/2033	390,000.00	42,525.00	432,525.00
09/01/2034	405,000.00	28,875.00	433,875.00
09/01/2035	420,000.00	14,700.00	434,700.00
Total	\$6,095,000.00	\$2,451,790.35	\$8,546,790.35

PROOF OF RESERVE FUND

AGGREGATE ISSUE PRICE

Total Par	6,095,000.00
10 % of Aggregate Issue Price	609,500.00

MAXIMUM PERIODIC DEBT SERVICE

Omit Last Period?	Yes
Omit First Period?	Yes
100 % of the Maximum Periodic Debt Service	437,025.00

AVERAGE PERIODIC DEBT SERVICE

Total P+I	8,546,790.35
Bond Years (Delivery Date)	19.71
125 % of the Average Periodic Debt Service	541,926.96

RESERVE REQUIREMENT

Computed Requirement	437,025.00
Proof's Requirement	437,025.00

Capital One Purchases with BAM Insurance

City of Osawatomie, Kansas
Electric System Revenue Bonds
Series 2015-A

Detail Costs Of Issuance

Dated 12/14/2015 | Delivered 12/14/2015

COSTS OF ISSUANCE DETAIL

Placement Agent Fee	\$91,425.00
Bond Counsel	\$24,000.00
Purchaser's Counsel	\$5,000.00
KS Attorney General	\$250.00
Paying Agent Fees	\$5,330.00
Rating Agency Fee	\$16,000.00
Publication	\$750.00
TOTAL	\$142,755.00

2015 Electric (20 Year) C | SINGLE PURPOSE | 11/19/2015 | 11:13 AM

Capital One Purchases with BAM Insurance

City of Osawatomie, Kansas
 Electric System Revenue Bonds
 Series 2015-A

Proof Of Bond Yield @ 3.6807603%

Date	Cashflow	PV Factor	Present Value	Cumulative PV
12/14/2015	-	1.000000x	-	-
09/01/2016	287,290.35	0.9742984x	279,906.52	279,906.52
03/01/2017	104,300.00	0.9566916x	99,782.94	379,689.46
09/01/2017	329,300.00	0.9394030x	309,345.42	689,034.88
03/01/2018	100,362.50	0.9224269x	92,577.07	781,611.95
09/01/2018	335,362.50	0.9057575x	303,757.10	1,085,369.05
03/01/2019	96,250.00	0.8893894x	85,603.72	1,170,972.77
09/01/2019	336,250.00	0.8733170x	293,652.84	1,464,625.61
03/01/2020	92,050.00	0.8575351x	78,936.11	1,543,561.72
09/01/2020	342,050.00	0.8420384x	288,019.23	1,831,580.95
03/01/2021	87,675.00	0.8268217x	72,491.59	1,904,072.54
09/01/2021	347,675.00	0.8118800x	282,270.39	2,186,342.94
03/01/2022	83,125.00	0.7972084x	66,267.95	2,252,610.88
09/01/2022	353,125.00	0.7828018x	276,426.90	2,529,037.79
03/01/2023	78,400.00	0.7686557x	60,262.60	2,589,300.39
09/01/2023	358,400.00	0.7547651x	270,507.82	2,859,808.21
03/01/2024	73,500.00	0.7411256x	54,472.73	2,914,280.94
09/01/2024	358,500.00	0.7277325x	260,892.12	3,175,173.05
03/01/2025	68,512.50	0.7145815x	48,957.77	3,224,130.82
09/01/2025	368,512.50	0.7016682x	258,573.49	3,482,704.31
03/01/2026	63,262.50	0.6889882x	43,587.11	3,526,291.42
09/01/2026	373,262.50	0.6765373x	252,526.01	3,778,817.43
03/01/2027	57,837.50	0.6643114x	38,422.11	3,817,239.54
09/01/2027	377,837.50	0.6523065x	246,465.87	4,063,705.41
03/01/2028	52,237.50	0.6405186x	33,459.09	4,097,164.50
09/01/2028	382,237.50	0.6289436x	240,405.83	4,337,570.33
03/01/2029	46,462.50	0.6175778x	28,694.21	4,366,264.54
09/01/2029	386,462.50	0.6064174x	234,357.60	4,600,622.14
03/01/2030	40,512.50	0.5954587x	24,123.52	4,624,745.66
09/01/2030	395,512.50	0.5846981x	231,255.39	4,856,001.05
03/01/2031	34,300.00	0.5741319x	19,692.72	4,875,693.78
09/01/2031	399,300.00	0.5637566x	225,108.01	5,100,801.78
03/01/2032	27,912.50	0.5535688x	15,451.49	5,116,253.27
09/01/2032	407,912.50	0.5435652x	221,727.02	5,337,980.29
03/01/2033	21,262.50	0.5337423x	11,348.69	5,349,328.99
09/01/2033	411,262.50	0.5240969x	215,541.40	5,564,870.39
03/01/2034	14,437.50	0.5146258x	7,429.91	5,572,300.30
09/01/2034	419,437.50	0.5053259x	211,952.63	5,784,252.93
03/01/2035	7,350.00	0.4961940x	3,647.03	5,787,899.96
09/01/2035	427,350.00	0.4872272x	208,216.55	5,996,116.51
Total	\$8,546,790.35	-	\$5,996,116.51	-

Derivation Of Target Amount

Par Amount of Bonds	\$6,095,000.00
Bond Insurance Premium..... (97.8 bp)	(83,587.61)
Other Credit Enhancement Fees	(15,295.88)

Original Issue Proceeds \$5,996,116.51

2015 Electric (20 Year) C | SINGLE PURPOSE | 11/19/2015 | 11:13 AM

Capital One Purchases with BAM Insurance

City of Osawatomie, Kansas
 Electric System Revenue Bonds
 Series 2015-A

Derivation Of Form 8038 Yield Statistics

Maturity	Issuance Value	Price	Issuance Price	Exponent	Bond Years
12/14/2015	-	-	-	-	-
09/01/2016	135,000.00	100.000%	135,000.00	0.7138889x	96,375.00
09/01/2017	225,000.00	100.000%	225,000.00	1.7138889x	385,625.00
09/01/2018	235,000.00	100.000%	235,000.00	2.7138889x	637,763.89
09/01/2019	240,000.00	100.000%	240,000.00	3.7138889x	891,333.33
09/01/2020	250,000.00	100.000%	250,000.00	4.7138889x	1,178,472.22
09/01/2021	260,000.00	100.000%	260,000.00	5.7138889x	1,485,611.11
09/01/2022	270,000.00	100.000%	270,000.00	6.7138889x	1,812,750.00
09/01/2023	280,000.00	100.000%	280,000.00	7.7138889x	2,159,888.89
09/01/2024	285,000.00	100.000%	285,000.00	8.7138889x	2,483,458.33
09/01/2025	300,000.00	100.000%	300,000.00	9.7138889x	2,914,166.67
09/01/2026	310,000.00	100.000%	310,000.00	10.7138889x	3,321,305.56
09/01/2027	320,000.00	100.000%	320,000.00	11.7138889x	3,748,444.44
09/01/2028	330,000.00	100.000%	330,000.00	12.7138889x	4,195,583.33
09/01/2029	340,000.00	100.000%	340,000.00	13.7138889x	4,662,722.22
09/01/2030	355,000.00	100.000%	355,000.00	14.7138889x	5,223,430.56
09/01/2031	365,000.00	100.000%	365,000.00	15.7138889x	5,735,569.44
09/01/2032	380,000.00	100.000%	380,000.00	16.7138889x	6,351,277.78
09/01/2033	390,000.00	100.000%	390,000.00	17.7138889x	6,908,416.67
09/01/2034	405,000.00	100.000%	405,000.00	18.7138889x	7,579,125.00
09/01/2035	420,000.00	100.000%	420,000.00	19.7138889x	8,279,833.33
Total	\$6,095,000.00	-	\$6,095,000.00	-	\$70,051,152.78

IRS Form 8038

Weighted Average Maturity = Bond Years/Issue Price	11.493 Years
Total Interest from Debt Service	2,451,790.35
Total Interest	2,451,790.35
NIC = Interest / (Issue Price * Average Maturity)	3.5000000%
Bond Yield for Arbitrage Purposes	3.6807603%

Working Project Timeline

~~August 20 – Megger test & inspect plant by Wilson Electric, Gary Pern completed. City cost \$6,000.~~

~~August 27 – Approve resolution to approve the issuance of bonds for the project.~~

~~September 2 – Publish Resolution. Once published, there is a 15 day protest window before bond the City could lock in any costs.~~

~~September 10 – Approve the City Manager to make a \$250,000 non-refundable deposit should there be no protest on the bonds. Approve Contract with High Plains Power.~~

~~September 18 – Put down a \$250,000 non-refundable deposit.~~

~~October 8 – Approve Contract with JEO for conceptual design and placement decisions.~~

~~October 15-19 – Generators are shipped to either a Cat facility or Osawatomie for placement, inspection and servicing. Load tested once on site in Osawatomie (Dec-Jan). Cat warranty will cover any defects found at that time.~~

~~November 2 – City undergoes bond rating process interview.~~

~~October 19 – November 19 – Review bond options (bond insurance, rating, sales strategy).~~

December 1 – Bond ordinance & resolution at special meeting. Begin closing process.

December 2 – Ordinance to Graphic.

December 9 – Ordinance published in paper.

December 10 – JEO design/admin contract.

December 14 – City makes payment on remainder of generators and pays accrued moving and engineering expenses.

December Tasks

Bid & purchase extended warranty after bonds proceeds are distributed and down payment recouped. Warranty through Nov 2018 without testing.

Get bids on service contract

Mid-States here with JEO to evaluate switch gear and breakers.

2016 Tasks

EPA/State Permitting

Locations – 3 at Fire Station; 3 north of Public Works

Set up testing timeline and project on the 5 units.

Coordinate line capacity with KCPL

ORDINANCE NO. _____

OF THE

CITY OF OSAWATOMIE, KANSAS

RELATING TO THE ISSUANCE OF:

\$6,095,000
ELECTRIC SYSTEM REVENUE BONDS
SERIES 2015-A

(Published in the *Osawatomie Graphic* on December 10, 2015)

ORDINANCE NO. _____

AN ORDINANCE AUTHORIZING AND PROVIDING FOR ISSUANCE OF \$6,095,000 PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE BONDS, SERIES 2015-A, OF THE CITY OF OSAWATOMIE, KANSAS, TO PAY COSTS OF IMPROVING AND UPGRADING THE ELECTRIC UTILITY SYSTEM OWNED AND OPERATED BY THE CITY; AND MAKING CERTAIN COVENANTS AND AGREEMENTS WITH RESPECT TO SUCH BONDS.

WHEREAS, the City of Osawatomie, Kansas (the “City”) is a municipal corporation duly created, organized and existing under the laws of the State of Kansas; and

WHEREAS, the City is authorized under the provisions of the Constitution and Statutes of the State of Kansas, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, and K.S.A. 10-1201 *et seq.*, all as amended and supplemented (collectively the “Act”), to issue and sell revenue bonds for the purpose of paying the cost to improve and upgrade the City’s electrical utility (the “System”), provided that the principal of and interest on such revenue bonds shall be payable solely from the Net Revenues derived by the City from the operation of the System; and

WHEREAS, the governing body of the City has pursuant to Resolution No. 707 declared its intention under the Act to improve and upgrade the City’s electrical utility (the “System”), including acquisition of seven (7) 2006 Caterpillar 3516 two megawatt diesel engine generators, construction of a substation for generators, construction of a shop building, repair and rehabilitation of generators, and all things necessary and related thereto (the “Project”), at an estimated cost of \$6,800,000; notice of such intention was published one time in the official newspaper of the City and no sufficient written protest to the intent stated therein was filed with the City Clerk within fifteen (15) days after said publication date all as set forth in the Act; and

WHEREAS, the governing body of the City has caused plans and specifications for the Project and an estimate of its costs to be made and the same are accepted and approved and shall be placed on file with the City Clerk, and the estimated cost of the Project, including administrative costs, applicable reserves, capitalized interest, if any, and bond issuance costs is not more than \$6,800,000; and

WHEREAS, the City is authorized by the Act to issue revenue bonds of the City for the purpose of acquiring, constructing and equipping the Project; and

WHEREAS, the governing body of the City finds and determines it necessary and essential at this time to acquire, construct and equip the Project and to authorize the issuance of revenue bonds for the purpose of paying the costs of the Project; and

WHEREAS, the acquisition, construction and equipping of the Project will not create duplication of any other service being furnished by a private utility.

NOW, THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE CITY OF OSAWATOMIE, KANSAS, AS FOLLOWS:

Section 1. Definitions of Words and Terms. In addition to the words and terms defined elsewhere in this Ordinance and in the Resolution (defined below), the following words and terms used in this Ordinance are defined as follows:

“Act” shall mean Constitution and Statutes of the State of Kansas, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.* and K.S.A. 10-1201 *et seq.*, all as amended and supplemented.

“Additional Bonds” shall mean any bonds issued pursuant to Article 10 of the Resolution.

“Bonds” means the City’s Electric System Revenue Bond, Series 2015, dated December 14, 2015 in the principal amount of \$6,095,000 authorized by this Ordinance and any Additional Bonds.

“City” means the City of Osawatomie, Kansas.

“Code” means the Internal Revenue Code of 1986, as amended, together with any regulations applicable thereto or promulgated thereunder by the United States Department of Treasury.

“Current Expenses” means all necessary expenses of operation, maintenance and repair of the System, including current maintenance charges, expenses of reasonable upkeep and repairs, properly allocated share of charges for insurance, and all other expenses incident to the operation of the System, but shall exclude depreciation, all general administrative expenses of the City not related to the operation of the System and the payments into the Bond Reserve Account provided for in the Resolution.

“Gross Revenues” means all charges, fees, income and revenues (including interest earnings and transfers from the Surplus Account to the Revenue Fund of Net Revenues derived in a prior Fiscal Year) derived and collected by the City from the operation and ownership of the System.

“Net Revenues” means Gross Revenues less Current Expenses.

“Ordinance” means this Ordinance authorizing the issuance of the Bonds, as amended according to its terms.

“Parity Bonds” means the Bonds and any bond issued on a parity with the Bonds pursuant to the Resolution.

“Project” means the acquisition, construction, reconstruction, altering, repair, improvement and extension or enlarging the City’s System, including acquisition of six (6) 2006

Caterpillar 3516 two megawatt diesel engine generators, construction of a substation for generators, construction of a shop building, repair and rehabilitation of generators, and all things necessary and related thereto described in Resolution No. 707 of the City and referred to in the preamble to this Ordinance.

“Resolution” means the resolution of the City adopted by the governing body setting forth the terms and details of the Bonds and making covenants regarding the Bonds.

“System” means the electric utility system owned and operated by the City together with all repairs, alterations, extensions, reconstruction, enlargements or improvements made or acquired by the City.

“Tax Compliance Certificate” means the Tax Compliance Certificate of the City dated as of December 14, 2015, as the same may be amended or supplemented in according to its terms.

Section 2. Authorization of the Bonds. The Electric System Revenue Bonds, Series 2015-A (the “2015 Bonds”) of the City in the aggregate principal amount of \$6,095,000 are authorized and directed to be issued for the purpose of providing funds to pay the costs of the Project, as provided in this Ordinance.

Section 3. Security for the Bonds. The Bonds shall be special obligations of the City payable solely from, and secured as to the payment of principal and interest by a pledge of, the Net Revenues of the System. The taxing power of the City is not pledged to the payment of the principal of or interest on the Bonds. The Bonds are not and shall not constitute a general obligation of the City, nor are they an indebtedness of the City within the meaning of any constitutional, statutory or charter provision, limitation or restriction.

The Bonds stand on a parity and will be equally and ratably secured with respect to payment of principal and interest from the Net Revenues and in all other respects with any Parity Bonds. The covenants and agreements of the City in this Ordinance, in the Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of all or a portion of the Bonds and any Parity Bonds, and all Bonds and Parity Bonds shall be of equal rank without preference or priority of one over any other in the application of funds pledged by this Ordinance to the payment of principal of or interest on Bonds or Parity Bonds, except as to interest rates, date of maturity and redemption provisions and municipal bond insurance, if applicable, as provided in the Resolution.

Section 4. Terms, Details and Conditions of the Bonds. The Bonds shall be dated and bear interest, shall mature and be payable at such times, shall be in such forms, shall be subject to redemption and payment prior to their maturity, and shall be issued and delivered in the manner prescribed and subject to the provisions, covenants and agreements set forth in the Resolution.

Section 5. Designation of Paying Agent and Bond Registrar; Agent Agreement. Pursuant to K.S.A. 10-620 *et seq.*, the governing body elects to have the provisions of the Kansas Bond Registration Law apply to the Bonds and pursuant thereto, does here and in the 2015 Bond

Resolution designate and appoint Treasurer of the State of Kansas, Topeka, Kansas, as the Bond Registrar and Paying Agent for the Bonds (the “Paying Agent” or “Bond Registrar”). The City reserves the right, in its sole discretion, to designate successor Paying Agents and Bond Registrars with respect to the Bond upon fifteen (15) days written notice to the then acting Paying Agent and Bond Registrar. The terms, conditions and provisions under which the Paying Agent will perform its duties as Bond Registrar and Paying Agent for the Bonds are set forth in an “Agreement between Issuer and Agent”, dated as of December 14, 2015 (the “Issuer/Agent Agreement”). The Mayor and City Clerk are authorized to execute and deliver the Issuer/Agent Agreement for and on behalf of the City, as well as any subsequent fiscal agency or similar agreement with a successor Paying Agent and Bond Registrar.

Section 6. Rate Covenant. The City will fix, establish, maintain and collect such rates, fees and charges for the use of and services furnished by or through the System, including all repairs, alterations, extensions, reconstructions, enlargements or improvements thereto subsequently constructed or acquired by the City, as will produce revenues sufficient to (a) pay the cost of the operation and maintenance of the System; (b) pay the principal of and interest on the Bonds as and when the same become due; and (c) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereon and for the protection and benefit of the System as provided in this Ordinance and the Resolution. The Resolution may establish requirements in excess of the requirements set forth herein.

Section 7. Tax Covenants. The City covenants and agrees that (1) it will comply with all applicable provisions of the Code, including Sections 103 and 141 through 150, necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds; (2) it will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds; (3) it will use the proceeds of the Bonds as soon as practicable and with all reasonable dispatch for the purposes for which the Bonds are issued; (4) it will not invest or directly or indirectly use or permit the use of any proceeds of the Bonds in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148(a) of the Code; and (5) it will not use or permit the use of any proceeds of Bonds or any other funds of the City nor 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 Bonds. The City 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 Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the City.

The City covenants and agrees that it has not and will not use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, in a manner that would cause any Bond to be a “private activity bond” within the meaning of Section 141(a) of the Code.

Section 8. Further Authority. The Mayor, City Clerk and other City officials are hereby further authorized and directed to execute any and all documents (including the Tax Compliance Certificate) and take such actions as they may deem necessary or advisable in order

to carry out and perform the purposes of this Ordinance and to make alterations, changes or additions in the described agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve and the execution or taking of such action shall be conclusive evidence of such necessity or advisability.

Section 9. Governing Law. This Ordinance and the Bonds shall be governed exclusively by and construed in accordance with the applicable laws of the State of Kansas.

Section 10. Effective Dates. This Ordinance shall take effect and be in full force from and after its passage by the governing body of the City and publication in the official City newspaper.

[Remainder of Page Intentionally Left Blank]

PASSED AND APPROVED by the governing body of the City on December 1, 2015;
and APPROVED by the Mayor.

CITY OF OSAWATOMIE, KANSAS

[Seal]

By _____
L. Mark Govea, Mayor

ATTEST:

By _____
Tammy Seamands, City Clerk

EXCERPT OF MINUTES

The Governing Body of the City of Osawatomie, Kansas, met in special session at the usual meeting place in the City on December 1, 2015, at 6:30 p.m., with the Mayor L. Mark Govea presiding, and the following members of the Governing Body present:

and the following members absent:

Thereupon, there was presented to the Governing Body an Ordinance entitled:

AN ORDINANCE AUTHORIZING AND PROVIDING FOR ISSUANCE OF \$6,095,000 PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE BONDS, SERIES 2015-A, OF THE CITY OF OSAWATOMIE, KANSAS, TO PAY COSTS OF IMPROVING AND UPGRADING THE ELECTRIC UTILITY SYSTEM OWNED AND OPERATED BY THE CITY; AND MAKING CERTAIN COVENANTS AND AGREEMENTS WITH RESPECT TO SUCH BONDS.

The Ordinance was considered and discussed; and on motion of _____, seconded by _____, the Ordinance was adopted by vote of the Governing Body. The Ordinance was assigned No. ____.

A Resolutions was presented to the Governing Body entitled:

A RESOLUTION PRESCRIBING THE FORM AND DETAILS OF AND AUTHORIZING THE DELIVERY OF \$6,095,000 PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE BONDS, SERIES 2015-A, OF THE CITY OF OSAWATOMIE, KANSAS, PREVIOUSLY AUTHORIZED BY ORDINANCE NO. ____ OF THE CITY; AND MAKING CERTAIN COVENANTS WITH RESPECT THERETO.

The Resolution was considered and discussed; and on motion of _____, seconded by _____, the Resolution was adopted by vote of the Governing Body. The Resolution was assigned No. ____.

CITY CLERK'S
CERTIFICATION OF EXCERPT OF MINUTES

I certify that the foregoing is a true and correct Excerpt of Minutes of the December 1, 2015 meeting of the governing body of the City of Osawatomie, Kansas.

[seal]

Tammy Seamands, City Clerk

RESOLUTION NO. _____

OF THE

CITY OF OSAWATOMIE, KANSAS

RELATING TO THE ISSUANCE OF

\$6,095,000

ELECTRIC SYSTEM REVENUE BONDS

SERIES 2015-A

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RESOLUTION NO. _____

A RESOLUTION PRESCRIBING THE FORM AND DETAILS OF AND AUTHORIZING THE DELIVERY OF \$6,095,000 PRINCIPAL AMOUNT OF ELECTRIC SYSTEM REVENUE BONDS, SERIES 2015-A, OF THE CITY OF OSAWATOMIE, KANSAS, PREVIOUSLY AUTHORIZED BY ORDINANCE NO. ____ OF THE CITY; AND MAKING CERTAIN COVENANTS WITH RESPECT THERETO.

WHEREAS, the City of Osawatomie, Kansas (the “City”) has heretofore adopted Ordinance No. ____ (the “Ordinance”) authorizing the issuance of \$6,095,000 principal amount of the City’s Electric System Revenue Bonds, Series 2015-A (the “Bonds”); and

WHEREAS, the City previously found and determined it to be necessary and desirable for the City to issue the Bonds; and

WHEREAS, the Ordinance authorized the governing body of the City to adopt a resolution prescribing certain details and conditions and to make certain covenants with respect to the issuance of the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF OSAWATOMIE, KANSAS, AS FOLLOWS:

ARTICLE I

DEFINITIONS

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

“Act” shall mean Constitution and Statutes of the State of Kansas, including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.*, and K.S.A. 10-1201 *et seq.*, all as amended and supplemented.

“Additional Bonds” shall mean any bonds issued pursuant to and in accordance with Article X.

“Authorized Investments” means investments authorized by State law for proceeds of bonds and for public funds as applicable to the City and to the funds invested.

“Bond Counsel” means the law firm of Triplett, Woolf & Garretson, LLC, or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the City.

“Bond Insurer” means Build America Mutual Assurance Company, or any successor thereto.

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

“Bond Registrar” means, Treasurer of the State of Kansas, Topeka, Kansas and its successors and assigns.

“Bond Reserve Account” means the Bond Reserve Account for the Bonds created by this Resolution.

“Bond Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Bond Insurer with a policy limit of the Bond Reserve Requirement and deposited in the Bond Reserve Account.

“Bond Reserve Requirement” means at any time an amount not exceeding the least of (i) 10% of the original principal amount of the Bonds and any Parity Bonds; (ii) the maximum annual Debt Service Requirements for the Bonds and any Parity Bonds; or (iii) 125% of the average annual Debt Service Requirements for the Bonds and any Parity Bonds. The Bond Reserve Requirement as of the date of issuance of the Bonds is \$437,025.00

“Bonds” means the City’s Electric System Revenue Bond Series 2015-A, dated December 14, 2015 in the principal amount of \$6,095,000, authorized by the Ordinance and this Resolution and any Additional Bonds.

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

“City Clerk” means the appointed and acting City Clerk of the City or, in the City Clerk’s absence, the appointed or acting Deputy City Clerk or Acting City Clerk.

“Code” means the Internal Revenue Code of 1986, as amended, together with any regulations applicable thereto or promulgated thereunder by the United States Department of the Treasury.

“Consulting Engineer” means an independent engineer or engineering firm, having a reputation for skill and experience in the construction and operation of public utilities, employed by the City for the purpose of carrying out the duties imposed on the Consulting Engineer by this Resolution.

“Costs of Issuance” means all costs of issuing the Bonds, including all publication, printing, signing and mailing expenses, registration fees, underwriting fees, placement agent fees, credit enhancement fees, all legal fees and expenses of Bond Counsel and other legal

counsel, expenses incurred in connection with determination of yield, fees and expenses of the Kansas Attorney General and all similar costs.

“Costs of Issuance Account” means the account by that name created by this Resolution.

“Current Expenses” means all necessary expenses of operation, maintenance and repair of the System, including, current maintenance charges, expenses of reasonable upkeep and repairs, properly allocated shares of charges for insurance, and all other expenses incident to the operation of the System, but shall exclude depreciation, all general administrative expenses of the City not related to the operation of the System, and the payments into the Bond Reserve Account.

“Dated Date” shall mean December 14, 2015.

“Debt Service Requirements” shall mean the required payments of principal, premium, if any, and interest on the Bonds and any Additional Bonds in accordance with the terms and provision of this Resolution.

“Defaulted Interest” means any interest on the Bonds which is due and payable but not paid on an Interest Payment Date.

“Event of Default” means each of the following occurrences or events:

(A) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when it is due and payable, either at Stated Maturity or by redemption or otherwise; or

(B) Any installment of interest on any of the Bonds is not paid when due and payable; or

(C) The City shall for any reason be rendered incapable of fulfilling its obligations under the Ordinance, this Resolution or the Bonds; or

(D) Any substantial part of the System is destroyed or damaged to the extent of impairing its efficient operation or adversely affecting Gross Revenues and the City does not, within a reasonable time, begin the repair, replacement or reconstruction of the System and proceed with reasonable dispatch to complete the repair, replacement or reconstruction of the System; or

(E) Final judgment for the payment of money shall be rendered against the City as a result of the ownership, control or operation of the System and the judgment is not be discharged within one hundred twenty (120) days from its entry or an appeal is not taken from the judgment, order, decree or process leading to the judgment, which appeal stays the execution of, levy under or enforcement of the judgment, order, decree or process.

(F) An order or decree shall be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the System or any part of the System or of the revenues the System, or if such an order or decree is entered without the consent or acquiescence of the City, it is not vacated, discharged or stayed on appeal within sixty (60) days after its entry; or

(G) Any proceeding is instituted, with the consent or acquiescence of the City, for the purpose of effecting a composition between the City and its creditors or for the purpose of adjusting the claims of such creditors pursuant to any federal or state statute now existing or later enacted, if the claims of such creditors are under any circumstances payable from the Net Revenues of the System; or

(H) The City shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions (other than those relating to continuing disclosure under Rule 15c2-12 of the Securities and Exchange Commission) contained in the Bonds or in the Resolution to be performed by the City to be performed, and such default continues for thirty (30) days after written notice specifying such default and requiring same to be remedied is given to the City by the Owner of any of the Bonds then Outstanding.

“Gross Revenues” means all income and revenues derived and collected by the City from the operation and ownership of the System and the providing of electricity to residents of the City, including investment and rental income, net proceeds from business interruption insurance, transfers from the Surplus Account to the Revenue Fund of Net Revenues derived in a prior fiscal year, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition of investments or fixed or capital assets not in the ordinary course of business.

“Independent Accountant” means an independent certified public accountant or firm of certified public accountants employed by the City to carry out the duties imposed of the Independent Accountant described in this Resolution.

“Interest Payment Dates” means, the Stated Maturity of an installment of interest on any Bond, which for the Bonds shall be March 1 and September 1 of each year, commencing September 1, 2016.

“Maturity” means the date the principal of a Bond becomes due and payable as the Bond and this Resolution provide, whether at the Stated Maturity or upon call for redemption or otherwise.

“Mayor” means the elected and acting Mayor of the City, or in the Mayor’s absence, the Acting Mayor of the City.

“Net Revenues” means Gross Revenues less Current Expenses; provided that, when calculating Net Revenues for purposes of calculating the rate covenants in Section 902 and the Additional Bonds tests in Section 1002 of this Resolution, Gross Revenues shall not include

transfers from the Surplus Account to the Revenue Fund of Net Revenues derived in a prior fiscal year.

“Operation and Maintenance Account” means the account by that name created by this Resolution.

“Ordinance” means Ordinance No. ____ of the City authorizing the Bonds and any amendments to the Ordinance.

“Original Purchaser” means Capital One Public Funding, LLC.

“Outstanding” means, as of a particular date, all bonds issued, authenticated and delivered under the provisions of the Resolution, except:

(A) bonds cancelled by the Paying Agent or delivered to the Paying Agent for cancellation pursuant to the Resolution;

(B) bonds for which monies or investments have been deposited according to this Resolution to provide for their payment or redemption; and

(C) bonds for which other bonds have been authenticated and delivered in exchange for or in lieu of such bonds, pursuant to the Resolution.

“Owner” when used with respect to any Bond means the person in whose name such Bond is registered on the registration books of the Bond Register.

“Parity Bonds” means the Bonds and any bonds issued pursuant to Sections 1002 or 1004 of this Resolution.

“Parity Bond Ordinances” means collectively the Ordinance, this Resolution and the ordinances and/or resolutions authorizing any Parity Bonds.

“Paying Agent” means the Treasurer of the State of Kansas, Topeka, Kansas, and its successors and assigns.

“Placement Agent” means George K. Baum & Company, Kansas City, Missouri.

“Principal Payment Dates” means September 1 of each year, commencing September 1, 2016, until such time as the aggregate principal amount of the Bonds has been paid or provision is made for such payment, whether at Stated Maturity or on a Redemption Date.

“Principal and Interest Account” means the account by that name created by this Resolution.

“Project” means the acquisition, construction, reconstruction, altering, repair, improvement and extension or enlarging the City’s System, including acquisition of six (6) 2006

Caterpillar 3516 two megawatt diesel engine generators, construction of a substation for generators, construction of a shop building, repair and rehabilitation of generators, and all things necessary and related thereto described in Resolution No. 707 of the City and referred to in the preamble to the Ordinance.

“Project Account” means the account by that name created by this Resolution.

“Purchase Price” means the principal amount of the Bonds plus accrued interest to the date of delivery.

“Rebate Fund” means the fund by that name created by this Resolution.

“Record Date” means the fifteenth day (whether or not a Business Day) of the month preceding an Interest Payment Date.

“Redemption Date” means a date set for the redemption of Bonds under terms of this Resolution.

“Redemption Price” means the amount for which a Bond called for redemption will be redeemed under the terms of this Resolution, excluding interest with a Stated Maturity on or before the Redemption Date.

“Resolution” means collectively this Resolution and any supplemental resolution of the City authorizing the issuance of Additional Bonds.

“Revenue Fund” means the Electric System Revenue Fund created by this Resolution.

“Special Record Date” means a date set by the Paying Agent under this Resolution for payment of Defaulted Interest.

“State” means the state of Kansas.

“Stated Maturity” means the date on which the principal of a Bond or an installment of interest is due and payable, as specified in a Bond and in the Resolution.

“Surplus Account” means the Electric System Surplus Account created by this Resolution.

“System” means the electric utility system owned and operated by the City together with all repairs, alterations, extensions, reconstruction, enlargements or improvements made or acquired by the City.

“Tax Compliance Certificate” means the Tax Compliance Certificate of the City dated as of December 14, 2015, as the same may be amended or supplemented in accordance of the provisions thereof.

“Treasurer” means the appointed and acting Treasurer of the City or, in the Treasurer’s absence, the appointed Deputy Treasurer or acting Treasurer of the City.

ARTICLE II

AUTHORIZATION OF THE 2015 BONDS

Section 201. Authorization of the Bonds. The Bonds are authorized and directed to be issued in the principal amount of \$6,095,000 to pay the costs of the Project and are secured as provided in the Ordinance. The Bonds are authorized to be sold to the Original Purchaser and shall be delivered as provided in Section 209 of this Resolution.

Section 202. Description of the Bonds. The Bonds shall consist of a single fully registered term bond in the denomination of \$250,000 or any integral multiple of \$5,000 in excess thereof, and shall be numbered in such manner as the Bond Registrar determines. The Bond is dated December 14, 2015, and becomes due on the September 1, 2035 bearing interest at the rate per annum shown below:

TERM BOND

<u>Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
09/01/2035	\$6,095,000	3.50%

The Bonds shall bear interest at the rate shown above (computed on the basis of a 360-day year of twelve 30-day months) from the later of the Dated Date or the most recent Interest Payment Date to which interest has been paid. Interest on the Bonds shall be payable semiannually on March 1 and September 1 in each year, beginning on September 1, 2016.

Section 203. Designation of Paying Agent and Bond Registrar. In the Ordinance, the City has designated the Treasurer of the State of Kansas, Topeka, Kansas, as the Bond Registrar and Paying Agent for the Bonds pursuant to the Issuer/Agent Agreement described in the Ordinance. The City reserves the right, in its sole discretion, to designate successor Paying Agents and Bond Registrars with respect to the Bonds upon fifteen (15) days written notice to the then acting Paying Agent and Bond Registrar. The City here approves the form and text of the Issuer/ Agent Agreement and all of the covenants, duties and responsibilities therein contained which are to be performed by and on behalf of the City are declared to be the covenants, duties and responsibilities of the City as though fully set forth herein. The Mayor and City Clerk are authorized to execute and deliver the Issuer/Agent Agreement for and on behalf of the City, as well as any subsequent fiscal agency or similar agreement with successor Paying Agents and Bond Registrars. The text of the Issuer/ Agreement is incorporated in and made a part of this Resolution by this reference and as though fully set forth at this place.

Section 204. Method and Place of Payment of the Bonds. The principal of, or Redemption Price, if any, and interest on the Bonds shall be payable in any coin or currency of

the United States of America that, on the respective dates of payment thereof, is legal tender for the payment of public and private debts and shall be paid by check or draft or by wire transfer to the Owner in whose name such Bonds are registered on the Bond Registrar.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such 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) by wire 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 (which shall be in the United States), address, ABA routing number and account number to which such Owner wishes to have such wire directed.

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

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

Section 205. Method of Execution and Authentication of the Bonds. The Bonds shall be executed for and on behalf of the City by the manual or facsimile signature of the Mayor, attested by the manual or facsimile signature of the Clerk and the seal of the City shall be affixed or printed on the Bonds. The Bonds shall be registered in the office of the City Clerk, which registration shall be evidenced by the manual or facsimile signature of the City Clerk and the seal of the City shall be affixed or printed on the Bond next to the City Clerk's registration. The Bonds shall also be registered in the office of the State Treasurer, as be evidenced by the manual or facsimile signature of the State Treasurer and the seal of the State Treasurer, either affixed printed next to the State Treasurer's registration. If any of the officers mentioned above

cease to hold such offices before the Bonds are issued and delivered, the Bonds may be issued and transferred to other Owners as though said officers had not ceased to hold office, and their signatures appearing on the Bonds shall be valid and sufficient for all purposes as if they had remained in office until such issuance or transfer.

The Bonds shall not be valid obligations under the provisions of this Resolution until authenticated by the Bond Registrar or a duly authorized representative of the Bond Registrar by execution of the Certificate of Authentication appearing on each Bond. It shall not be necessary that the same representative of the Bond Registrar execute the Certificate of Authentication on all of the Bonds.

Section 206. Registration, Transfer and Exchange of Bonds. The City covenants that, as long as any of the Bonds remain Outstanding, it will cause the Bond Register to be kept at the office of the Bond Registrar. Each Bond when issued shall be registered in the name of its Owner on the Bond Register.

The Bonds may be transferred and exchanged only on the Bond Register as provided in this Section. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond of the same Stated Maturity and of the tenor and principal amount as the Bond presented for transfer or exchange.

The Owner of the Bonds shall have the right at any time to assign, transfer or convey the Bonds or any interest therein or portion thereof, but no such assignment, transfer or conveyance shall be effective as against the City unless and until such Owner has delivered to the City written notice thereof that discloses the name and address of the assignee and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the Owner or (ii) banks, insurance companies or other financial institutions or their affiliates. Nothing herein shall limit the right of the Owner or its assignees to sell or assign participation interests in the Bonds to one or more entities listed in (i) or (ii).

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 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 according to the provisions of this Resolution generally. The City shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Bonds provided for by this Resolution and the cost of printing a reasonable supply of registered bond blanks. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds.

The City 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 pursuant to this Resolution and during the period of 15 days preceding the date of mailing of a notice of redemption; or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after

receiving written notice from the City of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest pursuant to this Resolution.

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

In the event that the Bonds should be issued and delivered in certificated form at any time after the initial delivery of the Bonds, the Paying Agent shall maintain Registration Books for the ownership of the Bonds on behalf of the City; and the Paying Agent will make payment for the Bonds directly to the registered owners of the Bonds as shown by said Registration Books in the manner hereafter set forth

Section 207. Cancellation and Destruction of Bonds Upon Payment. All Bonds that have been paid or redeemed or that otherwise have been surrendered to the Paying Agent, either at or before Maturity, shall be cancelled by the Paying Agent immediately upon the payment, redemption and surrender thereof to the Paying Agent and subsequently destroyed in accordance with the customary practices of the Paying Agent. The Paying Agent shall execute a certificate in duplicate describing the Bonds so cancelled and destroyed and shall file an executed counterpart of such certificate with the City.

Section 208. Mutilated, Lost, Stolen or Destroyed Bonds. If (a) any mutilated Bond is surrendered to the Paying Agent or the Paying Agent receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) the City and the Paying Agent receive such security or indemnity as may be required by each of them; then, in the absence of notice to the City or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the City shall execute and, upon the City's request, the Paying Agent shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and principal amount.

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

Upon the issuance of any new Bond under this Section, the City may require the payment by the 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 to the issuance of the Bonds.

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

Section 209. Delivery of the Bonds. The Mayor and City Clerk are authorized and directed to register the Bonds in the offices of the Clerk and the State Treasurer as provided by law, to be authenticated by the Bond Registrar, and, when duly executed, registered and authenticated, to deliver the Bonds to the Original Purchaser, as provided in this Resolution, upon receipt by the City of the Purchase Price.

ARTICLE III

REDEMPTION OF BONDS

Section 301. Redemption.

(A) Optional Redemption. (1) At the option of the City, Bonds may be called for redemption and payment prior to maturity on September 1, 2025, or at any time thereafter, in whole on any Payment Date at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the Redemption Date. (2) In addition, at the option of the City, on any Principal Payment Date, the City may redeem the Bonds, in an amount not to exceed \$500,000 annually at a price of par, plus accrued interest on the principal amount so called for redemption. Any such partial redemption described in this subsection (2) shall be applied in inverse order of Stated Maturity.

(B) Mandatory Redemption. The Bonds shall be subject to mandatory redemption and payment beginning September 1, 2016, and continuing on September 1 of each year thereafter pursuant to the redemption schedule hereafter set out, at the principal amount thereof, plus accrued interest thereon to the date fixed for redemption and payment, without premium.

The transfers to the 2015 Principal and Interest Account required by this Resolution which are to be made for payments commencing September 1, 2016, shall be sufficient to redeem, and the City agrees to redeem, the principal amounts of the Bonds on September 1 as shown on *Schedule 1* to the Bond (attached hereto on Exhibit A –Form of the Bonds). The redemption schedule as of the date of delivery of the Bonds is as follows:

<u>Redemption Date</u>	<u>Principal Amount</u>
2016	\$135,000
2017	225,000
2018	235,000
2019	240,000
2020	250,000
2021	260,000
2022	270,000
2023	280,000
2024	285,000
2025	300,000
2026	310,000
2027	320,000

<u>Redemption Date</u>	<u>Principal Amount</u>
2028	330,000
2029	340,000
2030	355,000
2031	365,000
2032	380,000
2033	390,000
2034	405,000

(Leaving \$420,000 to mature on September 1, 2035)

Schedule 1 to the Bonds and the schedule of mandatory redemption set out above are subject to revision and amendment and the Paying Agent is authorized and directed to accept a revised Schedule 1 from the City and the Owner of the Bonds when the City exercises its rights of optional redemption described in paragraph (A) (2) of this Section. In each year in which the Term Bond is to be redeemed as set forth above and on Schedule 1 to the Bond, the Paying Agent shall give notice thereof to the Owners as herein provided without further instructions from the City.

Section 302. Selection of Bonds to be Redeemed. The Bonds shall be redeemed only in the principal amount of \$250,000 or any integral multiple of \$5,000 in excess thereof. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the City shall determine. Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in the manner the Bond Registrar may deem equitable in units of \$250,000.

In the case of a partial redemption of Bonds by the City pursuant to Section 301(A) (2) of this Resolution, Bonds shall be redeemed in inverse order of maturity, in units of \$250,000, but not exceeding \$500,000.

Section 303. Notice of Redemption. In the event the City elects to call Bonds for redemption prior to their Stated Maturity, written notice of its intent shall be provided to the State Treasurer and Bond Registrar in accordance with K.S.A. 10-129, as amended, not less than 45 days prior to the date fixed for redemption. Unless waived by any Owner of Bonds to be redeemed, if the City calls Bonds for redemption and payment before their Stated Maturity, the City shall instruct the Paying Agent to give written notice of its intention to redeem and pay Bonds on a specified date, with the notice of redemption mailed by United States first class mail addressed to the Owners of the Bonds not less than 30 days before the Redemption Date. The City and Bond Registrar shall also give such additional notice as may be required by Kansas law or regulations and rules of the Securities and Exchange Commission in effect as of the date of such notice.

All official notices of redemption shall be dated and shall state (1) the Redemption Date, (2) the Redemption Price, (3) if less than all Outstanding Bonds are to be redeemed, the principal amount of the Bonds to be redeemed, (4) that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption, and that

interest thereon shall cease to accrue from and after said Redemption Date (unless the City defaults in the payment of the Redemption Price), and (5) in the case of optional redemption of the Bonds in whole, the place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be the principal office of the Paying Agent. The City may make an optional redemption conditional upon moneys being on deposit with the Paying Agent on or prior to the Redemption Date in an amount sufficient to pay the Redemption Price on the Redemption Date (“conditional notice”). If a conditional notice of redemption is made and moneys sufficient to pay the Redemption Price on the Redemption Date are not received, such notice shall be of no force and effect, the Paying Agent shall not redeem such Bonds and shall instead shall give notice, in the same manner in which the notice of redemption was given, that such moneys were not received and that such Bonds will not be redeemed.

Before any Redemption Date, the City shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of the Bonds or portions of Bonds to be redeemed on that date. Upon surrender of such Bonds for redemption, such Bonds shall be paid by the Paying Agent at the Redemption Price. Installments of interest due on or prior to the Redemption Date shall be payable as this Resolution provides for payment of interest: Upon surrender for any partial redemption of any Bond, the Bond Registrar shall prepare for the Owner a new Bond of the same tenor as the Bond surrendered for partial redemption. All Bonds which have been redeemed shall be canceled and destroyed by the Paying Agent and shall not be reissued.

Section 304. Effect of Call for Redemption. Whenever any Bond is called for redemption and payment as provided in this Article, all interest on such Bond shall cease from and after the date for which such call is made, provided funds are available for its payment at the Redemption Price hereinbefore specified.

ARTICLE IV

FORM OF THE BONDS

Section 401. Form of the Bonds. The Bonds shall be printed in accordance with the format required by the Attorney General of the State of Kansas and shall contain information substantially in the form attached to this Resolution as Exhibit A or as may be required by the Attorney General pursuant to the Notice of Systems of Registration for Kansas Municipal Bonds, 2 Kan. Reg. 921 (1983), in accordance with the Kansas Bond Registration Law, K.S.A. 10-620 to 10-632, inclusive.

ARTICLE V

ESTABLISHMENT OF FUNDS AND ACCOUNTS

Section 501. Creation of Funds and Accounts. The following separate accounts are created and established in the City treasury:

- (1) Project Account for Electric System Revenue Bonds, Series 2015-A (“Project Account”);
- (2) Electric System Revenue Fund (“Revenue Fund”);
- (3) Principal and Interest Account for Electric System Revenue Bonds, Series 2015-A (“Principal and Interest Account”);
- (4) Bond Reserve Account for Electric System Revenue Bonds, Series 2015-A (“Bond Reserve Account”);
- (5) Electric System Surplus Account (the “Surplus Account”);
- (6) Costs of Issuance Account for Electric System Revenue Bonds, Series 2015-A (the “Costs of Issuance Account”);
- (7) Electric System Operation and Maintenance Account (the “Operation and Maintenance Account”); and
- (8) Rebate Fund for Electric System Revenue Bonds, Series 2015-A (the “Rebate Fund”).

Section 502. Administration of Funds and Accounts. The funds and accounts established by this Resolution shall be maintained and administered by the City solely for the purposes and in the manner as provided in this Resolution for as long as any of the Bonds remain Outstanding.

ARTICLE VI

APPLICATION OF BOND PROCEEDS AND OTHER MONEYS

Section 601. Disposition of Bond Proceeds. The proceeds of the Bonds shall be deposited as follows:

- (A) In the Principal and Interest Account a sum equal to the accrued interest paid on the Bonds.
- (B) In the Costs of Issuance Account the sum of \$147,546.51 (which excludes the Bond Insurance policy premium of \$83,587.61 and the Bond Reserve Fund Insurance Policy premium in the amount of \$15,295.88)
- (C) In the Project Account the sum of \$5,448,750.00
- (D) In the Bond Reserve Account the Bond Reserve Policy.

Section 602. Application of Moneys in the Costs of Issuance Account. Moneys in the Costs of Issuance Account shall be used to pay the Costs of Issuance. Funds remaining in the Costs of Issuance Account after payment of all Costs of Issuance (but no later than 30 days before the first Stated Maturity of the Bonds or one year after the date of issuance of the Bonds) shall be transferred to the Project Account if the Project is not completed. If the Project is completed any surplus in the Costs of Issuance Account shall, be transferred to the Principal and Interest Account to pay a portion of the next principal due on the Bonds.

Section 603. Application of Moneys in the Project Account. Moneys in the Project Account shall be used for the sole purpose of paying the costs of the Project, in accordance with the Project plans and specifications as previously approved by the governing body of the City, including any alterations in or amendments to the plans and specifications approved by the governing body of the City.

Money may be withdrawn from the Project Account only when authorized by the governing body of the City and for a purpose within the scope of this Resolution and for the contract price of the property, equipment, labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, upon a finding that such payment is not in excess of the reasonable value thereof. Certain Costs of Issuance may be paid from the Project Account if the Costs of Issuance Account is insufficient for that purpose.

When the Project is completed and in no event later than three years after issuance of the Bonds, any surplus in the Project Account shall be deposited in the Principal and Interest Account and applied to the payment of principal due on the Bonds.

ARTICLE VII

COLLECTION AND APPLICATION OF REVENUES

Section 701. Revenue Fund. The City covenants and agrees that as long as any of the Bonds remain outstanding and unpaid, all of the revenues derived and collected by the City from the operation of the System will be paid and deposited into the Revenue Fund, and that the revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds and accounts of the City and shall not be mingled with any other moneys, revenues, funds and accounts. The Revenue Fund shall be administered and applied solely for the purposes and in the manner provided in this Resolution.

Section 702. Application of Moneys in the Revenue Fund. The City covenants and agrees that so long as any of the Bonds shall remain Outstanding and unpaid, the City 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.** An amount equal to the anticipated Current Expenses for the month shall be deposited into the Operation and Maintenance Account. All Current Expenses of the System shall be paid as bills accrue,

and such bills shall be paid by a proper system of vouchers. Amounts as the governing body of the City determines may be necessary to pay the reasonable and proper Current Expenses of the System for a period of sixty (60) days may be retained and accumulated in the Operations and Maintenance Account before transfers to the other accounts described below.

(B) **Principal and Interest Account.** The City shall set aside and transfer monthly from the Revenue Fund to the Principal and Interest Account, beginning as of the issuance of the Bonds, proportionate monthly amounts (less accrued credits to such account) of the (i) next maturing interest on the Bonds; and (ii) next maturing principal on the Bonds, to the end that at all times one (1) month prior to Maturity of interest, principal, or mandatory call requirements, there are sufficient moneys in the Principal and Interest Account to send maturing interest and principal on the Bonds to the Paying Agent for payment when due. All amounts transferred and credited to the Principal and Interest Account shall be used solely and exclusively for the payment of principal of and interest on the Bonds when the same shall become due and payable and to pay expenses of the Bond Registrar and Paying Agent.

(C) **Bond Reserve Account.** Simultaneously with the issuance of the Bonds, the City will deposit the Bond Reserve Requirement in the Bond Reserve Account. In lieu of a cash deposit of the Bond Reserve Requirement for the Bonds, the City will deposit the Bond Reserve Policy and deliver same to the Paying Agent.

Except as otherwise provided in this Section and subject to the provisions of Article XVI of this Resolution relating to the Bond Reserve Policy, all amounts available in Bond Reserve Account shall be expended and used solely to prevent any default in the payment of the interest on or principal of the Bonds, if the moneys in the Principal and Interest Account are insufficient to pay the interest on or principal of the Bonds when due. Cash and Authorized Investments in the Bond Reserve Account may be used to call the Bonds for redemption and payment prior to their Stated Maturity only if (i) all of the Bonds then Outstanding are called for payment and funds are available to pay all Outstanding Bonds according to their terms, or (ii) after a redemption, the Bond Reserve Account shall contain an amount equal to the Bond Reserve Requirement. Cash and Authorized Investments in the Bond Reserve Account shall be used to pay and retire the last outstanding Bonds unless such Bonds and all interest thereon are otherwise paid.

If the City shall ever be required to use a part of the moneys in the Bond Reserve Account for the purposes herein authorized by this Resolution and the amount in the Bond Reserve Account is then less than the Bond Reserve Requirement, or if the valuation of the Bond Reserve Account made under Section 802 of this Resolution establishes that the value of the Bond Reserve Account is less than the Bond Reserve Requirement, the City shall (after providing for the transfers described above) transfer all available funds into the Bond Reserve Account until the account contains the Bond Reserve Requirement. Amounts in the Bond Reserve Account in excess of the Bond Reserve Requirement (as determined under Section 802) shall be transferred to the Revenue Fund.

The City shall be permitted to substitute a letter of credit, surety bonds, insurance policy, or other credit enhancement (each, a “credit facility”) for funds on deposit in the Bond Reserve Account, provided that:

(1) 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 City that the credit facility shall not result in a decrease or withdrawal of the rating on the Bonds;

(2) 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 which is superior to the rights of the Bond Owners in respect to such property;

(3) 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;

(4) The Paying Agent or City are authorized and has the duty and right to draw on the credit facility to satisfy the purposes for which the Bond Reserve Account was established;

(5) The City obtains prior written consent of the Bond Insurer; and

(6) The City and the Bond Insurer 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 the interest on the Bonds will not be adversely affected.

Upon such substitution, funds on deposit in the Bond Reserve Account which, when added to the face amount of the credit facility, exceed the Bond Reserve Requirement on all Outstanding Bonds shall be deposited in the Principal and Interest Account and applied as provided in subparagraph (B) of this Section. Thereafter, the credit facility shall be considered a part of the Bond Reserve Account and the amount available thereunder shall be included in any calculations of the amount required to be retained in the Bond Reserve Account; provided that, (i) if the sum of the amount available under the credit facility and the amount of moneys on deposit in the Bond

Reserve Account exceeds the amount required to be on deposit pursuant to subsection (C) of this Section, the City 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 deposited in the Principal and Interest Account and applied as permitted under subsection (B) of this Section.

If there are cash and Authorized Investments on deposit in the Bond Reserve Account in addition to a credit facility, such cash and Authorized Investments will be drawn on prior to any draws on such credit facility.

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 by the City to any bond reserve accounts established by the City to protect the payment of Parity Bonds, the available moneys in the Revenue Fund shall be divided among such bond reserve accounts in proportion to the principal amounts of the Parity Bonds of the City then Outstanding which are payable from the moneys in such bond reserve accounts.

(D) **Rebate Fund.**

(1) There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Compliance Certificate. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Tax Compliance Certificate), for payment to the United States of America, and neither the City nor the Owner of any Bonds shall have any rights in or claim to such money. All amounts deposited into are on deposit in the Rebate Fund shall be governed by this Section and the Tax Compliance Certificate.

(2) The City shall periodically determine the rebate arbitrage, if any, under § 148(f) of the Code in accordance with the Tax Compliance Certificate, and the City shall make payments to the United States of America, at the times and in the amounts determined under the Tax Compliance Certificate. Any moneys remaining in the Rebate Fund after redemption and payment of all of the Bonds and payment and satisfaction of any Rebate Amount, or provision made therefore, shall be deposited into the Revenue Fund.

(3) Notwithstanding any other provision of this Resolution, including in particular Article XII hereof, the obligation to pay rebatable arbitrage to the United States of America and to comply with all other requirements of this Section in the Tax Compliance Certificate shall survive the defeasance or payment in full of the Bonds.

(E) **Surplus Account.** After all payments and credits required at the time to be made under 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 City:

- (1) Paying the cost of the operation, maintenance and repair of the System to the extent that it may be necessary after the application of the moneys held in the Revenue Fund under the provisions of this Section;
- (2) Paying the costs of repairs to or extending, enlarging or improving the System;
- (3) Preventing default in, anticipating payments into or increasing the amounts in funds and accounts referred to in the preceding subsections, or any one of them, or establishing or increasing the amount of any principal and interest account or bond reserve account created by the City for the payment of any Parity Bonds;
- (4) Calling, redeeming and paying prior to maturity, or, at the option of the City, purchasing in the open market at the best price obtainable the Bonds or any Parity Bonds;
- (5) To make transfers to the Revenue Fund; or
- (6) To make lawful transfers to any fund of the City.

Section 703. Deficiency of Payments into Funds and Accounts. If at any time the revenues derived by the City from the operation of the System are insufficient to make any payments on the date or dates required by this Resolution, the City will make good the amount of such deficiency by making additional payments or credits out of the first available revenues thereafter received by the City from the operation of the System, and such payments and credits will be made and applied in the order specified in this Resolution.

If at any time the moneys in the Principal and Interest Account and in the Bond Reserve Account are not sufficient to pay the principal of and interest on the Bonds as and when the same become due, then moneys in the Surplus Account shall be used by the City to prevent any default in the payment of the principal of and interest on the Bonds.

Section 704. Transfer of Funds to Paying Agent. The City Treasurer is authorized and directed to withdraw from the Principal and Interest Account, and, to the extent necessary to prevent a default in the payment of either principal of or interest on the Bonds, from the Bond Reserve Account, and then the Surplus Account, sums sufficient to pay the principal of and interest on the Bonds and the fees of the respective Bond Registrars and Paying Agents when the same become due, and to forward such sums to the respective Bond Registrars and Paying Agents on or prior to dates when such principal, interest and fees of the Bond Registrar and Paying Agent will become due. If, through lapse of time, or otherwise, the Owners of Bonds shall no longer be entitled to enforce payment of their obligations, it shall be the duty of the Paying Agents to return, without liability for interest thereon, said funds to the City. All moneys

deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Resolution.

ARTICLE VIII

DEPOSIT AND INVESTMENT OF MONEYS

Section 801. Deposits. Cash moneys in each of the funds and accounts ratified, created by and referred to in this Resolution shall be deposited and secured in the manner required by the laws of the State.

Section 802. Investments. Moneys held in the funds and accounts created here or otherwise established in connection with the issuance of the Bonds may be invested by the City in Authorized Investments in accordance with this Resolution and the Tax Compliance Agreement, or in other investments allowed by Kansas law in such amounts and maturing at such times as shall reasonably provide for moneys to be available when required in said accounts of funds; 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 or account was created; and provided further that investments of moneys held in the Bond Reserve Account shall not have maturities extending beyond four years. All interest on any Authorized Investment held in any fund or account shall accrue to and become a part of such fund or account; provided, all interest on any Authorized Investment held in the Bond Reserve Account shall accrue to and become a part of Bond Reserve Account until the Bond Reserve Account contains the Bond Reserve Requirement and thereafter such earnings in the Bond Reserve Account shall be transferred to the Principal and Interest Account. In determining the amount held in any fund or account under any of the provisions of this Resolution, obligations shall be valued at market value. Valuation of such accounts shall be made as of the final Principal Payment Date of any calendar year the Bonds remain Outstanding. Except as otherwise provided in this Resolution, if and when the amount held in any fund or account exceeds the amount required by this Resolution, the City shall direct that the excess be paid and credited to the Revenue Fund.

ARTICLE IX

PARTICULAR COVENANTS

The City covenants and agrees with each of the Owners of the Bonds that so long as any of the Bonds remain Outstanding and unpaid:

Section 901. Efficient and Economical Operation. The City will continuously own and will operate the System in an efficient and economical manner and will keep and maintain the same in good repair and working order.

Section 902. Rate Covenant. The City will fix, establish, maintain and collect such rates, fees and charges for the use or and services furnished by or through the System, including all repairs, alterations, extension, reconstruction, enlargements or improvements to the System

constructed or acquired by the City, as will produce revenues sufficient to (a) pay the costs of the operation and maintenance of the System; (b) pay the Debt Service Requirements of the Bonds as and when the same become due; (c) enable the City to have in each fiscal year Net Revenues in an amount that will not be less than 125% of the Debt Service Requirements required to be paid by the City in such fiscal year on all System revenue bonds at the time Outstanding; and (d) provide reasonable and adequate reserves for the payment of the Bonds and the interest thereof and for the protection and benefit of the System as provided in this Resolution. The City will require the prompt payment of accounts charged for service rendered by or through the System and will promptly take whatever action is legally permissible to enforce and collect delinquent charges.

Section 903. Reasonable Charges for City Services. Facilities or services provided by the System may be furnished to the City for its proper governmental use without charge. Nonetheless, in the event that the revenues derived by the City from the System shall at any time be insufficient to pay the reasonable expense of operation and maintenance of the System and also to pay the Debt Service Requirements of the Bonds as and when the same become due, then the City will pay into the Revenue Fund a fair and reasonable payment in accordance with effective applicable rates, fees and charges for all services or other facilities furnished to the City 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 the interest on or principal of the Bonds.

Section 904. Restrictions on Mortgage or Sale of System. The City will not sell or otherwise dispose of the System or any material part, extension or improvement of it; provided, however, the City may permanently abandon the use of, or sell at fair market value, any of its System facilities provided that:

(A) It is in full compliance with all covenants and undertakings in connection with all of its bonds then outstanding and payable from the revenues of the System, or any part thereof;

(B) In the event of sale, it will apply the proceeds to either (i) the redemption of the outstanding Bonds in accordance with the provisions governing repayment of Bonds in advance of their Stated Maturity, or (ii) to replace the facility disposed of with another facility with revenues that shall be incorporated into the System under this Resolution;

(C) It certifies, prior to any abandonment of use, that the facility to be abandoned is no longer economically feasible or capable of producing Net Revenues; and

(D) It certifies that the estimated Net Revenues of the remaining System facilities for the next succeeding fiscal year plus the estimated Net Revenues of the facilities, if any, to be added to the System satisfy the rate covenants provided in this Resolution.

Section 905. Insurance. The City will carry and maintain such reasonable amount of all-risk insurance on all properties and all operations of the System insofar as they are of an insurable nature as would be carried by a privately owned utility with similar property and performing similar functions; and in the event of loss or damage, the City will use the proceeds of such insurance to reconstruct or replace the damaged or destroyed property, or if such reconstruction or replacement be unnecessary, then such proceeds shall be used in redeeming or paying off Outstanding System revenue bonds, in accordance with their call provisions. The City will also carry general liability insurance in amounts not less than the maximum liability of a governmental entity for claims arising out of a single occurrence, as provided by the Kansas tort claims act or other similar future law (currently \$500,000.00 per occurrence).

Section 906. Financial Records and Reports. The City will install and maintain proper books, records and accounts (entirely separate from all other records and accounts of the City) in which complete and correct entries will be made of all dealings and transactions of or in relation to the System. Such accounts shall show the amount of revenues received by the System, the application of such revenues, and all financial transactions in connection therewith. Said books shall be kept by the City according to generally accepted accounting principles as applicable to the operation of municipal utilities. If at any time such accounts shall disclose that the City will not have available the necessary funds for carrying out and complying with all of the rate requirements of this Resolution, then the City within sixty (60) days shall proceed to cause to be charged and collected rates, fees and charges for the use and services of the System which will provide adequate funds to meet such requirements.

Section 907. Annual Budget. Prior to the beginning of each fiscal year, the City will prepare and file with the City Clerk a budget setting forth the estimated receipts and expenditures of the System for the next fiscal year. The annual budget shall be prepared in accordance with the requirements of the laws of the State, and shall contain normal budgetary items, including:

- (A) An estimate of receipts from the System during the next ensuing fiscal year.
- (B) A statement of the estimated cost of operating 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 replacements to the System which may be anticipated during the next fiscal year.
- (E) A statement of the amount of principal and interest to be paid on outstanding revenue bonds and general obligation bonds to be paid from revenues of the System during the next fiscal year.
- (F) A statement of the total estimated expenditures to be made from the revenues of the System during the next fiscal year.

- (G) A statement of estimated Net Revenues during the next fiscal year.

Section 908. Annual Audit. Promptly after the end of each fiscal year, the City 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. The annual audit shall include:

- (A) A classified statement of the gross revenues received, the expenditures for operation and maintenance, 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 year in each of the funds and accounts created by and referred to in this Resolution;

- (C) A statement showing the Net Revenues for such fiscal year;

- (D) A statement of all System revenue bonds matured or redeemed and interest paid on bonds during said fiscal year;

- (E) A statement of the number of customers served by the System at the beginning and end of such fiscal year;

- (F) 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

- (G) Such remarks and recommendations regarding the practices and procedures of operating the System and its accounting practices as said accountants may deem appropriate.

Within 30 days after the completion of such audit, a copy shall be filed in the office of the City Clerk and the City Clerk shall mail a copy of the audit to the Owner of the Bonds. Such audits shall at all times during the usual business hours be open to examination and inspection by any taxpayer, any user of the services of the System, any Owner of any of the Bonds, or by anyone acting for or on behalf of such taxpayer, user or Owner.

As soon as possible after the completion of the annual audit, the governing body of the City shall review the audit, and if any audit shall disclose that proper provision has not been made for all of the requirements of this Resolution and the law under which the Bonds are issued, the City covenants and agrees that it will promptly cure such deficiency and will promptly (within 60 days) proceed to increase the rates, fees and charges for the use and services furnished by the System as may be necessary to adequately provide for such requirements.

Section 909. Report on System Condition. The City shall periodically and as needed cause a Consulting Engineer or a qualified employee of the City to make an examination of and report on the condition and operations of the System. 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 necessitated by this Section. A copy of each such report shall be filed in the office of the City Clerk, and, upon request, be sent to any Owner.

Section 910. Owners' Right of Inspection. The Owner of any of the Bonds shall have the right at all reasonable times to inspect the System and all records, accounts and data of the System, and any Owner shall be furnished all such information concerning the System and its operation that the Owner may reasonably request.

Section 911. Performance of Duties. The City will faithfully and punctually perform all duties and obligations with respect to the operation of the System now or hereafter imposed upon the City by the Constitution and laws of the State of Kansas and by the provisions of this Resolution.

ARTICLE X

ADDITIONAL BONDS

Section 1001. Prior Lien Bonds. The City covenants and agrees that so long as any of the Bonds remain outstanding and unpaid, the City will not issue any bonds or other long term obligations payable out of the revenues of the System or any part thereof which are superior to the Bonds.

Section 1002. No Senior Lien Bonds; Parity Lien Bonds. The City covenants and agrees that so long as any of the Bonds remain outstanding and unpaid, the City will not issue any additional bonds or other long-term obligations payable out of the revenues of the System or any part thereof which stand on a parity or equality with the Bonds unless all of the following conditions are met:

(A) The City shall not be in default in the payment of principal of or interest on the Bonds or the Parity Bonds or in making any payment at the time required to be made into the respective funds and accounts created by and referred to in this Resolution; and

(B) The City shall sign a certificate evidencing either of the following:

(1) The Net Revenues derived by the City from the operation of the System, for the fiscal year immediately preceding the issuance of the additional bonds as reflected by information provided by the Independent Accountant shall have been at least 125% of the maximum Debt Service Requirements to be paid

out of said revenues in any succeeding fiscal year with respect to the Bonds and Parity Bonds, including the additional bonds proposed to be issued; or

(2) The estimated Net Revenues, to be derived by the City from the operation of the System for the fiscal year immediately following the year in which the proposed project, the cost of construction of which is being financed by such additional bonds, is to be in commercial operation, shall be equal to at least 125% of the maximum Debt Service Requirements required to be paid out of said Net Revenues in any succeeding fiscal year following such commercial operation with respect to the Bonds and the Parity Bonds, including the additional bonds to be issued.

In the event that the City increases the rates for the use and services of the System prior to the issuance of such additional bonds proposed to be issued, the City may adjust said estimated Net Revenues by adding any estimated increase in Net Revenues resulting from any increase in rates for the use and services of the System.

(C) When the issuance of additional System revenue bonds of equal stature and priority is permitted by the Statutes of the State of Kansas.

(D) All reductions in the Bond Reserve Account shall be restored.

(E) The Ordinance and/or Resolution authorizing such additional Parity Bonds shall contain or provide for substantially the same terms, conditions, covenants and procedures as established in this Resolution.

Notwithstanding the foregoing restrictions upon the issuance of the Additional Bonds, such bonds may be issued under this Section if it is necessary: (a) in the opinion of an independent Consulting Engineer to do so to repair the System if damaged or destroyed by disaster to such extent that it cannot be operated or if for any other reason modifications or extensions to the System are necessary to keep it in good operating condition; or (b) in the opinion of the City's 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 City with respect to the System. The City shall not issue Additional Bonds under the provisions of this paragraph without the prior written consent of the Bond Insurer and the Owner of the Bonds.

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

Section 1003. Subordinate or Junior Lien Bonds. In addition to the authority to issue parity lien bonds as set forth in the preceding section, the City may issue revenue bonds which shall be junior and subordinated to the Bonds and any Parity Bonds. If at any time the City shall be in default in paying any interest on or principal of the Bonds or any Parity Bonds or in making any of the transfers required to any of the accounts or funds herein specified, then the City shall make no payment of either principal or interest on such subordinate or junior lien bonds until all conditions of default shall be cured.

Section 1004. Refunding Bonds. The City shall have the right, if it shall find it desirable to refund any of the Bonds under the provisions of any law then available. Outstanding Bonds or any part thereof may be refunded and the refunding bonds so issued shall enjoy complete equality of pledge and shall be on a parity with any of the Bonds which are not refunded, if any, upon the revenues of the System.

ARTICLE XI

DEFAULT AND REMEDIES

Section 1101. Contract with Owners. The provisions of this Resolution, including the covenants and agreements herein contained, shall constitute a contract between the City and the Owners of the Bonds.

Section 1102. Remedies. If an Event of Default, shall occur and be continuing, an Owner or Owners of the Bonds of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(A) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the City and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Resolution or by the Constitution and laws of the State of Kansas;

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

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

In case any proceeding taken by any Owner on account of any default shall have been discontinued or abandoned for any reason, then and in every such case the City and the Owners shall be restored to their former positions and rights hereunder, respectively, and all rights and remedies of the Owners shall continue as though no such proceedings had been taken.

Section 1103. Limitation on Remedies. The covenants and agreements of the City made in this Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, and all Bonds shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the funds pledged to the payment of the principal of and interest on the Bonds, or otherwise, except as to rate of interest, date of maturity, right of prior redemption or status of the lien on revenues of the System, all as provided in the Resolution. No Owners secured by this Resolution shall have any right in any manner whatever to affect, disturb or prejudice the security granted and provided by this Resolution, or to enforce any right hereunder, except in the manner provided, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

Section 1104. Remedies Cumulative. No remedy conferred on the Owners by this Resolution is intended to be exclusive of any other remedy or remedies, and each and every remedy shall be cumulative and in addition to every other remedy given here and under the Act or under existing or subsequent law or in equity or by statute.

No delay or omission of any Owner to exercise any right or power accruing upon any default occurring and continuing shall impair any such right or power or shall be construed to be a waiver of or acquiescence in any such default; and every power and remedy given by this Article to the Owners may be exercised from time to time and as often as may be deemed expedient. In case any suit, action or proceedings taken by any Owner on account of any default or to enforce any right or exercise any remedy shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such Owner, then, and in every such case, the City and the Owners of the Bonds shall be restored to their former positions and rights here, respectively, and all rights, remedies, powers and duties of the Owners shall continue as if no suite, action or other proceedings had been brought or taken.

Section 1105. Application of Moneys. Whenever moneys are to be applied by the Treasurer pursuant to the provisions of this Article, such moneys shall be applied by the Treasurer at such times, and from time to time, as the Treasurer in his/her sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future; the deposit of such moneys with the Paying Agent in trust for the proper purpose shall constitute proper application by the City; and the City shall incur no liability whatsoever to any Owner or to any other persons for any delay in applying any such moneys, so long as the City acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application by the Treasurer. Whenever the Treasurer shall exercise such discretion in applying such moneys, he or she shall fix the date (which shall be an Interest Payment Date unless the Treasurer 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 date shall cease to accrue. The Treasurer shall give notice as he may deem appropriate of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be surrendered to the Paying Agent for appropriate endorsement, or for cancellation if fully paid.

Section 1105. No Obligation to Levy Taxes. Nothing in this Resolution shall be construed as imposing on the City any duty or obligation to levy any taxes either to meet any obligation incurred here or to pay the principal of or interest on the Bonds.

ARTICLE XII

DEFEASANCE

Section 1201. Defeasance. When all of the Bonds and interest thereon shall have been paid and discharged, then the requirements contained here and the pledge of revenues made by this Resolution and all other rights granted hereby and thereby shall cease and terminate. Bonds shall be deemed to have been paid and discharged within the meaning of this Resolution if there shall have been deposited with the Paying Agent or a bank located in the State of Kansas and having full trust powers, at or prior to the maturity or redemption date of the Bonds, in trust for and irrevocably appropriated thereto, moneys and/or direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America, which, together with the interest to be earned on such investments, will be sufficient for the payment for the payment of the principal of the Bonds, the redemption premium thereon, if any there be, and interest accrued to the date of maturity or redemption, as the case may be, or if default in such payment shall have accrued on such date, then to the date of the tender of such payments, provided always that if any such Bonds shall be redeemed prior to the maturity thereof, the City shall have elected to redeem such Bonds and notice of such redemption shall have been given. Any moneys which at any time shall be deposited with the Paying Agent or said Kansas bank by or on behalf of the City, for the purpose of paying and discharging any of the Bonds shall be and are hereby assigned, transferred and set over to the Paying Agent or such Kansas bank in trust for the respective Owners of the Bonds, and such moneys shall be and are hereby irrevocably appropriated to the payment and discharge thereof. All moneys deposited with the Paying Agent or said Kansas bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Resolution.

ARTICLE XIII

AMENDMENTS

Section 1301. Amendments. The City may from time to time, without the consent of or notice to any of the Owners, provide for amendment to the Bonds or the Resolution, for any one or more of the following purposes:

- (A) To cure any ambiguity or formal defect or omission in this Resolution or to make any other change not prejudicial to the Owners;
- (B) To grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners;

(C) To more precisely identify the System; or

(D) To conform such Resolution to the Code or future applicable federal law concerning tax-exempt obligations.

The following modifications or amendments to the Bonds or the Resolution shall require the consent of 100% of the Owners of the Bonds:

(A) The extension of the maturity of the principal of any bond, or the extension of the maturity of any interest on the Bonds;

(B) A reduction in the principal amount of any of the Bonds or the rate of interest on the Bonds; or

(C) A reduction in the aggregate principal amount of the Bonds.

Amendments or modifications of the Bonds and the Resolution not listed above may be made at any time by the City with the written consent of the Owners of not less than two-thirds (66.66%) in aggregate principal amount of the Bonds then Outstanding.

Section 1302. Written Evidence of Amendments. Every amendment or modification of a provision of the Bonds or of this Resolution to which the written consent of the Owners is given as above provided shall be expressed in a resolution of the City amending or supplementing the provisions of this Resolution and shall be deemed to be a part of this Resolution. It shall not be necessary to note on any of the Outstanding Bonds any reference to such amendment or modification, if any. Prior to the passage of such resolution, the City shall receive an opinion from Bond Counsel to the effect that the proposed amendment is in compliance with the requirements of the preceding Section and the adoption of the resolution authorizing such amendment will not adversely affect the tax-exempt status of the interest on the Bonds. A certified copy of every such amending or supplemental resolution, if any, and a certified copy of this Resolution shall always be kept on file in the office of the City Clerk and shall be made available for inspection by the Owners of any Bond, or prospective purchaser, or Owners of any Bond authorized by this Resolution, and upon payment of the reasonable cost of preparing the same, a certified copy of any such amendatory or supplemental resolution or of this Resolution will be sent by the City Clerk to any such Owner or prospective Owner.

ARTICLE XIV

TAX COVENANTS

Section 1401. General Covenants.

(A) The City covenants and agrees that (1) it will comply with all applicable provisions of the Code, including Sections 103 and 141 through 150, necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds and (2)

it will not use or permit the use of any proceeds of Bonds or any other funds of the City 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 Bonds. The City 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 Bonds will remain excluded from federal gross income, to the extent any such actions can be taken by the City.

(B) The City covenants and agrees that (1) it will comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds, (2) it will use the proceeds of the Bonds as soon as practicable and with all reasonable dispatch for the purposes for which the Bonds are issued, and (3) it will not invest or directly or indirectly use or permit the use of any proceeds of the Bonds or any other funds of the City in any manner, or take or omit to take any action, that would cause the Bonds to be “arbitrage bonds”, within the meaning of Section 148(a) of the Code.

(C) The City covenants and agrees that it will not use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, in a manner that would cause any Bond to be a “private activity bond” (other than qualified §501(c)(3) bonds) within the meaning of Section 141(a) of the Code.

(D) The Issuer covenants and agrees that it will pay or provide for the payment from time to time all amounts required to be rebated to the United States pursuant to §148(f) of the Code and the Tax Compliance Agreement. This covenant shall survive payment in full or defeasance of the Bonds. The Tax Compliance Agreement may be amended or replaced if, in the opinion of Bond Counsel such amendment or replacement will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Section 1402. Designation of the Bonds as Qualified Tax-Exempt Obligations. The City hereby designates the Bonds to be “qualified tax-exempt obligations” as such term is defined in Section 265(b)(3) of the Code. In addition, the City hereby represents that:

(A) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds which are not “qualified 501(c)(3) bonds”) which will be issued by the City (and all subordinate entities thereof) during the calendar year that the Bonds are issued is not reasonably expected to exceed \$10,000,000; and

(B) the City (including all subordinate entities thereof) will not issue an aggregate principal amount of obligations designated by the City to be “qualified tax-exempt obligations” during the calendar year that the Bonds are issued, including the Bonds, in excess of \$10,000,000, without first obtaining an opinion of Bond Counsel that the designation of the Bonds as “qualified tax-exempt obligations” will not be adversely affected.

The Mayor is hereby authorized to take such other action as maybe necessary to make effective the designation contained in this subsection.

Section 1403. Survival of Covenants. The covenants contained in this Article shall remain in full force and effect notwithstanding the defeasance of Bonds pursuant to Article XII hereof or any other provision of the Resolution until the final maturity date of all Bonds Outstanding.

ARTICLE XV

PROVISIONS RELATING TO THE BOND INSURANCE POLICY

Notwithstanding anything to the contrary in the Security Documents (defined below), the terms and provisions contained in this Article XV and in Article XVI of this Resolution shall control and supersede any conflicting or inconsistent provisions in the Security Documents.

Section 1501. Definitions. In addition to the terms otherwise defined in this Resolution, terms used in Article XV and Article XVI of this Resolution shall have the following meanings:

“BAM” shall mean Build America Mutual Assurance Company, or any successor thereto.

“Insured Obligations” shall mean the Issuer’s Electric System Revenue Bonds Series 2015-A, dated December 14, 2015 in the principal amount of \$6,095,000.

“Issuer” or “City” shall mean the City of Osawatomie, Kansas.

“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, N.A., at its principal office in the City of New York, New York, as its prime or base lending rate (“Prime Rate”) (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

“Policy” shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

“Security Documents” shall mean the Ordinance and the Resolution, and any other trust agreement, indenture, ordinance, loan agreement, lease agreement, bond, note, certificate and/or any additional or supplemental document executed in connection with the Insured Obligations.

Section 1502. Notice and Other Information to be given to BAM. The Issuer will provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement, if any, and (ii) to the holders of Insured Obligations, the Trustee or Paying Agent under the Security Documents. In addition, the Issuer or Trustee, as the case may be, shall provide BAM with the following information regarding the System:

(A) Annual audited financial statements within 270 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the Security Documents), and the Issuer's annual budget within 30 days after the approval thereof, together with such other information, data or reports as BAM shall reasonably request from time to time;

(B) An annual report to be delivered with the annual audited financial statements of the Issuer containing information about:

- i. Electric Production
- ii. Power Supply Requirements
- iii. Supply Agreements
- iv. Cost of Electricity by Source
- v. Largest Electric Utility Customers
- vi. Sales
- vii. Historical Customers
- viii. Rates and Charges
- ix. Future Rate Changes
- x. Electric System Competition
- xi. Historical and Projected Debt Service Coverage

(C) Notice of any draw upon the Bond Reserve Account within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Bond Reserve Requirement and (ii) withdrawals in connection with a refunding of Bonds;

(D) Notice of any default known to the Issuer within five Business Days after knowledge thereof;

(E) Prior notice of the advance refunding, prepayment or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers, if any, thereof;

(F) Notice of the resignation or removal of the Trustee and/or Paying Agent and the appointment of, and acceptance of duties by, any successor thereto;

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

(H) 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 Bonds; and

(I) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Security Documents.

The notice address of BAM is: Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. _____, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

Section 1503. Defeasance. The investments in the defeasance escrow relating to the Insured Obligation shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by BAM.

At least 3 (three) Business Days prior to any defeasance with respect to the Insured Obligations, the Issuer shall deliver to BAM draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Obligations, and a verification report (a “Verification Report”) prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that:

(A) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.

(B) The Issuer will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(C) The Issuer shall not amend the escrow agreement or enter into a forward purchase

agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

Section 1504. Trustee and Paying Agent. BAM shall receive prior written notice of any name change of the trustee (the “Trustee”), if applicable, or, if applicable, the paying agent (the “Paying Agent”) for the Insured Obligations or the resignation or removal of the Trustee or the Paying Agent. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by BAM in writing. No removal, resignation or termination of the Trustee or, if applicable, the Paying Agent shall take effect until a successor, acceptable to BAM, shall be qualified and appointed.

Section 1505. Amendments, Supplements and Consents. BAM’s prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The Issuer shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Insured Obligations.

(A) *Consent of BAM.* Any amendments or supplements to the Security Documents shall require the prior written consent of BAM with the exception of amendments or supplements:

- i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or
- ii. To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or
- iii. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or
- iv. To add to the covenants and agreements of the Issuer in the Security Documents other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power therein reserved to or conferred upon the Issuer/Obligor.

(B) *Consent of BAM in Addition to Bondholder Consent.* Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Insured Obligations or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

(C) *Consent of BAM in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the Issuer must be acceptable to BAM. In the event of any

reorganization or liquidation of the Issuer, BAM shall have the right to vote on behalf of all holders of the Insured Obligations absent a continuing failure by BAM to make a payment under the Policy.

(D) *Consent of BAM upon Default.* Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee or Paying Agent for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without BAM's written consent.

Section 1506. BAM as Owner. Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitation, for purposes of exercising remedies and approving amendments.

(A) *Consent of BAM for acceleration.* BAM's prior written consent is required as a condition precedent to and in all instances of acceleration.

(B) *Grace Period for Payment Defaults.* No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

(C) *Special Provisions for Insurer Default.* If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs (A)-(D) of Section 1505 or paragraphs (A)-(B) above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

Section 1507. BAM as Third Party Beneficiary. BAM is recognized as and shall be deemed to be a third party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

Section 1508. Payment Procedure under the Policy. In the event that principal and/or interest due on the Insured Obligations shall be paid by BAM pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Insured Obligations.

In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Paying Agent or Trustee shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee shall so notify BAM or its designee.

In addition, if the Paying Agent or Trustee has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(A) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Paying Agent or Issuer or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, and (iii) disburse the same to such respective holders; and

(B) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Paying Agent, Issuer or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment

of such principal and an assignment to BAM of the Insured Obligations surrendered to BAM, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from BAM, and (iii) disburse the same to such holders.

The Paying Agent or Trustee shall designate any portion of payment of the principal on the Insured Obligations paid by BAM, 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 Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to BAM, registered in the name directed by BAM, 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 Insured Obligation shall have no effect on the amount of principal or interest payable by the Issuer on any Insured Obligation or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent or Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Insured Obligations, and BAM shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise.

Irrespective of whether any such assignment is executed and delivered, the Issuer and the Paying Agent and Trustee, if applicable, agree for the benefit of BAM that:

(A) They recognize that to the extent BAM makes payments directly or indirectly (*e.g.*, by paying through the Paying Agent or Trustee), on account of principal or interest on the Insured Obligations, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer/Obligor, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and

(B) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the Security Documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

Section 1509. Additional Payments. The Issuer agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and

expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Issuer agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

Notwithstanding anything herein to the contrary, the Issuer agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Policy (“BAM Policy Payment”); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the Issuer, payable to BAM at the Late Payment Rate per annum (collectively, “BAM Reimbursement Amounts”) compounded semi-annually. The Issuer hereby covenants and agrees that the BAM Reimbursement Amounts are payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

Section 1510. Debt Service Reserve Fund and Project Fund.

(A) The prior written consent of BAM shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Bond Reserve Account. Amounts on deposit in the Bond Reserve Account shall be applied solely to the payment of debt service due on the Insured Obligations.

(B) Unless BAM otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the Project Account shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Insured Obligations.

Section 1511. Exercise of Rights by BAM. The rights granted to BAM under the Security Documents to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM’s contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of BAM.

Section 1512. Additional Provisions.

(A) BAM shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not BAM has received a claim upon the Policy.

(B) So long as the Insured Obligations are outstanding or any amounts are due and payable to BAM, the Issuer shall not sell, lease, transfer, encumber or otherwise dispose of the System or any material portion thereof, except upon obtaining the prior written consent of BAM.

(C) No contract shall be entered into or any action taken by which the rights of BAM or security for or source of payment of the Insured Obligations may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of BAM.

(D) If an event of default occurs under any agreement pursuant to which any Obligation of the Issuer has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Obligations or BAM, as BAM may determine in its sole discretion, then an event of default shall be deemed to have occurred under this Resolution and the related Security Documents for which BAM or the Trustee or Paying Agent, if applicable, at the direction of BAM, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing "Obligation" shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Obligations.

ARTICLE XVI

PROVISIONS RELATING TO THE BOND RESERVE POLICY

Section 1601. Bond Reserve Policy Procedures. With respect to the Municipal Bond Debt Service Reserve Insurance Policy, notwithstanding anything to the contrary set forth in the Security Documents the City agrees to comply with the following provisions:

(A) The Issuer shall repay any draws under the Municipal Bond Debt Service Reserve Insurance Policy (the "Bond Reserve Policy") and pay all related reasonable expenses incurred by BAM (the "Bond Insurer"). Interest shall accrue and be payable on such draws and expenses from the date of payment by the Bond Insurer at the Late Payment Rate. "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 ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the 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. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Bond Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the “Policy Costs”) shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Bond Reserve Account established for the Bonds shall be transferred to the Principal and Interest Account for payment of the debt service on the Bonds before any drawing may be made on the Reserve Policy or any other Reserve Fund Credit Instrument in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Reserve Fund Credit Instruments (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Debt Service Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Fund Credit Instruments shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Bond Reserve Account. For the avoidance of doubt, “available coverage” means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(B) Draws under the Reserve Policy may only be used to make payments on Bonds insured by the Bond Insurer.

(C) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of paragraph (A) above, the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Indenture other than (i) acceleration of the maturity of the Bonds, or (ii) remedies which would adversely affect the owners of the Bonds.

(D) This Indenture shall not be discharged until all Policy Costs owing to the Bond Insurer shall have been paid in full. The Issuer’s obligation to pay such amount shall expressly survive payment in full of the Bonds.

(E) The Paying Agent and Issuer shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) hereof and provide notice to the Bond Insurer at least three business days prior to each date upon which interest or principal is due on the Bonds.

(F) The Reserve Policy shall expire on the earlier of the date the Bonds are no longer outstanding and the final maturity date of the Bonds.

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 1701. Notices, Consents and Other Instruments by Owners. Any notice, consent, request, direction, approval, objection or other instrument required by this Resolution to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such instrument or, of the writing appointing any such agent and of the ownership of Bonds, other than the assignment of ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Resolution, and shall be conclusive in favor of the City, the Bond Registrar and Paying Agent with regard to any action taken, suffered or omitted under any such instrument, namely:

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

(B) The fact of ownership of Bonds, the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the registration books of the City maintained by the Bond Registrar.

Section 1702. Severability. In case any one or more of the provisions of this Resolution or of the Bonds issued hereunder shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution, or of the Bonds appertaining thereto, but this Resolution and the Bonds generally shall be construed and enforced as if such illegal or invalid provision had not been contained herein. In case any covenant, stipulation, obligation or agreement contained in the Bonds or in this Resolution shall for any reason be held to be in violation of law, then such covenant, stipulation, obligation or agreement shall be deemed to be the covenant, stipulation, obligation or agreement of the City to the full extent permitted by law.

Section 1703. Further Authority. The officers of the City, including the Mayor and City Clerk, shall be, and they hereby are, authorized and directed to execute all documents and take such actions as they may deem necessary or advisable in order to carry out and perform the purposes of this Resolution to make alterations, changes or additions in the foregoing agreements, statements, instruments and other documents herein approved, authorized and confirmed which they may approve and the execution or taking of such action shall be conclusive evidence of such necessity or advisability. The Mayor and City Clerk are specifically

authorized to execute the Debt Service Reserve Fund Agreement between the City and BAM in connection with the Bond Reserve Policy.

Section 1704. Governing Law. This Resolution shall be governed exclusively by and constructed in accordance with the applicable laws of the State.

Section 1705. Effective Date. This Resolution shall take effect and be in full force from and after its adoption by the governing body.

[Remainder of Page Intentionally Left Blank]

PASSED AND APPROVED by the Governing Body of the City of Osawatomie, Kansas
on December 1, 2015.

APPROVED AND SIGNED by the Mayor

CITY OF OSAWATOMIE, KANSAS

[Seal]

By _____
L. Mark Govea, Mayor

ATTEST:

By _____
Tammy Seamands, City Clerk

CERTIFICATE

I, the City Clerk of Osawatomie, Kansas certify that the above and foregoing is a true and correct copy of Resolution No. _____ (the "Resolution") of the City of Osawatomie, Kansas, adopted by the governing body on December 1, 2015 as the same appears of record in my office, and that said Resolution No. _____ has not been modified, amended or repealed and is in full force and effect as of this date.

Dated: _____

CITY OF OSAWATOMIE, KANSAS

[Seal]

By _____
Tammy Seamands, City Clerk

EXHIBIT A
(FORM OF BOND)

Build America Mutual Assurance Company (“BAM”), New York, New York, has delivered the municipal bond insurance policy (the “Policy”) with respect to the scheduled payments due of principal of and interest on this Bond to the Treasurer of the State of Kansas, Topeka, Kansas, or its successor, as paying agent for the Bonds (the “Paying Agent”). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from BAM or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all rights of BAM as more fully set forth in the Policy.

REGISTERED
NUMBER R-1

REGISTERED
\$6,095,000.00

**UNITED STATES OF AMERICA
STATE OF KANSAS
COUNTY OF MIAMI
CITY OF OSAWATOMIE, KANSAS
ELECTRIC SYSTEM REVENUE BONDS
SERIES 2015-A**

Interest	Maturity	Dated
Rate: 3.50%	Date: September 1, 2035	Date: December 14, 2015

REGISTERED OWNER: Capital One Public Funding, LLC

PRINCIPAL AMOUNT: Six Million Ninety-Five Thousand Dollars (\$6,095,000)

KNOW ALL PERSONS BY THESE PRESENTS: That the City of Osawatomie, in the County of Miami, State of Kansas (the “City”), for value received, acknowledges itself to be indebted and promises to pay to the Owner identified above, or registered assigns, but solely from the sources hereinafter specified, on the Maturity Date identified above, unless called for redemption prior to the Maturity Date, the Principal Amount identified above, and to pay interest on such Principal Amount at the Interest Rate per annum set forth above (computed on the basis of a 360-day year of twelve 30-day months), semiannually on March 1 and September 1 of each year, commencing September 1, 2016 (the “Interest Payment Dates”), until the Principal Amount is paid from the later of the Dated Date hereof or the most recent Interest Payment Date to which interest has been paid.

The principal or redemption price of this Bond shall be paid at maturity or upon earlier redemption to the person in whose name this Bond is registered at the maturity or redemption date thereof, at the principal office of the Treasurer of the State of Kansas, Topeka, Kansas (the "Paying Agent" and "Bond Registrar"). The interest payable on this Bond on any Interest Payment Date shall be paid to the person in whose name this Bond is registered on the registration books maintained by the Bond Registrar at the close of business on the record date for such interest, which shall be the 15th day (whether or not a business day) of the calendar month next preceding the Interest Payment Date (the "Record Dates"). Such interest shall be payable (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) by wire transfer to an Owner upon written notice given to the Paying Agent by such Owner, not less than 15 days prior to the Record Date for such interest, containing the wire transfer address of the bank (which shall be in the United States) to which such Owner wishes to have such wire directed. The principal or redemption price of and interest on the Bonds shall be payable in any coin or currency of the United States of America, that, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. Interest not punctually paid will be paid in the manner established in the within defined Resolution.

The principal of, premium, if any, and all interest on this Bond and all other Bonds of the series of which it is part are made a lien on and are secured by a pledge of the revenues derived from the operation of the City's Electric System (the "System") subject to reasonable operation and maintenance expense, and are to be paid solely and only from a separate and special fund, known and identified as the Revenue Fund, into which there are to be paid from revenues derived from the rates, fees and charges for the use thereof and for all services rendered by and collected by the City from the operation of the System, as the same now exists or may hereafter be altered, repaired, reconstructed, extended, enlarged or improved in accordance with the within defined Ordinance of the City authorizing the Bonds and the Resolution of the City prescribing the form and details of the Bonds. This Bond does not constitute a general obligation of the City, is not payable in any manner from funds raised by taxation, nor does it constitute an indebtedness of the City within the meaning of any constitutional or statutory provision, limitation or restriction.

This Bond shall not be valid or become obligatory for any purpose until the Certificate of Authentication and Registration hereon shall have been lawfully executed by the Bond Registrar.

THE TERMS AND PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF AND SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.

IT IS HEREBY DECLARED AND CERTIFIED that all acts, conditions, and things required to be done and to exist precedent to and in the issuance of this Bond have been properly done and performed and do exist in due and regular form and manner as required by the Constitution and laws of the State of Kansas, and that the total indebtedness of the City, including this series of bonds, does not exceed any constitutional or statutory limitation.

IN WITNESS WHEREOF, the City has caused this Bond to be executed by the manual or facsimile signature of its Mayor and attested by the manual or, facsimile signature of its Clerk, and its corporate seal to be affixed hereto or imprinted hereon, and this Bond to be dated the Dated Date shown above.

CITY OF OSAWATOMIE, KANSAS

[facsimile seal]

By [facsimile signature]
L. Mark Govea, Mayor

ATTEST:

By [facsimiles signature]
Tammy Seamands, City Clerk

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of a series of Electric System Revenue Bonds, Series 2015-A of the City of Osawatomie, Kansas, described in the within-mentioned Resolution.

Registration Date: _____

Treasurer of the State of Kansas
Topeka, Kansas
as Bond Registrar and Paying Agent

By _____

FURTHER TERMS AND PROVISIONS

This Bond is one of an authorized series of Bonds of the City designated “Electric System Revenue Bonds, Series 2015-A,” in the principal amount of \$6,095,000 (the “Bonds”). The Bonds are issued pursuant to a certain Ordinance and a certain Resolution of the City (collectively, the “Resolution”). The Bonds are issued under the Resolution by the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and laws of the State of Kansas, including K.S.A. 10-1201 *et seq.*, all as amended, and all other provisions of the laws of the State of Kansas applicable thereto.

Optional Redemption. (1) At the option of the City, the Bond may be called for redemption and payment prior to maturity on September 1, 2025, or at any time thereafter, in whole on any Payment Date at the Redemption Price of 100% of the principal amount thereof, plus accrued interest to the Redemption Date. (2) In addition, at the option of the City, on any Principal Payment Date, the City may redeem the Bond, in an amount not to exceed \$500,000 annually, at a price of par, plus accrued interest on the principal amount so called for redemption. Any such partial redemption described in subsection (2) shall be applied in inverse order of Stated Maturity.

Mandatory Redemption. This Bond shall be subject to mandatory redemption and payment at the times and in the amount set forth on *Schedule 1* attached to this Bond at the principal amount thereof, plus accrued interest thereon to the date fixed for redemption and payment, without premium. The transfers to the 2015 Principal and Interest Account required by the Resolution shall be sufficient to redeem, and the City agrees to redeem, the principal amount of Bonds at the time and in the amounts set forth on *Schedule 1* attached to this Bond.

The Bonds to be redeemed and paid as described above shall called for redemption by the Paying Agent and the Paying Agent shall give notice thereof to the Owners as herein provided without further instructions from the City.

If this Bond is called for redemption and payment prior to maturity, the City shall cause the Bond Registrar to notify the Owner of the Bonds at the address maintained on the Bond Register, such notice to be given by mailing an official notice of redemption by first class mail at least 30 days prior to the redemption date. All Bonds so called for redemption and payment as aforesaid shall cease to bear interest from and after the date for which such call is made, provided funds are available for the payment of such Bonds at the price hereinbefore specified. A notice of optional redemption may be made conditional upon the deposit of sufficient funds to effectuate the redemption as described in the Resolution.

The City covenants with the Owner of this Bond to keep and perform all covenants and agreements contained in the Resolution, and the City will fix, establish, maintain and collect such rates, fees and charges for the use and services furnished by or through the System, including all repairs; alterations, extensions, reconstructions, enlargements or improvements to the System hereafter constructed or acquired, as will produce revenues sufficient to pay the cost of operation and maintenance of the System, pay the principal of and interest on the Bond as and when the same become due, and provide reasonable and adequate reserve funds. Reference is

made to the Resolution for a description of the covenants and agreements made with respect to the collection, segregation and application of the revenues of the System, the nature and extent of the security of the Bonds, the rights, duties and obligations of the City with respect thereto, and the rights of the Owners thereof.

Upon certain conditions specified in the Resolution, the City may issue Additional Bonds, in addition to the Bonds, for completing the Project being constructed in part from proceeds of the Bonds and for repairs, alterations, extensions, reconstructions, enlargements or improvements to the System hereafter constructed, which Additional Bonds shall be on a parity and co-equal with the Bonds in stature and priority.

The Bonds are issued in fully registered form in the denomination of \$250,000 or any integral multiple of \$5,000 in excess thereof not exceeding the principal amount of the Bonds maturing on any Principal Payment Date. This Bond may be transferred or exchanged, as provided in the Resolution, only on the Bond Register kept for that purpose at the principal corporate trust office of the Bond Registrar, upon surrender of this Bond together with a written instrument of transfer or authorization for exchange satisfactory to the Bond Registrar duly executed by the Owner or the Owner's duly authorized agent, and thereupon a new Bond or Bonds of the same tenor amount shall be issued to the transferee in exchange therefore as provided in the Resolution and upon payment of the charges therein prescribed. The City and the Bond Registrar may deem and treat the Owner hereof as the absolute Owner hereof for purposes of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes and neither the City nor the Bond Registrar shall be affected by any notice to the contrary. The City shall pay all costs incurred in connection with the issuance, payment and initial registration of the Bonds and the cost of a reasonable supply of bond blanks.

LEGAL OPINION

I, the undersigned, City Clerk of the City of Osawatomie, Kansas, hereby certify that the following is a true and correct copy of the approving legal opinion on the within Bond and the series of which it is a part, except that it omits the date of such opinion; that said opinion was manually executed and was dated and issued as of the date of delivery of and payment for the Bonds and is on file in my office.

By [facsimile signature]
Tammy Seamands, City Clerk

(PRINTED LEGAL OPINION)

BOND ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer to

(Name and Address)

(Social Security or Taxpayer Identification No.)

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

Dated _____

Name

Social Security or Taxpayer Identification No.

Signature
(Sign here exactly as name(s) appear on the face of Certificate)

Signature guarantee:

By _____

CERTIFICATE OF CITY CLERK

STATE OF KANSAS)
)
COUNTY OF MIAMI) ss:

I, the undersigned, City Clerk of the City of Osawatomie, Kansas, hereby certify that the within Bond has been duly registered in my office according to law as of December 14, 2015.

WITNESS my hand and official seal.

CITY OF OSAWATOMIE, KANSAS

[facsimile seal]

By [facsimile signature]
Tammy Seamands, City Clerk

CERTIFICATE OF STATE TREASURER

OFFICE OF THE TREASURER, STATE OF KANSAS

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

WITNESS my hand and official seal.

[facsimile seal]

By [facsimile signature]
Treasurer of the State of Kansas

Registration Number: 0213-061-121415-581

SCHEDULE 1
(Payment and Mandatory Redemption Schedule)
City of Osawatomie, Kansas Electric System Revenue Bond, Series 2015-A
Dated December 14, 2015