

CITY OF NORTH BEND, WASHINGTON

WATER AND SEWER REVENUE NOTE (TAXABLE)
(UTILITY LOCAL IMPROVEMENT DISTRICT NO. 7 (MEADOWBROOK))

ORDINANCE NO. 1789

AN ORDINANCE OF THE CITY OF NORTH BEND, WASHINGTON, PROVIDING FOR THE ISSUANCE AND SALE OF A WATER AND SEWER REVENUE NOTE (UTILITY LOCAL IMPROVEMENT DISTRICT NO. 7 (MEADOWBROOK)) IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED \$1,200,000 FOR THE PURPOSE OF PROVIDING FUNDS TO FINANCE IMPROVEMENTS TO THE CITY'S COMBINED WATER, SEWER AND STORM AND SURFACE WATER SYSTEMS AND TO PAY COSTS OF ISSUANCE; MAKING CERTAIN COVENANTS WITH RESPECT TO THE NOTE; PROVIDING THE FORM AND TERMS OF THE NOTE; DELEGATING THE AUTHORITY TO APPROVE THE FINAL TERMS OF THE NOTE; AND AUTHORIZING OTHER MATTERS RELATED THERETO.

PASSED: DECEMBER 6, 2022

PREPARED BY:

PACIFICA LAW GROUP LLP
Seattle, Washington

TABLE OF CONTENTS*

	<u>Page</u>
Section 1. Definitions.....	2
Section 2. Parity Requirements; Authorization of Bonds and Bond Details	8
Section 3. Registration, Exchange and Payments.....	10
Section 4. Right of Prepayment	10
Section 5. Form of Note.....	10
Section 6. Execution of Note	10
Section 7. Application of Note Proceeds	11
Section 8. Not Tax Exempt.....	11
Section 9. Payments into the Bond Fund	11
Section 10. Pledge and Lien Position	13
Section 11. Covenants of the City.....	13
Section 12. Flow of Funds	15
Section 13. Rate Stabilization Fund.....	15
Section 14. Future Parity Bonds	16
Section 15. Separate Utility Systems	19
Section 16. Sale of Note.....	19
Section 17. Ongoing Disclosure; Information to be Provided to the Purchaser	21
Section 18. Amendatory and Supplemental Ordinances.....	21
Section 19. Lost, Stolen or Destroyed Note.....	23
Section 20. Severability; Ratification	23
Section 21. Corrections by Clerk.....	23
Section 22. Effective Date of Ordinance	24
Exhibit A: Form of Note	

* This Table of Contents is provided for convenience only and is not a part of this ordinance.

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WHEREAS, the City of North Bend, Washington (the "City"), previously combined its water system with the City's sewer system to create a combined system, pursuant to Ordinance No. 440 passed by the City Council on May 17, 1977, as amended by Ordinance No. 464 passed by the City Council on July 19, 1977, and the City further combined its storm and surface water drainage system into its combined waterworks utility (together, the "System"), pursuant to Ordinance No. 1251 passed by the City Council on June 19, 2006; and

WHEREAS, as of the date of this ordinance, the City has issued and has outstanding the following senior lien obligations of the System:

Series	Dated Date	Maturity Date	Authorizing Ordinance	Original Principal Amount
Water and Sewer Revenue Bonds, 2019 (the "2019 Bonds")	10/30/2019	08/01/2049	1699	\$ 8,915,000
Water and Sewer Revenue and Refunding Bonds, 2021 (the "2021 Bonds")	08/04/2021	08/01/2051	1746	25,450,000

(The 2019 Bonds and the 2021 Bonds identified above are referred to as the "Outstanding Parity Bonds" and the authorizing ordinances identified above are referred to as the "Outstanding Parity Bond Ordinances"); and

WHEREAS, the Outstanding Parity Bond Ordinances provide that additional water and sewer system revenue bonds or notes may be issued with a lien on Net Revenues of the System and ULID Assessments (each as defined herein) on a parity with the lien of the Outstanding Parity Bonds if certain conditions are met; and

WHEREAS, the Outstanding Parity Bond Ordinances also permit securing System obligations by a pledge of assessments levied in one or more utility local improvement districts (“ULID”) which shall have been created to construct the improvements to be paid for out of proceeds of such obligations; and

WHEREAS, pursuant to Ordinance No. 1780 (“ULID No. 7 Ordinance”), after public hearings thereon, the City Council established a ULID of the City to be known as “Utility Local Improvement District No. 7 (Meadowbrook)” (the “Meadowbrook ULID” or “ULID No. 7”), and ordered the design, construction, and installation of certain improvements, including a sanitary sewer collection system, sewer conveyance system, sewer lift station(s), a forcemain crossing over or under South Fork Snoqualmie River, and necessary appurtenances within ULID No. 7 (the “ULID No. 7 Project”), provided that payment for the ULID No. 7 Project be made by special assessments upon the property in ULID No. 7, and provided for the issuance and sale of bond anticipation notes or other short-term obligations redeemable by Net Revenue and/or by ULID No. 7 revenue bonds; and

WHEREAS, the City Council has determined that the conditions to the issuance of parity bonds have been or will be met and that it is in the best interest of the City to issue a water and sewer revenue note in the principal amount of not to exceed \$1,200,000 (the “Note”) in order to provide interim financing for the ULID No. 7 Project and to pay costs of issuing the Note; and

WHEREAS, the City has received a proposal from Key Government Finance, Inc. (the “Purchaser”) to purchase the Note; and

WHEREAS, the City Council wishes to delegate authority to the Designated Representatives specified herein, for a limited time, to approve the interest rate(s), maturity date, redemption terms, and other terms for the Note within the parameters set by this ordinance;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Definitions. As used in this ordinance, the following words shall have the following meanings, unless the context requires otherwise:

2019 Bonds means the “Water and Sewer Revenue Bonds, 2019” issued pursuant to the 2019 Bond Ordinance.

2019 Bond Ordinance means Ordinance No. 1699 of the City passed on October 1, 2019.

2021 Bond Ordinance means Ordinance No. 1746 of the City passed on May 4, 2021.

2021 Bonds means the “Water and Sewer Revenue and Refunding Bonds, 2021” issued pursuant to the 2021 Bond Ordinance.

Annual Debt Service means, in any calendar year, that year’s total of principal and interest requirements for the then-outstanding Parity Bonds (excluding the principal maturity of any Parity Bonds issued as term bonds), plus any mandatory sinking fund or mandatory bond redemption requirement for such Parity Bonds for that year, less all capitalized interest payable that year from the proceeds of such Parity Bonds.

Assessment Bonds means, as of its date of calculation, that portion of all Parity Bonds outstanding equal to the aggregate principal amount of nondelinquent ULID Assessments then remaining to be collected and paid into the Bond Fund plus the principal amount of ULID Assessments previously paid into and then on deposit in the Bond Fund.

Average Annual Debt Service means, in any calendar year, the sum of the Annual Debt Service of the then-outstanding Parity Bonds, divided by the number of years such Parity Bonds are scheduled to remain outstanding.

Bonds means the City’s Water and Sewer Revenue Bonds, 20XX (Utility Local Improvement District No. 7 (Meadowbrook)) authorized to be issued in one or more series to pay and redeem the Note.

City means the City of North Bend, Washington, a municipal corporation duly organized and existing by virtue of the laws of the State.

City Administrator means the duly appointed and acting City Administrator of the City, or the successor of such office.

City Clerk means the duly appointed and acting City Clerk of the City, or the successor of such office.

Closing means the date of delivery of the Note to the Purchaser.

Code means the Internal Revenue Code of 1986 as it may be amended, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

Commission means the United States Securities and Exchange Commission.

Council or City Council means the City Council as the general legislative authority of the City, as duly and regularly constituted from time to time.

Coverage Requirement means, in any calendar year, an amount of Net Revenue at least equal to 1.25 times the Annual Debt Service in that year on Parity Bonds that are not Assessment Bonds and, for Assessment Bonds, in any calendar year Coverage Requirement means an amount of ULID Assessments collections together with Net Revenue that is available after satisfying the Coverage Requirement on bonds that are not Assessment Bonds, at least equal to

1.00 times the Annual Debt Service in that year on such Assessment Bonds. Furthermore, in calculating the Coverage Requirement adjustments shall be made to Annual Debt Service for each calendar year by subtracting any amount scheduled to be received in that calendar year by the City as a federal credit payment with respect to Parity Bonds designated by the City as federal tax credit bonds, including but not limited to build America bonds and similar “direct-pay” tax credit bond programs.

Covered Bonds mean those Future Parity Bonds designated in the Parity Bond Ordinance authorizing their issuance as Covered Bonds secured by the Reserve Account. The Note is not a Covered Bonds.

Default Rate means the fixed rate of the Note, plus 4% (400 basis points).

Designated Representative means the Mayor, City Administrator and the Finance Director of the City and any successor to the functions of such offices. The signature of one Designated Representative shall be sufficient to bind the City.

Event of Default means the declaration by the Registered Owner of the Note of an event of default as a result of a reasonable determination by the Registered Owner that there has been: (i) a failure of the City to pay principal of or interest on the Note when due, as provided in this ordinance, the Note Purchase Contract and the Note; (ii) a failure by the City to comply with any of its obligations or to perform any of its duties, under this ordinance, the Note Purchase Contract or the Note, which failure continues, and is not cured, for a period of more than ninety (90) days after the Registered Owner has made written notice to the City to cure such failure; or, (iii) a material misrepresentation to the Registered Owner by the City in this ordinance, the Note Purchase Contract or the Note, as reasonably concluded by the Registered Owner after investigation and discussion with the City; provided, however, that no consent or waiver, express or implied, to or of any breach or default in the performance of any obligation under the Note shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation.

Fair Market Value means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm’s length transaction, except for specified investments as described in Treasury Regulation § 1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

Finance Director shall mean the City’s Finance Director or the successor to such officer.

Future Parity Bond Authorizing Ordinance means an ordinance of the City authorizing the issuance and sale and establishing the terms of Future Parity Bonds.

Future Parity Bonds means all revenue bonds and other obligations of the City for borrowed money (including, without limitation, financing leases) issued or incurred after the date of the issuance of the Note, the payment of which constitutes a lien and charge on the Net Revenue and ULID Assessments (if any) equal in rank with the lien and charge upon such revenue and assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Note.

Independent Utility Consultant means a professional consultant experienced with municipal utilities of comparable size and character to the System.

Maximum Annual Debt Service means the maximum amount of Annual Debt Service which is scheduled to become due in any calendar year on all outstanding Parity Bonds.

Mayor means the duly elected Mayor of the City or the successor to such officer.

Net Revenue means the Revenue of the System less the Operating and Maintenance Expense.

Note Purchase Contract means the contract for the purchase of the Note between the Purchaser and City, executed pursuant to this ordinance.

Note Register means the registration records for the Note maintained by the Note Registrar.

Note Registrar means the Finance Director, whose duties include registering and authenticating the Note, maintaining the Note Register, transferring ownership of the Note, and paying the principal of and interest on the Note.

Note means the City's Water and Sewer Revenue Note, 20XX (Taxable) (Utility Local Improvement District No. 7 (Meadowbrook)) authorized to be issued pursuant to this ordinance.

Operating and Maintenance Expense means all reasonable expenses incurred by the City in causing the System to be operated and maintained in good repair, working order and condition, including without limitation payments of premiums for insurance on the System; costs incurred in connection with the acquisition of water or the securing of water rights; payments to any public or private entity for water service, sewage treatment and disposal service or other utility service in the event that the City enters into a contract for such service; pro-rata budget allocations or charges for the City's administration expenses where those represent a reasonable distribution and share of actual costs; and any State-imposed taxes. Operating and Maintenance Expense shall exclude depreciation, taxes levied or imposed by the City, payments-in-lieu-of-taxes paid to the City, capital additions and capital replacements to the System.

Outstanding Parity Bond Ordinances means, together, the ordinances authorizing the issuance of the Outstanding Parity Bonds, as described in the recitals to this ordinance.

Outstanding Parity Bonds means, together, the outstanding 2019 Bonds and 2021 Bonds.

Parity Bond Ordinances means, as applicable to each series of Parity Bonds, the Outstanding Parity Bond Ordinances, this ordinance, and any Future Parity Bond Authorizing Ordinance.

Parity Bonds means any and all revenue bonds or other revenue obligations issued by the City which have a lien upon the Net Revenue and ULID Assessments to pay and secure the payment of the principal thereof and interest thereon equal to the lien created on the Net Revenue and ULID Assessments to pay and secure the payment of the principal of and interest on the Bonds. Upon issuance of the Note, "Parity Bonds" shall include the Outstanding Parity Bonds, the Note and any Future Parity Bonds.

Parity Conditions means, as conditions to the issuance of Future Parity Bonds, the requirements set forth in Section 14 of this ordinance.

Principal and Interest Account means the account of that name previously created in the Bond Fund for the payment of the principal of and interest on all Parity Bonds.

Purchaser means Key Government Finance, Inc., and its successors.

Rate Stabilization Fund means the fund of that name created pursuant to Ordinance No. 1388.

Registered Owner means the person in whose name the Note is registered on the Note Register.

Reserve Account means the account of that name originally created in the Bond Fund.

Reserve Requirement means the dollar amount to be calculated with respect to all Covered Bonds, and separately with respect to other Parity Bonds.

(a) With respect to Covered Bonds, the Reserve Requirement means as of any date an amount equal to the least of (1) 1.25 times the Average Annual Debt Service of all then-outstanding Parity Bonds; (2) Maximum Annual Debt Service of all then-outstanding Parity Bonds; or (3) 10% of the proceeds of all then-outstanding Parity Bonds.

(b) With respect to any other series of Parity Bonds, the Reserve Requirement shall be equal to the amount, if any, specified in the Parity Bond Ordinance authorizing the issuance of such Parity Bonds.

Reserve Surety means any bond insurance, letter of credit, guaranty, surety bond or similar credit enhancement device obtained by the City equal to part or all of the Reserve Requirement for any Parity Bonds which is issued by an institution which has been assigned a

credit rating at the time of issuance of the device in one of the three highest rating categories of Moody's Investors Service, Inc., S&P Global Ratings or Fitch, Inc., or any other rating agency then maintaining a rating on the Bonds.

Revenue of the System or Revenue means all of the earnings and revenues received by the City from the maintenance and operation of the System from any source whatsoever, including but not limited to: revenues from the sale, lease or furnishing of commodities, services, properties or facilities; all earnings from the investment of money in the Bond Fund, which earnings are deposited into the Principal and Interest Account; earnings from the investment of money in any maintenance fund or similar fund; all connection and capital improvement charges collected for the purpose of defraying the cost of capital facilities of the System; and withdrawals from the Rate Stabilization Fund. However, the Revenue of the System shall not include: (a) revenues from general ad valorem taxes; (b) principal proceeds of Parity Bonds or any other borrowings, or earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund obligations relating to the System (until commingled with other earnings and revenues included in the Revenue of the System) or held in a special account for the purpose of paying a rebate to the United States Government under the Code; (c) income and revenue which may not legally be pledged for revenue bond debt service; (d) improvement district assessments; (e) federal or state grants, and gifts from any source, allocated to capital project; (f) federal tax credit payments with respect to bonds issued as build America bonds or similar direct-pay tax credit bonds; (g) payments under bond insurance or other credit enhancement policy or device; (h) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (i) proceeds from the sale of System property; (j) earnings in any construction fund or bond redemption fund; (k) deposits to the Rate Stabilization Fund; or (l) revenue from any Separate System.

Rule means the Commission's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Separate System means any water supply, sewage collection or treatment, stormwater or other utility service or facilities that may be created, acquired or constructed by the City as provided in Section 15 of this ordinance.

State means the State of Washington.

System means the existing waterworks utility of the City, which is composed of the combined water system, sewage system and storm and surface water drainage system of the City, together with all additions thereto and betterments and extensions thereof heretofore or hereafter made.

Term Bonds means those Bonds designated as such by a Designated Representative pursuant to Section 4 of this ordinance.

ULID means a utility local improvement district of the City.

ULID Assessments means all assessments levied and collected in any ULID of the City created for the acquisition or construction of additions to and extensions and betterments of the System, if such assessments are pledged to be paid into the Bond Fund (less any prepaid assessments permitted by law to be paid into a construction fund or account). ULID Assessments shall include any installments of assessments and interest or penalties which may be due thereon and shall exclude any assessments paid during the prepayment period for any ULID.

ULID No. 7 means Utility Local Improvement District No. 7 (Meadowbrook), created by the ULID No. 7 Ordinance for the purpose of paying the costs of the ULID No. 7 Project.

ULID No. 7 Ordinance means Ordinance No. 1780 passed by the City Council on August 2, 2022, ordering the formation of ULID No. 7.

ULID No. 7 Project means the improvements within ULID No. 7 as authorized in the ULID No. 7 Ordinance.

ULID No. 7 Project Fund has the meaning set forth in Section 7 of this ordinance.

Section 2. Parity Requirements; Authorization of Bonds and Bond Details.

(a) *Findings; Parity Requirements.* In accordance with the Outstanding Parity Bond Ordinances, which permit the issuance of additional Parity Bonds upon compliance with the conditions set forth therein, the City hereby finds and determines, as follows:

(1) The Note is being issued for lawful purposes of the City related to the System.

(2) There is not now and at the time of closing of the Note there shall not be any deficiency in the Bond Fund, the Principal and Interest Account or the Reserve Account.

The applicable conditions of the Outstanding Parity Bond Ordinances having been or to be complied with in connection with the issuance of the Bonds, the pledge contained herein of Net Revenue and ULID Assessments to pay and secure the payment of the Note shall constitute a lien and charge upon such Net Revenue and ULID Assessments equal in rank with the lien and charge upon the Net Revenue and ULID Assessments to pay and secure the payment of the Outstanding Parity Bonds.

(b) *Additions and Betterments to the System.* The Council hereby finds that the public interest, welfare and convenience require the design, construction, and installation of the ULID No. 7 Project, and that said improvements are legally required and/or economically sound, and will contribute to the conduct of the business of the System in an efficient manner. The City shall provide all equipment, connections and appurtenances together with all work as may be incidental and necessary to complete the ULID No. 7 Project.

The City shall acquire by purchase, lease or condemnation, all property, both real and personal, or any interest therein, or rights-of-way and easements that may be found necessary to acquire, construct and install the ULID No. 7 Project.

(c) *Authorization of Bonds.* For the purpose of providing funds to finance and/or refinance the ULID No. 7 Project, including costs of issuing the Note and the Bonds, there shall be issued and sold special limited obligations of the City to be designated the “City of North Bend, Washington, Water and Sewer Revenue Bonds, 20[] (Utility Local Improvement District No. 7 (Meadowbrook))” in an amount at least sufficient to pay the principal of and interest on the Note or any additional notes issued to redeem the Note on or before maturity, to the extent not paid from other sources.

The Bonds to be issued shall be in such series, principal amounts, denomination(s) and form; shall be dated and bear interest at such rate or rates; shall be payable at such place or places; shall have such option of payment prior to maturity; shall contain and be subject to such covenants; may be combined with any subsequently authorized bonds and issued as a single combined series, as provided hereafter by ordinance of the Council. The Bonds shall be payable from Net Revenue and ULID Assessments on a parity of lien on such revenue with the outstanding Parity Bonds. The Bonds shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other charges whatsoever.

(d) *Authorization of Note.* For the purpose of providing funds to finance, refinance and/or reimburse the City for costs of the ULID No. 7 Project and paying costs of issuance, the City is hereby authorized to issue its water and sewer revenue note (the “Note”) in the aggregate principal amount of not to exceed \$1,200,000.

(e) *Description of Note.* The Note shall be designated the “City of North Bend, Washington, Water and Sewer Revenue Note, 20XX (Taxable) (Utility Local Improvement District No. 7 (Meadowbrook))” with such series designation as set forth in the Note and approved by a Designated Representative. The Note shall be dated as of Closing; shall be fully registered as to both principal and interest; shall be in one denomination; shall be numbered in such manner and with any additional designation as the Note Registrar deems necessary for purposes of identification; shall be fully funded at Closing; shall bear interest from its date payable at the rate (subject to the Default Rate) on the dates and commencing as provided in the Note Purchase Contract; and shall mature on the date set forth in the Note Purchase Contract. Interest on the Note shall be calculated per annum on the basis of a 360-day year of twelve 30-day months, unless otherwise provided in the Note Purchase Contract and the Note. If the City fails to pay principal of or interest on the Note when due, then the unpaid payment shall accrue interest at the Default Rate until such payment default is cured, and for any Event of Default, that is not cured within 90 days written notice thereof to the City, then the entire principal on the Note shall bear interest at the Default Rate until such Event of Default is cured.

(f) *Limited Obligation.* The Note shall be a special limited obligation of the City payable only from the funds and secured as provided herein. The Note does not constitute an indebtedness of the City within the meaning of the constitutional provisions and limitations of the State or chapter 39.36 RCW. The full faith and credit of the City is not pledged to the repayment of the Note.

Section 3. Registration, Exchange and Payments.

(a) *Registrar/Note Registrar.* The Finance Director shall act as Note Registrar. The Note Registrar is authorized, on behalf of the City, to authenticate and deliver the Note if transferred or exchanged in accordance with the provisions of the Note and this ordinance and to carry out all of the Note Registrar's powers and duties under this ordinance.

(b) *Registered Ownership.* The City and the Note Registrar may deem and treat the Registered Owner of the Note as the absolute owner for all purposes, and neither the City nor the Note Registrar shall be affected by any notice to the contrary. Payment of the Note shall be made only as described in subsection (d) below. All such payments made as described in subsection (d) below shall be valid and shall satisfy the liability of the City upon the Note to the extent of the amount so paid.

(c) *Transfer or Exchange of Registered Ownership.* The Purchaser shall have the right at any time to assign, transfer or convey the Note in whole but no such assignment, transfer or conveyance shall be effective as against the City unless and until the Purchaser has delivered to the City prior 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 Purchaser or (ii) banks, wholly-owned direct or indirect subsidiaries of banks or bank holding companies, insurance companies or other financial institutions or their affiliates that signs a qualified purchaser letter in substantially the same form as provided by the Purchaser in connection with the issuance of the Note and otherwise satisfactory to the City.

(d) *Place and Medium of Payment.* Both principal of and interest on the Note shall be payable in lawful money of the United States of America. Principal on the Note shall be payable by check or warrant or by other means mutually acceptable to the Purchaser and the City. Interest shall be payable as provided in Section 3. Upon final payment of principal of and interest on the Note, the Registered Owner shall surrender the Note for cancellation at the office of the Note Registrar.

Section 4. Right of Prepayment. The City reserves the right to prepay and redeem the Note as provided in the Note and in the Note Purchase Contract.

Section 5. Form of Note. The Note shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference, with such changes thereto as may be approved by a Designated Representative.

Section 6. Execution of Note. The Note shall be executed on behalf of the City with the manual or facsimile signatures of the Mayor and City Clerk of the City and the seal of the City shall be impressed, imprinted or otherwise reproduced thereon.

Only such Note as shall bear thereon a Certificate of Authentication in the form in Exhibit A, manually executed by the Note Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this ordinance. Such Certificate of Authentication shall be conclusive evidence that the Note so authenticated has been duly executed, authenticated and delivered hereunder and is entitled to the benefits of this ordinance.

In case either of the officers who shall have executed the Note shall cease to be an officer or officers of the City before the Note so signed shall have been authenticated or delivered by the Note Registrar, or issued by the City, such Note may nevertheless be authenticated, delivered and issued and upon such authentication, delivery and issuance, shall be as binding upon the City as though those who signed the same had continued to be such officers of the City. The Note may also be signed and attested on behalf of the City by such persons who, at the date of the actual execution of the Note, are the proper officers of the City, although at the original date of such Note any such person shall not have been such officer of the City.

Section 7. Application of Note Proceeds. Proceeds of the Note shall be deposited into the project fund, which is hereby authorized to be created (the "ULID No. 7 Project Fund"), and used to pay the costs of the ULID No. 7 Project Fund and costs of issuance of the Note. The Finance Director may invest money in the ULID No. 7 Project Fund in legal investments for City funds. Earnings on such investments shall accrue to the benefit of the ULID No. 7 Project Fund.

Section 8. Not Tax Exempt. Interest on the Note is not intended to be exempt from federal income taxation.

Section 9. Payments into the Bond Fund. The Bond Fund has been previously created and established in the office of the Finance Director as a special fund of the City, consisting of two accounts, each held separate and apart from the other: the Reserve Account and the Principal and Interest Account. The City may create sinking fund subaccounts or other subaccounts in the Bond Fund for the payment or securing of the Parity Bonds as long as the maintenance of such subaccounts does not conflict with the rights of the owners of any such Parity Bonds.

(a) The City hereby covenants and agrees that all ULID Assessments shall be deposited into the Principal and Interest Account of the Bond Fund.

(b) In addition to the required deposits for the Outstanding Parity Bonds and any Future Parity Bonds, so long as the Note is Outstanding, the Finance Director shall set aside and pay into the Bond Fund out of the Net Revenue, a fixed amount without regard to any fixed proportion, as follows:

(1) Into the Principal and Interest Account, on or before each debt service payment date, an amount which, together with ULID Assessments and other money on deposit therein, will be sufficient to pay interest coming due and payable on the next debt service payment date;

(2) Into the Principal and Interest Account, on or before each debt service payment date, an amount which, together with ULID Assessments and other money on deposit therein, will be sufficient to pay principal coming due and payable on the next debt service payment date, including mandatory redemption amounts due on that date with respect to any Term Bonds;

(3) Into the Reserve Account, with respect to any Covered Bonds:

(A) on the date of issue of such Covered Bonds, an amount which, together with other money and Reserve Sureties on deposit in the Reserve Account, will be equal to the Reserve Requirement for the then outstanding Parity Bonds that are Covered Bonds;

(B) at least annually, regular installments of amounts that will cause the additional amount required to be deposited due to the issuance of Future Parity Bonds that are Covered Bonds to be accumulated by no later than five years from the date of such issue; or

(C) on the date of issue, one or more Reserve Sureties the face amount of which, together with any amount deposited under subsection (A), above, are equal to the Reserve Requirement for the outstanding Parity Bonds that are Covered Bonds.

(4) Into any other reserve account created in the future for the payment of debt service on Parity Bonds as set forth in the applicable Parity Bond Ordinance.

(c) The Note is not a Covered Bond and will not be secured by a reserve account. The Reserve Requirement with respect to the Note is zero. The City covenants and agrees that it will at all times that any Covered Bonds remain outstanding, maintain in the Reserve Account an amount (including the face amount of any Reserve Surety permitted to be deposited therein) equal to the Reserve Requirement, except for withdrawals authorized in this subsection.

(1) Whenever there is a sufficient amount in the Principal and Interest Account and the Reserve Account to pay the principal of, premium, if any, and interest on all Covered Bonds then outstanding, the money in the Reserve Account may be used to pay such principal, premium, if any, and interest. Money in the Reserve Account may be withdrawn to redeem and retire, by payment of principal, premium, if any, and the interest due to such date of redemption, any outstanding Covered Bonds so long as the value of deposits remaining on deposit in the Reserve Account are equal to the Reserve Requirement.

(2) If the amount in the Principal and Interest Account is insufficient to make any debt service payment with respect to any Covered Bonds, such insufficiency shall be made up from the Reserve Account by the withdrawal of money therefrom. Any deficiency created in the Reserve Account by reason of any such withdrawal shall be made up from the Net Revenue or ULID Assessments that are first available after making necessary provisions for the required payments into the Principal and Interest Account.

(d) All money in any Bond Fund may be kept in cash or may be invested in any legal investment for City funds, maturing not later than the date when needed (for investments in the Principal and Interest Account) or the last maturity of any outstanding Parity Bonds (for investments in the Reserve Account), but only to the extent that the same are acquired, valued and disposed of at Fair Market Value.

(e) Income from the investments in the Principal and Interest Account shall be retained in that account. Income from investments in the Reserve Account shall be retained in that account until the amount therein is equal to the Reserve Requirement, and any excess

shall be deposited into the Principal and Interest Account. If the value of the money and investments in the Reserve Account exceeds the Reserve Requirement, the excess shall be transferred to the Principal and Interest Account. The City may, at any time, value the amount on deposit in the Reserve Account and any other reserve accounts securing the payment of Parity Bonds and may transfer any excess to the Principal and Interest Account as provided in this subsection (e).

Section 10. Pledge and Lien Position. The City hereby irrevocably covenants that it will issue the Bonds or refunding notes in amounts sufficient to pay such principal and interest on the Note as the same shall become due. Such proceeds are hereby pledged irrevocably to the payment of the Note.

The Net Revenue and all ULID Assessments are pledged for the payment of the Parity Bonds, including the Note. This pledge shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other liens and charges whatsoever, except that the amounts so pledged are of equal lien to the charges upon the Net Revenue and ULID Assessments which have been pledged to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds, and which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

Section 11. Covenants of the City. The City covenants and agrees so long as the Note is outstanding as follows:

(a) *Rates and Charges; Coverage.* The City will establish, maintain, revise as necessary, and collect rates and charges for services furnished by the System that will be sufficient to produce Net Revenue in each calendar year, which, together with ULID Assessments that are collected in such year and other revenue available therefor, will be at least equal to the Coverage Requirement.

(b) *Maintenance and Repair.* The City will at all times maintain and keep the System in good repair, working order and condition, and also will at all times operate such utility and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) *ULID Assessments.* The City will collect promptly all ULID Assessments. Such ULID Assessments may be used to pay the principal of or interest on any bonds payable out of the Bond Fund without those ULID Assessments being particularly allocated to the payment of principal of or interest on any particular series of Parity Bonds.

(d) *Sale or Transfer of System.* The City may sell, transfer or otherwise dispose of any or all of the works, plant, properties, facilities or other part of the System or any real or personal property comprising a part of the System only consistent with one or more of the following:

(1) The City in its discretion may carry out such a sale, transfer or disposition (each, as used in this subparagraph, a “transfer”) if the facilities or property transferred are not material to the operation of the System, or shall have become

unserviceable, inadequate, obsolete or unfit to be used in the operation of the System or are no longer necessary, material or useful to the operation of the System; or

(2) The City in its discretion may carry out such a transfer if the aggregate depreciated cost value of the facilities or property being transferred under this subparagraph (2) in any fiscal year comprises no more than 3% of the total assets of the System; or

(3) The City in its discretion may carry out such a transfer if the City receives from the transferee an amount equal to the greater of the following:

(A) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Revenue of the System from the portion of the System sold or disposed of for the preceding year bears to the total Revenue for that period; or

(B) An amount which will be in the same proportion to the net amount of Parity Bonds then outstanding (as defined above) that the Net Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue for such period; or

(C) An amount equal to the fair market value of the portion of the System transferred. As used in this section, "fair market value" means the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the willing buyer and willing seller each acting prudently and knowledgeably and assuming that the price is not affected by coercion or undue stimulus.

The proceeds of any transfer under this subparagraph (3) shall be used, first, to promptly redeem (or shall be irrevocably set aside for the redemption of) Parity Bonds, and, if any proceeds remain, second, to provide for part of the cost of additions to and betterments and extensions of the System.

(e) *Books and Records.* The City will keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System, and it will furnish the Registered Owner of the Note, at the written request of such Registered Owner, complete operating and income statements of the System in reasonable detail covering any calendar year not more than 120 days after the close of such calendar year and it will grant any registered owners of at least 25% of the then-outstanding Parity Bonds the right at all reasonable times to inspect the entire System and all records, accounts and data of the City relating thereto. Upon request of any registered owner of any of the Parity Bonds, it also will furnish to such registered owner a copy of the most recently completed audit of the City's accounts by the State Auditor.

(f) *No Free Service.* The City will not furnish any service of the System to any customer whatsoever free of charge, except as permitted in aid of the poor and infirm in

conformance with the State Constitution, and will take prompt legal action to enforce collection of all delinquent accounts.

(g) *Insurance.* The City will at all times carry fire and such other forms of insurance on such of the buildings, equipment, facilities and properties of the City as under good practice are ordinarily carried on such buildings, equipment, facilities and properties by utilities engaged in the operation of water and sewer systems to the full insurable value thereof, and also will carry adequate public liability insurance at all times.

(h) *Operating and Maintenance Expense.* The City will pay all Operating and Maintenance Expense and otherwise meet the obligations of the City as herein set forth.

Section 12. Flow of Funds. The City will use, pay out and distribute the Revenue of the System in the following order of priority:

- (a) To pay Operating and Maintenance Expense;
- (b) To meet the debt service requirements with respect to the Parity Bonds by making payments into the Principal and Interest Account;
- (c) To make required payments into the Reserve Account to secure the payment of any Covered Bonds, and into any other reserve fund created in the future for the payment of debt service on Parity Bonds;
- (d) To meet the debt service requirements on any bonds or other obligations having a charge and lien on the Net Revenue and ULID Assessments (if any) junior to the Parity Bonds; and
- (e) To redeem and retire any then-outstanding Parity Bonds or to purchase any or all of those Parity Bonds in the open market as provided in those bonds in the open market, or to make necessary betterments and replacements of or repairs, additions or extensions to the System, or for any other lawful purpose.

The City will not create any special fund or funds for the payment of the principal of and interest on any other revenue bonds which will have any priority over or which will rank on a parity with the payments required by the Parity Bond Authorizing Ordinances to be made out of the Revenue of the System and ULID Assessments, nor will it issue Parity Bonds except as permitted pursuant to the Parity Conditions and Section 14 of this ordinance.

Section 13. Rate Stabilization Fund. There is created and established in the office of the Finance Director, a Rate Stabilization Fund. The City may at any time, as determined by the Finance Director and consistent with this ordinance, deposit into the Rate Stabilization Fund amounts from Revenue of the System and any other money received by the System and available to be used for that purpose, excluding principal proceeds of any Future Parity Bonds. The Finance Director may at any time withdraw money from the Rate Stabilization Fund for inclusion in the Net Revenue for the current fiscal year of the System, except that the total amount withdrawn from the Rate Stabilization Fund in any calendar year may not exceed the total debt service of the System in that year. Such deposits or withdrawals may be made up to

and including the date 90 days after the end of the calendar year for which the deposit or withdrawal will be included as Net Revenue. Earnings from investments in the Rate Stabilization Fund shall be deposited in that fund and shall not be included as Net Revenue unless and until withdrawn from that fund as provided in this section. The Finance Director may also deposit earnings from investments in the Rate Stabilization Fund into any System fund as authorized by ordinance, and such deposits shall be included as Net Revenue in the year of deposit. No deposit may be made into the Rate Stabilization Fund to the extent that such deposit would prevent the City from meeting the Coverage Requirement in the relevant calendar year.

Section 14. Future Parity Bonds.

(a) *Future Parity Bonds; Parity Conditions.* The City covenants and agrees with the Registered Owner of the Note that, for as long as the Note remains outstanding, the City will not issue any bonds having a greater or equal priority of lien upon the Net Revenue and ULID Assessments to pay and secure the payment of the principal of and interest on the Parity Bonds except upon satisfaction of the conditions set forth below. Nothing herein contained shall prevent the City from issuing revenue bonds to refund maturing Parity Bonds for the payment of which moneys are not otherwise available.

(b) The City reserves the right, upon compliance with the conditions set forth below, to issue Future Parity Bonds and to pledge that payments will be made out of the Revenue of the System into the Bond Fund and the accounts therein to pay and secure the payment of the principal of and interest on such Future Parity Bonds on a parity with the payments required to be made out of such moneys into the Bond Fund and its accounts to pay and secure the payment of the principal of and interest on any Parity Bonds then outstanding.

Future Parity Bonds may be issued only for the purposes of: first, providing funds to acquire, construct, reconstruct, install or replace any equipment, facilities, additions, betterments or other capital improvements to the System pursuant to a plan or plans of additions and betterments thereto hereafter adopted, or, second, refunding at or prior to their maturity, any part or all of any outstanding revenue bond anticipation notes, or revenue bonds, or other obligations payable out of the Revenue of the System.

(c) *Parity Conditions.* Future Parity Bonds may be issued only upon compliance with the following conditions:

(1) At the time of the issuance of any Future Parity Bonds there may be no deficiency in the Bond Fund, the Principal and Interest Account, the Reserve Account or the other funds and accounts held therein.

(2) With respect to Covered Bonds, the Future Parity Bond Authorizing Ordinance must provide for the deposit into the Reserve Account of any combination of Future Parity Bond proceeds, Reserve Sureties, or other money legally available, in the amount necessary (if any) to make the amount on deposit in the Reserve Account equal to the Reserve Requirement, which may include the deposit of approximately equal annual installments that will

provide for full funding of the Reserve Requirement no later than five years after the date of issuance of the Future Parity Bonds that are Covered Bonds.

(3) If Future Parity Bonds are to be issued as term bonds, the Future Parity Bond Authorizing Ordinance shall provide for a schedule of mandatory sinking fund redemption payments to be made into the Principal and Interest Account sufficient to amortize the principal of such term bonds on or before the maturity date thereof.

(4) The Future Parity Bond Authorizing Ordinance authorizing the issuance of such Future Parity Bonds shall provide that ULID Assessments levied in any ULIDs created to pay part of the cost of improvements to the System for which such Future Parity Bonds are issued shall be paid into the Bond Fund.

(5) *Parity Certificate.*

(i) *Certificate of an Independent Utility Consultant.* The City shall have on file a certificate of an Independent Utility Consultant showing that, in his or her professional opinion, the “Adjusted Net Revenue” and the “Estimated Assessment Income” (as such terms are defined below) for each calendar year after the issuance of such Future Parity Bonds will equal at least 1.25 times the “Future Average Annual Debt Service” (as defined below). The Independent Utility Consultant may rely upon, and the Consultant’s certificate shall have attached to it, financial statements of the System, showing income and expenses for the period upon which the same is based. The Independent Utility Consultant’s certificate shall be conclusive and the only evidence required to show compliance with the provisions and requirements of these Parity Conditions; or

(ii) *Certificate of Finance Director.* In lieu of the certificate of an Independent Utility Consultant, the City may have on file a certificate of the Finance Director showing that that Net Revenue and Estimated Assessment Income in any 12 consecutive months out of the most recent 24 months preceding the delivery of the Future Parity Bonds then proposed to be issued, as determined from the financial statements of the System (which may not be audited), were not less than 1.25 times Future Average Annual Debt Service. In issuing such certificate the Finance Director shall reflect in the certificate the Net Revenue he or she estimates would have been collected in such 12-month period if the City Council at any time on or prior to the date of delivery of the Future Parity Bonds proposed to be issued had adopted any adjustment in the rates, fees and charges collected by the City for the services to the System if such new rates, fees and charges had been in effect for the entire 12 month period.

(6) *Refunding Bonds.* Notwithstanding the foregoing requirement for a parity certificate, if Future Parity Bonds are to be issued for the purpose of refunding at or prior to their maturity any part or all of the then-outstanding Parity Bonds and the issuance of such refunding Future Parity Bonds will result in a debt service savings and does not require an increase of more than \$5,000 in any fiscal or calendar year for principal of and interest on such refunding Future Parity Bonds over and above the amount required in such year for the principal of and interest on the Parity Bonds being refunded thereby, a certificate described in (5) above is not required.

(d) *Definitions.* As used in these Parity Conditions, the following capitalized terms have the following meanings:

(1) “Future Annual Debt Service” means the amount required to be paid in a calendar year for (i) interest on all Parity Bonds then outstanding including the Future Parity Bonds proposed to be issued, plus (ii) the principal of all Parity Bonds then outstanding including the Future Parity Bonds proposed to be issued, minus (iii) the amounts scheduled to be received in that calendar year by the City as a federal credit payment with respect to Parity Bonds designated by the City as federal tax credit bonds, including but not limited to build America bonds and similar “direct-pay” tax credit bond programs.

(2) “Future Average Annual Debt Service” means (i) the total Future Annual Debt Service for the calendar years in which all Parity Bonds including the Future Parity Bonds proposed to be issued are outstanding divided by the number of such calendar years, minus (ii) the amounts scheduled to be received in that calendar year by the City as a federal credit payment with respect to Parity Bonds designated by the City as federal tax credit bonds, including but not limited to Build America Bonds and similar “direct-pay” tax credit bond programs.

(3) “Adjusted Net Revenue” means Net Revenue for a period of any 12 consecutive months out of the 24 months immediately preceding the issue date of the proposed Future Parity Bonds for each calendar year after such issue date, for so long as any Parity Bonds, including the Future Parity Bonds proposed to be issued, remain outstanding, which Net Revenue calculation may be adjusted by the Independent Utility Consultant to take into consideration certain changes in Net Revenue estimated to occur under the certain conditions, as follows:

(A) The additional Net Revenue, which would have been received if any change in rates and charges adopted prior to the date of the Independent Utility Consultant’s certificate and subsequent to the beginning of such eighteen-month period, had been in force during the full twelve-month period;

(B) The additional Net Revenue, which would have been received if any facility of the System, which became fully operational after the beginning of such twelve-month period had been so operating for the entire period;

(C) The additional Net Revenue estimated by such Independent Utility Consultant to be received as a result of any additions, betterments and improvements to and extensions of any facilities of the System which are (a) under construction as of the date of the Consultant’s certificate, or (b) will be constructed from the proceeds of the Future Parity Bonds to be issued;

(D) The additional Net Revenue estimated by such Independent Utility Consultant to be received if any customers added to the System during such twelve-month period were customers for the entire period; and

(E) The additional Net Revenue estimated to be received from anticipated growth in customers not to exceed 2% per year for a period of not more than ten years after delivery of such proposed Future Parity Bonds.

(4) “Estimated Assessment Income” for each calendar year shall be determined as follows:

(A) by deducting from the principal amount of unpaid ULID Assessments levied by the City in each applicable ULID and payable into the Bond Fund for estimated nonpayment an amount equal to 5% of such unpaid principal;

(B) by dividing the principal balance remaining after such deduction by the number of years in which installments on each such assessment roll may be paid without becoming delinquent; and

(C) by adding to the amount found for each year the interest due and payable on such installments.

(e) *Subordinate Bonds.* Nothing herein contained shall prevent the City from (1) issuing revenue bonds or other obligations which are a charge upon the Net Revenue junior or inferior to the payments required by Parity Bond Ordinances to be made out of the Net Revenue into the Bond Fund and the Accounts therein to pay and secure the payment of the then outstanding Parity Bonds, and (2) securing such junior lien revenue bonds by pledge of assessments levied in one or more ULIDs which shall have been created to construct the improvements to be paid for out of the proceeds of such junior lien revenue bonds.

Section 15. Separate Utility Systems. The City may create, acquire, construct, finance, own and operate one or more additional systems for water supply, sewer service, water, sewage or stormwater transmission, treatment or other commodity or utility service. The revenue of that Separate System, and any ULID assessments payable solely with respect to improvements to a Separate System, shall not be included in the Revenue of the System and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate System. Neither the Revenue of the System nor the Net Revenue may be pledged to the payment of any obligations of a separate utility Separate System except that the Net Revenue may be pledged on a basis subordinate to the lien on such revenue to the lien of the Parity Bonds.

Section 16. Sale of Note.

(a) *Note Sale.* The Council has determined that it would be in the best interest of the City to delegate for a limited time the authority to approve the final terms of the Note. Subject to the terms and conditions set forth in this Section 16, each Designated Representative is hereby authorized (i) to approve the principal payment date(s), dated date, denomination, interest payment date(s), redemption/prepayment provisions and interest rate or rates for the Note issued under the terms of this ordinance, (ii) to execute the Note Purchase Contract and/or other documents necessary for the sale of the Note to the Purchaser (including but not limited to a rate lock agreement); (iii) to agree to any additional terms and covenants that are in the best interest

of the City and consistent with this ordinance; and (iv) to execute the sale of the Note to the Purchaser. Notwithstanding the foregoing, the sale of the Note to the Purchaser shall be subject to the following conditions:

- (1) the principal amount of the Note does not exceed \$1,200,000,
- (2) the final maturity of the Note is no later than three years from the Closing,
- (3) the interest rate on the Note does not exceed 6.5%, subject to the Default Rate;
- (4) the Default Rate does not exceed the interest rate on the Note by more than 4% (400 basis points), and
- (5) the Note otherwise conforms to all other terms of this ordinance.

(b) *Report to Council; Expiration of Authority.* Following the sale of the Note, a Designated Representative shall provide a report to the Council describing the sale and final terms of the Note approved pursuant to the authority delegated in this section. The authority granted to the Designated Representatives by this Section 16 shall expire on June 1, 2023. If the Note authorized herein has not been sold by June 1, 2023, the Note shall not be issued nor its sale approved unless the Note shall have been re-authorized by ordinance of the Council. The ordinance re-authorizing the issuance and sale of such Note may be in the form of a new ordinance repealing this ordinance in whole or in part or may be in the form of an amendatory ordinance approving the sale of the Note or establishing terms and conditions for the authority delegated under this Section 16.

(c) *Delivery of Note; Documentation.* Upon the passage and approval of this ordinance, the proper officials of the City including the Designated Representatives and City Clerk are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Note to the Purchaser and further to execute all closing certificates, agreements, and documents required to effect the closing and delivery of the Note in accordance with the terms of this ordinance, including but not limited to the Bond Purchase Contract and other agreements required by the Purchaser that are consistent with this ordinance.

Section 17. Ongoing Disclosure; Information to be Provided to the Purchaser. The Note is exempt from ongoing disclosure requirements of the Rule.

While the Note is outstanding, the City shall provide to the Registered Owner the following:

(a) a copy of its annual financial statements, which statements may not be audited, except that if and when audited financial statements are otherwise prepared and available to the City, they will be provided to the Registered Owner within a reasonable timeframe, and operating data of the type and form that the City is required to file in connection with its ongoing disclosure undertakings entered into under the Rule for its Outstanding Parity Bonds. The annual financial statements and operating data shall be provided to the Registered Owner on or before the end of nine months after the end of the City's fiscal year, and

(b) reports and other information, if any, set forth in the Note Purchase Contract.

Section 18. Amendatory and Supplemental Ordinances.

(a) This ordinance shall not be modified or amended in any respect subsequent to the initial issuance of the Note, except as provided in and in accordance with and subject to the provisions of this section.

(b) The City, from time to time, and at any time, without the consent of or notice to the Registered Owner of the Note, may pass supplemental or amendatory ordinances as follows:

(1) To cure any formal defect, omission, inconsistency or ambiguity in this ordinance in a manner not adverse to the owner of any Parity Bonds;

(2) To impose upon the Note Registrar for the benefit of the Registered Owner of the Note any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this ordinance as theretofore in effect;

(3) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance, other covenants, agreements, limitations and restrictions to be observed by the City which are not contrary or inconsistent with this ordinance as theretofore in effect;

(4) To confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by this ordinance of any other money, securities or funds;

(5) To make correlative amendments and modifications to this ordinance regarding exchangeability of the Note, redemptions of portions of the Note and similar amendments and modifications of a technical nature;

(6) To modify, alter, amend or supplement this ordinance in any other respect which is not materially adverse to the registered owners of the Parity Bonds and which does not involve a change described in subsection (c) of this section;

(7) Because of change in federal law or rulings, to maintain the exclusion from gross income of the interest on any Parity Bonds from federal income taxation; and

(8) To add to the covenants and agreements of, and limitations and restrictions upon, the City in this ordinance, other covenants, agreements, limitations and restrictions to be observed by the City which are requested by a bond insurer or provider of a Reserve Surety and which are not materially adverse to the registered owners of the Parity Bonds.

Before the City may pass any such supplemental ordinance pursuant to this subsection, there shall have been delivered to the City and the Registered Owner an opinion of Bond Counsel stating that such supplemental ordinance is authorized or permitted by this ordinance and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms.

(c) Except for any supplemental ordinance entered into pursuant to subsection (b) of this section, subject to the terms and provisions contained in this subsection (c) and not otherwise:

(1) Registered Owners of not less than 50% in aggregate principal amount of the Parity Bonds then outstanding shall have the right from time to time to consent to and approve the passage by the City Council of any supplemental ordinance deemed necessary or desirable by the City for the purpose of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this ordinance; except that, unless approved in writing by the registered owners of all the Parity Bonds then outstanding, nothing contained in this section shall permit, or be construed as permitting: (i) a change in the times, amounts or currency of payment of the principal of or interest on any outstanding Parity Bond, or a reduction in the principal amount of redemption price of any outstanding Parity Bond or a change in the redemption price of any outstanding Bond or a change in the method of determining the rate of interest thereon; (ii) a preference of priority of any Parity Bond or Parity Bonds or any other bond or bonds; or (iii) a reduction in the aggregate principal amount of Parity Bonds, the consent of the registered owners of the impacted Parity Bonds of which is required for any such supplemental ordinance.

(2) If at any time the City shall pass any supplemental ordinance for any of the purposes of this subsection (c), the Note Registrar shall cause notice of the proposed supplemental ordinance to be given by first class United States mail to all registered owners of the then outstanding Parity Bonds and to Moody's Investors Service, Inc. and S&P Global Ratings, if the Parity Bonds are rated by those agencies. Such notice shall briefly set forth the nature of the proposed supplemental ordinance and shall state that a copy thereof is on file at the office of the bond registrar for inspection by all registered owners of the outstanding Parity Bonds.

(3) Within two years after the date of the mailing of such notice, the City may pass such supplemental ordinance in substantially the form described in such notice, but only if there shall have first been delivered to the Note Registrar (i) the required consents, in writing, of the registered owners of the Parity Bonds and (ii) an opinion of Bond Counsel stating that such supplemental ordinance is authorized or permitted by this ordinance, and, upon the execution and delivery thereof, will be valid and binding upon the City in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Parity Bonds.

(4) If registered owners of not less than the percentage of Parity Bonds required by this subsection (c) have consented to and approved the execution and delivery thereof as herein provided, no owner of the Parity Bonds shall have any right to object to the passage of such supplemental ordinance, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the passage thereof, or to enjoin or restrain the City or the bond registrar from passing the same or from taking any action pursuant to the provisions thereof.

(d) Upon the execution and delivery of any supplemental ordinance pursuant to the provisions of this Section 18, this ordinance shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this ordinance of the City, the bond registrar and all registered owners of Parity Bonds then outstanding, shall thereafter be determined, exercised and enforced under this ordinance subject in all respects to such modifications and amendments.

Section 19. Lost, Stolen or Destroyed Note. In case the Note shall be lost, stolen or destroyed, the Note Registrar may execute and deliver a new Note of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the City and the Note Registrar in connection therewith and upon his/her/its filing with the City evidence satisfactory to the City that such Note was actually lost, stolen or destroyed and of his/her/its ownership thereof, and upon furnishing the City and/or the Note Registrar with indemnity satisfactory to the City and the Note Registrar.

Section 20. Severability; Ratification. If any one or more of the covenants or agreements provided in this ordinance to be performed on the part of the City shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this ordinance and shall in no way affect the validity of the other provisions of this ordinance or of the Note. All acts taken pursuant to the authority granted in this ordinance but prior to its effective date are hereby ratified and confirmed.

Section 21. Corrections by Clerk. Upon approval of the City Attorney and bond counsel to the City, the City Clerk is hereby authorized to make necessary corrections to this ordinance, including but not limited to the correction of clerical errors; references to other local, state or federal laws, codes, rules or regulations; ordinance numbering and section/subsection numbering; and other similar necessary corrections.

Section 22. Effective Date of Ordinance. This ordinance shall be published in the official newspaper of the City, and shall take effect and be in full force five (5) days after the date of publication.

ADOPTED BY THE CITY COUNCIL OF THE CITY OF NORTH BEND, WASHINGTON, AT A REGULAR MEETING THEREOF, THIS 6TH DAY OF DECEMBER, 2022.

CITY OF NORTH BEND:

APPROVED AS TO FORM:

Rob McFarland, Mayor

Pacifica Law Group LLP, Bond Counsel

Published: December 16, 2022
Effective: December 21, 2022

ATTEST/AUTHENTICATED:

Susie Oppedal, City Clerk

EXHIBIT A
FORM OF NOTE

UNITED STATES OF AMERICA

R-1

Not to
Exceed
\$1,200,000

TRANSFER RESTRICTED

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR UNDER THE SECURITIES LAWS OF ANY STATE OR JURISDICTION, THIS NOTE IS SUBJECT TO CERTAIN TRANSFER RESTRICTIONS AS PROVIDED IN THE NOTE ORDINANCE DESCRIBED BELOW AND MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT AS PROVIDED IN THE NOTE ORDINANCE.

STATE OF WASHINGTON

CITY OF NORTH BEND

WATER AND SEWER REVENUE NOTE, 20XX (TAXABLE)
(UTILITY LOCAL IMPROVEMENT DISTRICT NO. 7 (MEADOWBROOK))

INTEREST RATE: _____ PER ANNUM, SUBJECT TO ADJUSTMENT TO THE
DEFAULT RATE, AS DESCRIBED BELOW

MATURITY DATE: _____

REGISTERED OWNER: KEY GOVERNMENT FINANCE, INC.

PRINCIPAL AMOUNT: NOT TO EXCEED ONE MILLION TWO HUNDRED
THOUSAND AND NO 100/DOLLARS

The City of North Bend, Washington (the “City”), a municipal corporation organized and existing under and by virtue of the laws of the State of Washington (the “City”), hereby acknowledges itself to owe and for value received promises to pay to the Registered Owner identified above, on or before the Maturity Date identified above, the principal of this note, together with interest thereon, in accordance with the terms of this note, the Ordinance and the Note Purchase Contract (each as defined below).

This note is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State of Washington and Ordinance No. _____ duly passed by the City Council on December __, 2022 (the “Note Ordinance”). Capitalized terms used in this note have the meanings given such terms in the Note Ordinance.

This note shall bear interest on the outstanding principal amount at the Interest Rate noted above, subject to the Default Rate, as defined in and pursuant to the terms of the Note Purchase Contract between the City and the Registered Owner dated _____, 20__ (the “Note Purchase Contract”). Interest on this note shall be paid on _____, commencing _____, and on the Maturity Date or the date of prior prepayment. Principal of and

accrued interest on this note are due and payable on the Maturity Date. Interest on the Outstanding Balance shall be calculated on the basis of a year of 360 days of twelve 30-day months. If the City fails to pay principal of or interest on this note when due, then the unpaid payment shall accrue interest at the Default Rate until such payment default is cured, and for any Event of Default, that is not cured within 90 days written notice thereof to the City, then the entire principal on this note shall bear interest at the Default Rate until such Event of Default is cured.

Upon the occurrence of an Event of Default, the Registered Owner may also exercise any remedy available at law or in equity (excluding acceleration), as provided in the Note Purchase Contract.

Proceeds of this note will be used to finance and/or reimburse the City for the cost associated with the design, construction and installation of improvements within Utility Local Improvement District No. 7 (Meadowbrook), and (c) to pay costs of issuance of this note.

This note is subject to prepayment, in whole or in part, as provided in the Note Purchase Contract.

This note is payable from and secured by the proceeds of water and sewer utility revenue bonds (the "Bonds") to be issued and sold by the City by the Maturity Date and that have been pledged to pay this note as provided in the Note Purchase Contract and the Note Ordinance.

As security for the payment of the principal of, premium, if any, and interest on all Parity Bonds the City has pledged, in accordance with the provisions of the Note Ordinance, Net Revenue and all ULID Assessments. This pledge shall constitute a lien and charge upon the Net Revenue and ULID Assessments prior and superior to any other liens and charges whatsoever, except that the amounts so pledged are of equal lien to the charges upon the Net Revenue and ULID Assessments which have been pledged to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds, and which may hereafter be made to pay and secure the payment of the principal of and interest on any Future Parity Bonds.

The City hereby covenants and agrees with the Registered Owner that it will keep and perform all the covenants of this note, the Note Purchase Contract, and the Ordinance. The provisions of the Note Purchase Contract and the Note Ordinance are incorporated herein by this reference.

THIS NOTE IS A SPECIAL AND LIMITED OBLIGATION OF THE CITY PAYABLE ONLY FROM THE SOURCES IDENTIFIED HEREIN, IN THE NOTE PURCHASE CONTRACT AND IN THE NOTE ORDINANCE AND IS NOT A GENERAL OBLIGATION OF THE CITY, KING COUNTY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF. THIS NOTE DOES NOT CONSTITUTE A CHARGE UPON ANY GENERAL FUND OR UPON ANY MONEY OR OTHER PROPERTY OF THE CITY, KING COUNTY, THE STATE OR ANY OTHER POLITICAL SUBDIVISION THEREOF NOT SPECIFICALLY PLEDGED THERETO BY THE NOTE ORDINANCE.

This note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Note Ordinance until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Note Registrar or its duly designated agent.

This note is issued pursuant to the Constitution and laws of the State of Washington, and duly adopted ordinances of the City. The principal of this note shall be paid only to the Registered Owner and to no other person or entity. This note is transferable only upon compliance with the conditions set forth in the Note Ordinance.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this note have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and statutes of the State of Washington; and that this note and all other obligations of such City are within every debt limitation and other limit prescribed by such Constitution and statutes.

IN WITNESS WHEREOF, the City of North Bend, Washington, has caused this note to be executed by the manual or facsimile signatures of the Mayor and the City Clerk and the seal of the City imprinted, impressed or otherwise reproduced hereon as of this ____ day of _____, 20XX.

[SEAL]

CITY OF NORTH BEND, WASHINGTON

By ____/s/ manual or facsimile_____
Mayor

ATTEST:
_____/s/ manual or facsimile_____
City Clerk

CERTIFICATE OF AUTHENTICATION

This note is registered in the name of the Registered Owner on the books of the City, in the office of the Finance Director of the City (the "Note Registrar"), as to both principal and interest, as noted in the registration blank below. All payments of principal of and interest on this note shall be made by the City from the Bond Fund.

Date of Registration	Name and Address of Registered Owner	Signature of Note Registrar
_____, 20__	Key Government Finance, Inc.	_____ Finance Director

CERTIFICATE

I, the undersigned, City Clerk of the City Council of the City of North Bend, Washington (the "City"), DO HEREBY CERTIFY:

1. The attached copy of Ordinance No. 1789 (the "Ordinance") is a full, true and correct copy of an ordinance duly passed at a regular meeting of the City Council of the City held at the regular meeting place thereof on December 6, 2022; and

2. That said meeting was duly convened and held in all respects in accordance with law, due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Council voted in the proper manner for the passage of said Ordinance; that all other requirements and proceedings incident to the proper passage of said Ordinance have been fully fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of December, 2022.

Susie Oppedal, City Clerk