



City of Grand Island

Tuesday, August 13, 2013

Council Session

Item F-1

#9434 - Consideration of Authorizing Series 2013 Sewer System Revenue Refunding Bonds

This item relates to Resolution item I-1.

Staff Contact: Jaye Monter

ORDINANCE NO. 9434

AN ORDINANCE OF THE CITY OF GRAND ISLAND, NEBRASKA, AUTHORIZING THE ISSUANCE OF SEWER SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2013, OF THE CITY OF GRAND ISLAND, NEBRASKA, IN THE PRINCIPAL AMOUNT NOT TO EXCEED FORTY MILLION DOLLARS (\$40,000,000) FOR THE PURPOSES OF REFUNDING THE CITY'S OUTSTANDING SEWER SYSTEM REVENUE AND REFUNDING BONDS, SERIES 2003, PAYING A PORTION OF THE COSTS OF CONSTRUCTING ADDITIONS AND IMPROVEMENTS TO THE CITY'S SEWER SYSTEM, FUNDING A DEBT SERVICE RESERVE FOR SUCH BONDS AND PAYING COSTS OF ISSUANCE; PRESCRIBING THE FORM, TERMS AND DETAILS OF SAID BONDS; PLEDGING AND HYPOTHECATING THE REVENUES OF THE SANITARY SEWER SYSTEM OF SAID CITY FOR THE PAYMENT OF SAID BONDS AND INTEREST THEREON AND PROVIDING FOR THE COLLECTION, SEGREGATION AND APPLICATION OF THE REVENUE OF SAID SANITARY SEWER SYSTEM; ENTERING INTO A CONTRACT WITH THE REGISTERED OWNERS OF SAID BONDS; AUTHORIZING THE SALE OF SAID BONDS AND DELEGATING AUTHORITY TO OFFICERS OF THE CITY TO DETERMINE FINAL PRICING TERMS; PROVIDING FOR THE APPLICATION OF THE PROCEEDS OF SAID BONDS AND THE REDEMPTION OF THE SERIES 2003 BONDS; AUTHORIZING THE DELIVERY OF SAID BONDS TO THE PURCHASER AND PROVIDING FOR THE PUBLICATION OF THE ORDINANCE IN PAMPHLET FORM.

BE IT ORDAINED by the Mayor and Council of the City of Grand Island, Nebraska, as follows:

Section 1. The Mayor and City Council of the City of Grand Island, Nebraska (the "City") hereby find and determine:

(a) The City owns and operates a wastewater treatment plant and sanitary sewer system (such plant and system, together with all additions and improvements thereto hereafter acquired and constructed are herein referred to as the "Sewer System") which represents a revenue-producing undertaking of the City;

(b) The City has issued and outstanding the following revenue bonds which are a lien upon and secured by a pledge of the Revenues of the Sewer System:

Sewer System Revenue and Refunding Bonds, Series 2003, Date of Original Issue – June 25, 2003, issued pursuant to Ordinance No. 8811 of the City, of which \$1,420,000 in principal amount are presently outstanding (the "Refunded Bonds");

(c) That it is necessary and advisable for the City to refund the Refunded Bonds on the Redemption Date, as hereinafter defined;

(d) That it is necessary and advisable for the City to construct additions and improvements to the Sewer System (collectively, the "2013 Project") for which the estimated total cost is not less than \$34,000,000.

ORDINANCE NO. 9434 (Cont.)

(d) The Refunded Bonds represent the only indebtedness of the City for which the Revenues of the Sewer System have been pledged.

(f) To satisfy the funding requirements described in this Section 1, including funding of appropriate reserves and payment of issuance costs, it is necessary for the City to issue its Sewer System Revenue and Refunding Bonds, Series 2013, in the aggregate principal amount not to exceed \$40,000,000 pursuant to Sections 10-142 and Sections 18-1803 to 18-1805 R.R.S. Neb. 2012. All conditions, acts and things required by law to exist or to be done precedent to the issuance of the City's Sewer System Revenue and Refunding Bonds as provided herein, do exist and have been done and performed in regular and due time and form as required by law. Said bonds will be payable from the Revenues of the Sewer System.

Section 2. In addition to the definitions provided in parentheses elsewhere in this Ordinance, the following definitions of terms shall apply, unless the context shall clearly indicate otherwise:

(a) the term "Revenues" shall mean all of the rates, rentals, fees and charges, earnings and other monies, including investment income, from any source derived by the City of Grand Island, Nebraska, through its ownership and operation of the Sewer System.

(b) the term "Additional Bonds" shall mean any and all bonds hereafter issued by the City pursuant to the terms of this Ordinance which are equal in lien to the 2013 Bonds, including all such bonds issued pursuant to Section 13 and refunding bonds issued pursuant to Section 14.

(c) the term "Average Annual Debt Service Requirements" shall mean that number computed by adding all of the principal and interest due when computed to the absolute maturity of the bonds for which such computation is required and dividing by the number of years remaining that the longest bond of any issue for which such computation is required has to run to maturity. In making such computation, the principal of any bonds for which mandatory redemptions are scheduled shall be treated as maturing in accordance with such schedule of mandatory redemptions.

(d) the term "Deposit Securities" shall mean obligations of the United States of America, direct or unconditionally guaranteed, including any such obligations issued in book entry form.

(e) the term "Net Revenues" shall mean the Revenues derived by the City from the ownership or operation of the Sewer System, including investment income, but not including any income from the sale or other disposition of any property belonging to or forming a part of the Sewer System, less the ordinary expenses for operating and maintaining the Sewer System payable from the Operation and Maintenance Account described in Section 11 of this Ordinance. Operation and Maintenance expenses for purposes of determining "Net Revenues" shall not include depreciation, amortization of financing expenses or interest on any bonds or other indebtedness. Net Revenues for all purposes of this Ordinance shall be shown by an audit for the fiscal year in question as conducted by an independent certified public accountant or firm of such accountants.

ORDINANCE NO. 9434 (Cont.)

(g) the term "Paying Agent and Registrar" shall mean the paying agent and registrar appointed to act as paying agent and registrar for the 2013 Bonds pursuant to Section 4 hereof, or any successor thereto.

Section 3. For the purposes described in Section 1 of this ordinance, there shall be and there are hereby ordered issued negotiable bonds of the City of Grand Island, Nebraska, to be designated as "Sewer System Revenue and Refunding Bonds, Series 2013" (the "2013 Bonds") in the aggregate stated principal amount not to exceed Forty Million Dollars (\$40,000,000), with said bonds to become due in such amounts, on such dates and bear interest at such rates per annum as shall be determined in a written designation (separately or as part of the Bond Purchase Agreement referred to in Section 9 hereof, the "Designation") signed by the Mayor or the City Treasurer (the "Authorized Officers") on behalf of the City and which may be agreed to by the Underwriter (as defined herein), which Designation may also determine the principal amount for each maturity of the Bonds, optional and mandatory redemption provisions (if any) and pricing terms as set forth herein and other matters not specifically set forth herein, all within the following limitations:

- (a) the aggregate principal amount of the Bonds shall not exceed \$40,000,000 but may be reduced in principal amount;
- (b) the true interest cost of the Bonds shall not exceed 5.25%;
- (c) the longest maturity of the Bonds may not be later than September 15, 2038;
- (d) two or more of the principal maturities may be combined and issued as "term bonds" and the Authorized Officers may determine the mandatory sinking fund payments and mandatory redemption amounts. Any Bonds issued as "term bonds" shall be redeemed at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the date of redemption and may be selected for redemption by any random method of selection determined appropriate by the Paying Agent and Registrar (as hereinafter designated) or by the Depository (as hereinafter designated).

The Authorized Officers are hereby authorized to make such determinations on behalf of the City and to evidence the same by execution and delivery of the Designation and such determinations, when made and agreed to by the Underwriter, shall constitute the action of the without further action of them Mayor and City Council.

The 2013 Bonds shall be issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The date of original issue for the 2013 Bonds shall be the date of delivery

ORDINANCE NO. 9434 (Cont.)

thereof. Interest on the 2013 Bonds, at the respective rates for each maturity, shall be payable on March 15, 2014, and semiannually thereafter on September 15 and March 15 of each year (or such other dates as determined in the Designation, an "Interest Payment Date"), and the 2013 Bonds shall bear such interest from the date of original issue or the most recent Interest Payment Date, whichever is later. Interest shall be computed on the basis of a 360-day year consisting of twelve 30-day months. The interest due on each Interest Payment Date shall be payable to the registered owners of record as of the last day of the calendar month immediately preceding the calendar month in which the Interest Payment Date occurs (or such other date as determined in the Designation, the "Record Date"), subject to the provisions of Section 5 hereof. The 2013 Bonds shall be numbered from 1 upwards in the order of their issuance. No 2013 Bond shall be issued originally or upon transfer or partial redemption having more than one principal maturity. The initial bond numbering and principal amounts for each of the 2013 Bonds issued shall be as designated by the City Treasurer as directed by the Underwriter (as defined herein). Payments of interest due on the 2013 Bonds prior to maturity or earlier redemption shall be made by the Paying Agent and Registrar as designated pursuant to Section 4 hereof, by mailing a check or draft in the amount due for such interest on each Interest Payment Date to the registered owner of each 2013 Bond, as of the Record Date for such Interest Payment Date, to such owner's registered address as shown on the books of registration as required to be maintained in Section 4 hereof. Payments of principal due at maturity or at any date fixed for redemption prior to maturity together with any unpaid interest accrued thereon shall be made by said Paying Agent and Registrar to the registered owners upon presentation and surrender of the 2013 Bonds to the Paying Agent and Registrar. The City and the Paying Agent and Registrar may treat the registered owner of any 2013 Bond as the absolute owner of such 2013 Bond for the purpose of making payments thereon and for all other purposes and neither the City nor the Paying Agent and Registrar shall be affected by any notice or knowledge to the contrary, whether such 2013 Bond or any installment of interest due thereon shall be overdue or not. All payments on account of interest or principal made to the registered owner of any 2013 Bond in accordance with the terms of this Ordinance

ORDINANCE NO. 9434 (Cont.)

shall be valid and effectual and shall be a discharge of the City and the Paying Agent and Registrar, in respect of the liability upon the 2013 Bonds or claims for interest to the extent of the sum or sums so paid.

Section 4. Wells Fargo Bank, National Association (or such other institution as shall be set forth in the Designation) is hereby designated as Paying Agent and Registrar for the 2013 Bonds. Said Paying Agent and Registrar shall serve in such capacities under the terms of an agreement entitled "Paying Agent and Registrar's Agreement" between the City and said Paying Agent and Registrar, in substantially the form presented in connection with the adoption of the Ordinance, which form is hereby approved. The Mayor and City Clerk are each hereby authorized to execute the Paying Agent and Registrar's Agreement on behalf of the City in the form presented or with such changes, modifications and completions as such officers shall deem appropriate on behalf of the City. The Paying Agent and Registrar shall keep and maintain for the City books for the registration and transfer of the 2013 Bonds at its principal corporate trust office. The names and registered addresses of the registered owner or owners of the 2013 Bonds shall at all times be recorded in such books. Any 2013 Bond may be transferred pursuant to its provisions at the principal corporate trust office of said Paying Agent and Registrar by surrender of such bond for cancellation, accompanied by a written instrument of transfer, in form satisfactory to said Paying Agent and Registrar, duly executed by the registered owner in person or by such owner's duly authorized agent, and thereupon the Paying Agent and Registrar on behalf of the City will deliver at its office (or send by registered mail to the transferee owner or owners thereof at such transferee owner's or owners' risk and expense), registered in the name of such transferee owner or owners, a new 2013 Bond or 2013 Bonds of the same interest rate, aggregate principal amount and maturity. To the extent of the denominations authorized for the 2013 Bonds by this Ordinance, one 2013 Bond may be transferred for several such 2013 Bonds of the same interest rate and maturity, and for a like aggregate principal amount, and several such 2013 Bonds may be transferred for one or several such 2013 Bonds, respectively, of the same interest rate and maturity and for a like aggregate principal amount. In every case of transfer of a 2013 Bond, the surrendered 2013 Bond or 2013 Bonds shall be canceled and destroyed. All 2013 Bonds issued upon transfer of the 2013 Bonds so surrendered shall be valid obligations of the City evidencing the same

ORDINANCE NO. 9434 (Cont.)

obligations as the 2013 Bonds surrendered and shall be entitled to all the benefits and protection of this Ordinance to the same extent as the 2013 Bonds upon transfer of which they were delivered. The City and said Paying Agent and Registrar shall not be required to transfer any 2013 Bond during any period from any Record Date until its immediately following Interest Payment Date or to transfer any 2013 Bond called for redemption for a period of 30 days next preceding the date fixed for redemption.

Section 5. In the event that payments of interest due on the 2013 Bonds on an Interest Payment Date are not timely made, such interest shall cease to be payable to the registered owners as of the Record Date for such Interest Payment Date and shall be payable to the registered owners of the 2013 Bonds as of a special date of record for payment of such defaulted interest as shall be designated by the Paying Agent and Registrar whenever monies for the purpose of paying such defaulted interest become available.

Section 6. The 2013 Bonds which are subject to mandatory sinking fund redemption as may be determined in the Designation, shall be redeemed at a redemption price equal to 100% of the principal amount thereof and accrued interest to the redemption date, and in the principal amounts, as may be determined in the Designation.

The 2013 Bonds shall be subject to redemption, in whole or in part, prior to maturity at any time on or after the tenth anniversary of the date of delivery thereof, or at any time thereafter (or such other date or dates as determined in the Designation), at the principal amount thereof (or such other redemption price as determined in the Designation) together with accrued interest on the principal amount redeemed to the date fixed for redemption. Such optional redemption shall be made from time to time as shall be directed by the Mayor and Council of the City. The City may select the 2013 Bonds for optional redemption in its sole discretion. The 2013 Bonds shall be redeemed only in amounts of \$5,000 or integral multiples thereof. Any 2013 Bond redeemed in part only shall be surrendered to said Paying Agent and Registrar in exchange for a new 2013 Bond evidencing the unredeemed principal thereof. Notice of redemption of any 2013 Bond called for redemption shall be given at the direction of the City (except in the case of term bonds) by said Paying Agent and Registrar by mail not less than 30 days prior to the date fixed for redemption, first class, postage prepaid, sent to the registered owner of such 2013

ORDINANCE NO. 9434 (Cont.)

Bond at said owner's registered address. Such notice shall designate the 2013 Bond or 2013 Bonds to be redeemed by maturity or otherwise, the date of original issue and the date fixed for redemption and shall state that such 2013 Bond or 2013 Bonds are to be presented for prepayment at the principal corporate trust office of said Paying Agent and Registrar. In case of any 2013 Bond partially redeemed, such notice shall specify the portion of the principal amount of such bond to be redeemed. No defect in the mailing of notice for any 2013 Bond shall affect the sufficiency of the proceedings of the City designating the 2013 Bonds called for redemption or the effectiveness of such call for 2013 Bonds for which notice by mail has been properly given and the City shall have the right to further direct notice of redemption for any such 2013 Bond for which defective notice has been given.

Section 7. If the date for payment of the principal of or interest on the 2013 Bonds shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent and Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

Section 8. The 2013 Bonds shall be in substantially the following form:

ORDINANCE NO. 9434 (Cont.)

UNITED STATES OF AMERICA
STATE OF NEBRASKA
COUNTY OF HALL

CITY OF GRAND ISLAND
SEWER SYSTEM REVENUE AND REFUNDING BOND
SERIES 2013

No. R- _____ \$ _____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Original Issue</u>	<u>CUSIP NUMBER</u>
_____%	September 15, ____	_____, 2013	

Registered Owner: CEDE & CO.

Principal Amount: DOLLARS

KNOW ALL PERSONS BY THESE PRESENTS: That the City of Grand Island, in the County of Hall, in the State of Nebraska (the "City"), hereby acknowledges itself to owe and for value received promises to pay, but only from the special sources hereinafter described, to the registered owner specified above, or registered assigns, the principal amount specified above in lawful money of the United States of America on the date of maturity specified above with interest thereon to maturity (or earlier redemption) from the date of original issue or most recent Interest Payment Date, whichever is later, at the rate per annum specified above, payable March 15, 2014, and semiannually thereafter on September 15 and March 15 of each year (each, an "Interest Payment Date"). Such interest shall be computed on the basis of a 360-day year consisting of twelve 30 day months. The principal of this bond together with interest thereon unpaid and accrued at maturity (or earlier redemption) is payable upon presentation and surrender of this bond at the principal corporate trust office of Wells Fargo Bank, National Association, as Paying Agent and Registrar, in Minneapolis, Minnesota. Interest on this bond due prior to maturity or earlier redemption will be paid on each Interest Payment Date by a check or draft mailed by the Paying Agent and Registrar to the registered owner of this bond, as shown on the books of record maintained by the Paying Agent and Registrar, at the close of business on the last day of the month immediately preceding the month in which the Interest Payment Date occurs, to such owner's address as shown on such books and records. Any interest not so timely paid shall cease to be payable to the person entitled thereto as of the record date such interest was payable, and shall be payable to the person who is the registered owner of this bond (or of one or more predecessor bonds hereto) on such special record date for payment of such defaulted interest as shall be fixed by the Paying Agent and Registrar whenever monies for such purpose become available.

This bond is one of an issue of fully registered bonds of the total principal amount of _____ Dollars (\$ _____) of even date and like tenor, except as of the date of maturity, rate of interest and denomination, (the "Series 2013 Bonds") which were issued by the City for the purposes of (a) refunding the City's outstanding Revenue and Refunding Bonds, Series 2003, in the aggregate principal amount outstanding of \$1,420,000, (b) paying costs of constructing improvements to the City's Sewer System (as defined below), (c) funding a portion of the debt service reserve sub-account for the bonds and (d) paying costs of issuance and is issued pursuant to the terms of

ORDINANCE NO. 9434 (Cont.)

an ordinance (the "Ordinance") passed and approved by the Mayor and Council of the City in accordance with and under the provisions of Sections 10-142 and 18-1803 to 18-1805, R.R.S. Neb. 2012.

Any or all of the bonds of said issue maturing on or after _____, 20__, are subject to redemption at the option of the City, in whole or in part, on _____, 20__, or at any time thereafter, at par together with accrued interest on the principal amount redeemed to the date fixed for redemption. Such optional redemption shall be made from time to time as shall be directed by the Mayor and Council of the City. The City may select the Series 2013 Bonds for optional redemption in its sole discretion. Notice of redemption shall be given by mail to the registered owner of any Series 2013 Bond called for redemption in the manner specified in the Ordinance authorizing said issue of bonds. Individual bonds may be redeemed in part but only in the amount of \$5,000 or integral multiples thereof.

This bond is transferable by the registered owner or such owner's attorney duly authorized in writing at the principal corporate trust office of the Paying Agent and Registrar upon surrender and cancellation of this bond, and thereupon a new bond or bonds of the same aggregate principal amount, interest rate and maturity will be issued to the transferee as provided in the Ordinance, subject to the limitations therein prescribed. The City, the Paying Agent and Registrar and any other person may treat the person in whose name this bond is registered as the absolute owner hereof for the purpose of receiving payment due hereunder and for all other purposes and shall not be affected by any notice to the contrary, whether this bond be overdue or not.

If the day for payment of the principal of or interest on this bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the principal corporate trust office of the Paying Agent and Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

The Revenues (as such term is defined in the Ordinance) of the wastewater treatment plant and sanitary sewer system of the City of Grand Island, Nebraska, including all improvements and additions thereto hereafter constructed or acquired, (the "Sewer System") are pledged and hypothecated by the City for the payment of this bond and the other Series 2013 Bonds and for the payment of any additional bonds of equal priority issued in accordance with the terms of the Ordinance. The Series 2013 Bonds are a lien only upon said Revenues and are not general obligations of the City of Grand Island, Nebraska.

The Ordinance sets forth the covenants and obligations of the City with respect to the Sewer System and the applications of the Revenues thereof, which Revenues under the terms of the Ordinance are required to be deposited to the "Grand Island Sewer System Fund" (as previously established) and disbursed to pay costs of operation and maintenance of the Sewer System, make payments of principal and interest on the Series 2013 Bonds and any additional bonds of equal priority with the Series 2013 Bonds and other payments as specified in the Ordinance. The Ordinance also designates the terms and conditions under which additional bonds of equal priority with the Series 2013 Bonds may be issued. The Ordinance also designates the terms and conditions upon which this bond shall cease to be entitled to any lien, benefit or security under the Ordinance and all covenants, agreements and obligations of the City under the Ordinance may be discharged and satisfied at or prior to the maturity or redemption of this bond if monies or certain specified securities shall have been deposited with a trustee bank. In the Ordinance the City also reserves the right to issue bonds or notes junior in lien to the Series 2013 Bonds and any additional bonds of equal priority to the Series 2013 Bonds, the principal and interest of which shall be payable from monies in the "Surplus Account" of the Grand Island Sewer System Fund as described in the Ordinance.

ORDINANCE NO. 9434 (Cont.)

IT IS HEREBY CERTIFIED AND WARRANTED that all conditions, acts and things required by law to exist or to be done precedent to and in the issuance of this bond did exist, did happen and were done and performed in regular and due form and time as provided by law.

AS PROVIDED IN THE ORDINANCE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE ORDINANCE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISIONS OF THE ORDINANCE TO THE CONTRARY, A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT AND REGISTRAR. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE ORDINANCE.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF DTC (A) TO THE PAYING AGENT AND REGISTRAR FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE PAYING AGENT AND REGISTRAR FOR PAYMENT OF PRINCIPAL, AND ANY BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREOF IS REGISTERED IN THE NAME OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSONS IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, DTC OR ITS NOMINEE, HAS AN INTEREST HEREIN.

This bond shall not be valid and binding on the City until authenticated by the Paying Agent and Registrar.

IN WITNESS WHEREOF, the Mayor and Council of the City of Grand Island, Nebraska, have caused this bond to be executed on behalf of the City with the facsimile signatures of the Mayor and City Clerk of the City and by causing the official seal of the City to be impressed or imprinted hereon (which may be a facsimile seal), all as of the Date of Original Issue shown above.

CITY OF GRAND ISLAND, NEBRASKA

[SEAL]

(facsimile signature)
Mayor

ATTEST:

(facsimile signature)
City Clerk

ORDINANCE NO. 9434 (Cont.)

CERTIFICATE OF AUTHENTICATION

This bond is one of the bonds authorized by Ordinance passed and approved by the Mayor and Council of the City of Grand Island, Nebraska, as described in said bond.

Paying Agent and Registrar

Authorized Signature

BOND INSURANCE LEGEND

Financial Security Assurance Inc. ("Financial Security"), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on this Bond to Wells Fargo Bank Nebraska, National Association, of Lincoln, Nebraska, 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 Financial Security or the Paying Agent.

(FORM OF ASSIGNMENT)

For value received _____ hereby sells, assigns, and transfers unto _____ the within bond and hereby irrevocably constitutes and appoints _____, Attorney, to transfer the same on the books of registration in the office of the within mentioned Paying Agent and Registrar with full power of substitution in the premises.

Date: _____

Registered Owner

Signature Guaranteed

By _____

Authorized Officer

Note: The signature(s) on this assignment MUST CORRESPOND with the name(s) as written on the face of the within bond in every particular, without alteration, enlargement or any change whatsoever, and must be guaranteed by a commercial bank or a trust company or by a firm having membership on the New York, Chicago or other stock exchange.

ORDINANCE NO. 9434 (Cont.)

Section 9. Each of the 2013 Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and the City Clerk and shall have imprinted thereon the City's seal (which may be a facsimile seal). The 2013 Bonds shall be issued initially as "book-entry-only" bonds under the services of The Depository Trust Company (the "Depository"), with one typewritten bond per maturity being issued to the Depository. In such connection said officers of the City are authorized to execute and deliver a Letter of Representations (the "Letter of Representations") in the form required by the Depository (which may be in the form of a blanket letter, including any such letter previously executed and delivered), for and on behalf of the City, which shall thereafter govern matters with respect to registration, transfer, payment and redemption of the 2013 Bonds. With respect to the issuance of the 2013 Bonds as "book-entry-only" bonds, the following provisions shall apply:

(a) The City and the Paying Agent and Registrar shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which the Depository holds 2013 Bonds as securities depository (each, a "Bond Participant") or to any person who is an actual purchaser of a 2013 Bond from a Bond Participant while the 2013 Bonds are in book-entry form (each, a "Beneficial Owner") with respect to the following:

(i) the accuracy of the records of the Depository, any nominees of the Depository or any Bond Participant with respect to any ownership interest in the 2013 Bonds,

(ii) the delivery to any Bond Participant, any Beneficial Owner or any other person, other than the Depository, of any notice with respect to the 2013 Bonds, including any notice of redemption, or

(iii) the payment to any Bond Participant, any Beneficial Owner or any other person, other than the Depository, of any amount with respect to the 2013 Bonds. The Paying Agent and Registrar shall make payments with respect to the 2013 Bonds only to or upon the order of the Depository or its nominee, and all such payments shall be valid and effective fully to satisfy and discharge the obligations with respect to such 2013 Bonds to the extent of the sum or sums so paid. No person other than the Depository shall receive an authenticated Bond, except as provided in (e) below.

(b) Upon receipt by the Paying Agent and Registrar of written notice from the Depository to the effect that the Depository is unable or unwilling to discharge its responsibilities, the Paying Agent and Registrar shall issue, transfer and exchange 2013 Bonds requested by the Depository in appropriate amounts. Whenever the Depository requests the Paying Agent and Registrar to do so, the Paying Agent and Registrar will cooperate with the Depository in taking appropriate action after reasonable notice (i) to arrange, with the prior written consent of the City, for a

ORDINANCE NO. 9434 (Cont.)

substitute depository willing and able upon reasonable and customary terms to maintain custody of the 2013 Bonds or (ii) to make available 2013 Bonds registered in whatever name or names as the Beneficial Owners transferring or exchanging such 2013 Bonds shall designate.

(c) If the City determines that it is desirable that certificates representing the 2013 Bonds be delivered to the ultimate beneficial owners of the 2013 Bonds and so notifies the Paying Agent and Registrar in writing, the Paying Agent and Registrar shall so notify the Depository, whereupon the Depository will notify the Bond Participants of the availability through the Depository of bond certificates representing the 2013 Bonds. In such event, the Paying Agent and Registrar shall issue, transfer and exchange bond certificates representing the 2013 Bonds as requested by the Depository in appropriate amounts and in authorized denominations.

(d) Notwithstanding any other provision of this Ordinance to the contrary, so long as any 2013 Bond is registered in the name of the Depository or any nominee thereof, all payments with respect to such 2013 Bond and all notices with respect to such 2013 Bond shall be made and given, respectively, to the Depository as provided in the Letter of Representations.

(e) Registered ownership of the 2013 Bonds may be transferred on the books of registration maintained by the Paying Agent and Registrar, and the 2013 Bonds may be delivered in physical form to the following:

(i) any successor securities depository or its nominee;

(ii) any person, upon (A) the resignation of the Depository from its functions as depository or (B) termination of the use of the Depository pursuant to this Section and the terms of the Paying Agent and Registrar's Agreement.

(f) In the event of any partial redemption of a 2013 Bond unless and until such partially redeemed bond has been replaced in accordance with the provisions of this Ordinance, the books and records of the Paying Agent and Registrar shall govern and establish the principal amount of such bond as is then outstanding and all of the 2013 Bonds issued to the Depository or its nominee shall contain a legend to such effect.

If for any reason the Depository resigns and is not replaced, or upon termination by the City of book-entry-only form, the City shall immediately provide a supply of printed bond certificates for issuance upon the transfers from the Depository and subsequent transfers or in the event of partial redemption. In the event that such supply of certificates shall be insufficient to meet the requirements of the Paying Agent and Registrar for issuance of replacement bond certificates upon transfer or partial redemption, the City agrees to order printed an additional supply of bond certificates and to direct their execution by manual or facsimile signatures of its then duly qualified and acting officers. In case any officer whose signature or facsimile thereof shall appear on any 2013 Bond shall cease to be such officer before the delivery of such bond (including such certificates delivered to the Paying Agent and Registrar for

ORDINANCE NO. 9434 (Cont.)

issuance upon transfer or partial redemption), such signature or such facsimile signature shall nevertheless be valid and sufficient for all purposes the same as if such officer or officers had remained in office until the delivery of the 2013 Bond. The 2013 Bonds shall not be valid and binding on the City until authenticated by the Paying Agent and Registrar. The 2013 Bonds shall be delivered to the Paying Agent and Registrar for registration and authentication. Upon execution, registration, and authentication of the 2013 Bonds, they shall be delivered to the City Treasurer, acting on behalf of the City, who is authorized to deliver them to Ameritas Investment Corp., as initial purchaser thereof (the "Underwriter"). The Mayor and City Treasurer are each hereby authorized to execute and deliver a Bond Purchase Agreement for and on behalf of the City, which may include the Designation pursuant to Section 3 hereof. The Underwriter shall have the right to direct the registration of the 2013 Bonds and the denominations thereof within each maturity, subject to the restrictions of this Ordinance. The City Clerk shall make and certify a transcript of the proceedings of the Mayor and Council with respect to the 2013 Bonds which shall be delivered to the Underwriter. The City Treasurer shall maintain a record of information with respect to the 2013 Bonds in accordance with the requirements of Section 10-140, R.R.S. Neb. 2012, as amended, and shall cause the same to be filed in the Office of the Auditor of Public Accounts of the State of Nebraska.

Section 10. The proceeds of the 2013 Bonds herein authorized may be applied to: (a) refunding the Refunded Bonds; (b) payment of costs of construction and acquisition of the 2013 Project; (c) funding a portion of the 2013 sub-account in the Debt Service Reserve Account; and (d) paying the costs of issuance of the 2013 Bonds. Accrued interest, if any, received upon closing of the 2013 Bonds shall be applied to pay interest next falling due on the 2013 Bonds and shall be credited to the Bond Payment Account as described in Section 11 hereof. A portion of the proceeds of the 2013 Bonds is to be deposited to a separate construction account of the City which is hereby established and designated as the "2013 Project Construction Fund" to be applied to pay costs of the 2013 Project and a portion of the proceeds of the 2013 Bonds shall be deposited to the sub-account for the 2013 Bonds in the Debt Service Reserve Account as described in Section 11 below.

ORDINANCE NO. 9434 (Cont.)

Section 11. The Revenues of the Sewer System are hereby pledged and hypothecated for the payment of the 2013 Bonds and any Additional Bonds as authorized by this Ordinance and interest on such 2013 Bonds and Additional Bonds and the City does hereby agree with the holders of the 2013 Bonds and Additional Bonds as follows:

(a) **GRAND ISLAND SEWER SYSTEM FUND** - The entire gross Revenues derived from the operation of the Sewer System shall be set aside as collected and deposited in a separate fund which has been previously created and designated as the "Grand Island Sewer System Fund." For purposes of allocating the monies in the Grand Island Sewer System Fund, the City shall maintain the following accounts: (1) Operation and Maintenance Account; (2) Bond Payment Account; (3) Debt Service Reserve Account; and (4) Surplus Account.

(b) **OPERATION AND MAINTENANCE ACCOUNT** - Out of the Grand Island Sewer System Fund there shall be monthly credited into the Operation and Maintenance Account such amounts as the City shall from time to time determine to be necessary to pay the reasonable and necessary expenses of operating and maintaining the Sewer System, and the City may withdraw funds credited to the Operation and Maintenance Account as necessary from time to time to pay such expenses.

(c) **BOND PAYMENT ACCOUNT** - Out of the Grand Island Sewer System Fund there shall be credited monthly on or before the first day of each month to the Bond Payment Account, starting with the month of October, 2013, the following amounts (or such other amounts on such dates as set forth in the Designation to conform to the final maturities and interest payment dates):

- (1) Beginning October 1, 2013, and continuing for the period from October 1, 2013 so long as the 2013 Bonds remain outstanding, an amount equal to 1/6 of the next maturing semiannual interest payment on the 2013 Bonds; and
- (2) For the period from and including October 1, 2013, and continuing so long as the 2013 Bonds remain outstanding an amount equal to 1/12 of the next maturing principal payment on the 2013 Bonds.

The City Treasurer is hereby authorized and directed, without further authorization, to withdraw monies credited to the Bond Payment Account, or if the monies in such Account are insufficient, then from the Debt Service Reserve Account and next from the Surplus Account, in an amount sufficient to pay, when due, the principal of and interest on the 2013 Bonds or any Additional Bonds and to transfer such amounts due to the Paying Agent and Registrar (or other paying agent for any Additional Bonds, as applicable) at least five (5) business days before each principal and interest payment date. Upon the issuance of any Additional Bonds pursuant to this Ordinance appropriate additional credits to the Bond Payment Account shall be provided for sufficient to pay principal and interest on said Additional Bonds.

(d) **DEBT SERVICE RESERVE ACCOUNT** - The City agrees that it shall deposit an amount to be determined pursuant to Section 3 hereof (consisting of a portion of proceeds of the 2013 Bonds) as the amount required to be maintained attributable to the 2013 Bonds in a

ORDINANCE NO. 9434 (Cont.)

separate sub-account which is hereby established for the 2013 Bonds in the Debt Service Reserve Account. Monies credited to the Debt Service Reserve Account may be withdrawn, but only from the designated sub-account for a specific issue, as needed, to provide funds to pay, when due, the principal of and interest on the 2013 Bonds and any Additional Bonds issued pursuant to this Ordinance, as the case may be, if the Bond Payment Account contains insufficient funds for that purpose, and the City Treasurer is hereby authorized and directed to make such withdrawal if and when needed. In the event of a withdrawal from the Debt Service Reserve Account, there shall be credited to the Debt Service Reserve Account in the month following such withdrawal all monies in the Grand Island Sewer System Fund remaining after making the payments required to be made in such month to the Operation and Maintenance Account and Bond Payment Account and each month thereafter all such remaining monies shall be credited to the Debt Service Reserve Account until such account has been restored to the required balance. Upon the issuance of any Additional Bonds, the amount required to be accumulated and maintained in the Debt Service Reserve Account, in a separate sub-account for such Additional Bonds, shall be set at an amount determined appropriate by the Mayor and Council in connection with any such issue of Additional Bonds (which may be \$-0-). Any such required increase shall be provided for either by credit made from bond proceeds or current funds of the Sewer System then available or by equal monthly credits from the Grand Island Sewer System Fund made in such amounts so that the required amount shall be accumulated in a period of not more than five years. Each sub-account in the Debt Service Reserve Account shall be held solely for the specific issue for which it is established. In the event of withdrawal from any such sub-account which results in the amount in such sub-account being deficient to meet the required balance, available amounts for restoring sub-account balances shall be credited to each deficient sub-account on a pro rata basis in accordance with the respective outstanding principal amounts for those issues for which the respective sub-accounts are then deficient. When the 2013 Bonds or any issue of Additional Bonds for which a sub-account has been established is no longer outstanding, the particular sub-account for such issue shall no longer be required to be maintained. Anything in this subsection 11(d) to the contrary notwithstanding, the amount required to be maintained in the Debt Service Reserve Account with respect to the 2013 Bonds or any issue of Additional Bonds shall not at any time exceed the maximum amount permitted to be invested without yield restriction under Sections 103(b) and 148 of the Internal Revenue Code of 1986, as amended, and applicable regulations of the United States Treasury Department.

(e) **SURPLUS ACCOUNT** - Monies from the Grand Island Sewer System Fund remaining after the credits required in the foregoing Subsections 11(b), 11(c) and 11(d) shall be credited to the Surplus Account. Monies in the Surplus Account may be used to make up any deficiencies in the preceding Accounts, to retire any of the 2013 Bonds or any Additional Bonds prior to their maturity, to pay principal of and interest on any junior lien indebtedness incurred with respect to the Sewer System, to provide for replacements or improvements for the Sewer System, to provide for in lieu of tax payments in an amount not to exceed 1% of the gross revenues of the Sewer System in any fiscal year (as and to the extent permitted by law), or to provide for any other purpose related to the Sewer System.

The provisions of this Section shall require the City to maintain a set of books and records in accordance with such accounting methods and procedures as are generally applicable to a municipal utility enterprise, which books and records shall show credits to and expenditures from the several Accounts required by this Section. Monies credited to the Grand Island Sewer System Fund or any of the Accounts therein as

ORDINANCE NO. 9434 (Cont.)

established by this Ordinance shall be deposited or invested separate and apart from other City funds. Except as specified below for the Debt Service Reserve Account, the City shall not be required to establish separate bank or investment accounts for the Accounts described in Subsection 11(b), 11(c), 11(d) and 11(e). Monies credited to the Debt Service Reserve Account (or any sub-account therein) shall, if maintained in a demand or time deposit account, be kept in a separate account and not commingled with other Sewer System funds or accounts. If invested, monies credited to the Debt Service Reserve Account (or any sub-account therein) may be commingled with other Sewer System funds or accounts so long as the City maintains books and records clearly identifying the specific investments, or portions thereof, which belong to the Debt Service Reserve Account (or any sub-account therein).

Monies in any of said Accounts except the Debt Service Reserve Account may be invested in investments permissible for a city of the first class. Monies in the Debt Service Reserve Account (or any sub-account therein) may be invested in Deposit Securities or bank depository accounts or certificates of deposit which are either fully insured or fully collateralized as provided by law for investments of funds of Cities of the First Class. Monies invested from the Debt Service Reserve Account shall be invested to mature in not more than five years. Investments held for the Debt Service Reserve Account will be valued at cost for purposes of determining compliance with the requirements of this Ordinance as to the amount required to be maintained in the Debt Service Reserve Account or any sub-account therein. Income from or profit realized from investments for any Account or any sub-account shall be credited to such Account or sub-account until such Account or sub-account contains any amount then required to be therein, and thereafter such income or profit shall be transferred to the Grand Island Sewer System Fund and treated as other revenues from the operation of the Sewer System. The ordinance authorizing any series of Additional Bonds for which a debt service reserve sub-account is to be established may establish different terms for investment related to such sub-account.

The pledge of the Revenues of the Sewer System provided for in this Ordinance for the 2013 Bonds, subject to the right of the City to issue Additional Bonds as provided in this Ordinance, is intended as a first and prior pledge of, lien on and security interest in such Revenues for the payment of

ORDINANCE NO. 9434 (Cont.)

principal and interest of the 2013 Bonds, superior to any pledge or promise made with respect to any other indebtedness of the City as to its Sewer System, and is intended to be a full exercise of the powers of the City provided for in Sections 18-1803 to 18-1805 with respect to its Sewer System.

Section 12. So long as any of the 2013 Bonds and any Additional Bonds issued pursuant to this Ordinance shall remain outstanding and unpaid, the City covenants and agrees to establish, revise, from time to time as necessary, and collect such rates and charges for the service furnished from the Sewer System adequate to produce Revenues sufficient at all times:

(a) To provide funds to pay, when due, the principal of and interest on the 2013 Bonds and any Additional Bonds issued pursuant to this Ordinance.

(b) To pay all proper and necessary costs of operation and maintenance of the Sewer System and to pay for the necessary and proper repairs, replacements, enlargements, extensions and improvements to the Sewer System.

(c) To provide funds sufficient to make the credits into the Accounts and at the times and in the amounts required by Section 11 of this Ordinance.

(d) To maintain Net Revenues in each fiscal year adopted by the City for the Sewer System in an amount not less than 1.10 times the total amount of principal paid or payable (exclusive of any principal redeemed prior to maturity other than principal redeemed in accordance with any schedule of mandatory redemptions) and interest falling due during such fiscal year on the 2013 Bonds and any Additional Bonds.

Section 13. To provide funds for any purpose related to the Sewer System, the City may issue Additional Bonds, except for Additional Bonds issued for refunding purposes which are governed by Section 14 of this Ordinance, payable from the Revenues having equal priority and on a parity with the 2013 Bonds and any Additional Bonds then outstanding, only upon compliance with the following conditions:

(a) Such Additional Bonds shall be issued only pursuant to an ordinance which shall provide for an increase in the monthly credits into the Bond Payment Account in amounts sufficient to pay, when due, the principal of and interest on the 2013 Bonds, any Additional Bonds then outstanding and the proposed Additional Bonds and for any monthly credits to the Debt Service Reserve Account as are required under Subsection 11(d).

(b) The City shall have complied with one or the other of the two following requirements:

ORDINANCE NO. 9434 (Cont.)

- (1) The Net Revenues derived by the City from its Sewer System for the fiscal year next preceding the issuance of the Additional Bonds shall have been at least equal to 1.25 times the Average Annual Debt Service Requirements of the 2013 Bonds and any Additional Bonds, all as then outstanding, and of the proposed Additional Bonds; or
- (2) The City shall have received a projection made by a consulting engineer or firm of consulting engineers, recognized as having experience and expertise in municipal utility systems, projecting that the Net Revenues of the Sewer System in each of the three full fiscal years after the issuance of such Additional Bonds will be at least equal to 1.25 times the Average Annual Debt Service Requirements of the 2013 Bonds and any Additional Bonds, all as then outstanding, and of the proposed Additional Bonds. In making such projection, the consulting engineer shall use as a basis the Net Revenues of the Sewer System during the last fiscal year for which an independent audit has been prepared and shall adjust such Net Revenues as follows: (A) to reflect changes in rates which have gone into effect since the beginning of the year for which the audit was made, (B) to reflect his estimate of the net increase over or net decrease under the Net Revenues of the Sewer System for the year which the audit was made by reason of: (i) changes of amounts payable under existing contracts for service; (ii) additional general income from sales to customers under existing rate schedules for various classes of customers or as such schedules may be revised under a program of changes which has been adopted by the Mayor and Council of the City; (iii) projected revisions in costs for labor, wages, salaries, machinery, equipment, supplies and other operational items; (iv) revisions in the amount of service to be supplied and any related administrative or other costs associated with such increases due to increased supply from the acquisition of any new facility; and (v) such other factors affecting the projections or revenues and expenses as the consulting engineer deems reasonable and proper. Annual debt service on any proposed Additional Bonds to be issued may be estimated by the consulting engineer in projecting Average Annual Debt Service Requirements, but no Additional Bonds shall be issued requiring any annual debt service payment in excess of the amount so estimated by the consulting engineer.

The City hereby covenants and agrees that so long as any of the 2013 Bonds and any Additional Bonds are outstanding, it will not issue any bonds or notes payable from the Revenues except in accordance with the provisions of this Ordinance, provided, however, the City reserves the right to issue bonds or notes which are junior in lien to the 2013 Bonds and any such Additional Bonds with the principal and interest on such bonds or notes to be payable from monies credited to the Surplus Account

ORDINANCE NO. 9434 (Cont.)

as provided in Subsection 11(e). In the event that Additional Bonds are proposed to be issued at a time when the audited financial statements of the City for its Sewer System for the most recently completed fiscal year are not yet available, compliance with the test based upon Net Revenues as set forth in Section 13(b)(1) may be determined with reference to the Net Revenues for the most recent fiscal year for which financial statements have been issued and unaudited financial statements for the most recently completed fiscal year as certified by the City Treasurer, provided that compliance shall be determined to be shown for each such fiscal year.

Section 14. The City may issue refunding bonds, which shall qualify as Additional Bonds of equal lien to refund any 2013 Bonds or any Additional Bonds then outstanding, provided, that, if any such 2013 Bonds or Additional Bonds are to remain outstanding after the issuance of such refunding bonds, the principal payments due in any calendar year in which those bonds which are to remain outstanding mature, or in any calendar year prior thereto, shall not be increased over the amount of such principal payments due in such calendar years immediately prior to such refunding. Refunding bonds issued in accordance with this paragraph of this Section 14 may be issued as Additional Bonds of equal lien without compliance with the conditions set forth in Subsection 13(b) of this Ordinance.

The City may also issue refunding bonds which shall qualify as Additional Bonds of equal lien to refund any 2013 Bonds or Additional Bonds then outstanding, provided, that, if any 2013 Bonds or Additional Bonds then outstanding are to remain outstanding after the application of the proceeds of the refunding bonds to the payment of the bonds which are to be refunded, such issuance must comply with the Net Revenues test set forth in Subsection 13(b)(1) of this Ordinance and, if the proceeds of such refunding bonds are not to be applied immediately to the satisfaction of the bonds which are to be refunded, then such refunding bonds must provide by their terms that they shall be junior in lien to all 2013 Bonds and any Additional Bonds outstanding at the time of issuance of such refunding bonds until the time of application of their proceeds to the satisfaction of the bonds which are to be refunded. In the event that refunding bonds are proposed to be issued at a time when the audited financial statements of the City for its Sewer System for the most recently completed fiscal year are not yet available, compliance

ORDINANCE NO. 9434 (Cont.)

with the test based upon Net Revenues as set forth in Section 13(b)(1) may be determined with reference to the Net Revenues for the most recent fiscal year for which financial statements have been issued and unaudited financial statements for the most recently completed fiscal year as certified by the City Treasurer, provided that compliance shall be determined to be shown for each such fiscal year. In computing Average Annual Debt Service Requirements to show compliance with said Net Revenues test for such refunding bonds, all payments of principal and interest due on such refunding bonds from time of their issuance to the time of application of the proceeds of such refunding bonds to the satisfaction of the bonds which are to be refunded shall be excluded from such computation to the extent that such principal and interest are payable from sources other than the Revenues (such as bond proceeds held in escrow or investment earnings thereon) or from monies in the Surplus Account and all payments of principal and interest due on the bonds which are to be refunded from and after the time of such application shall also be excluded. For purposes of this paragraph of this Section 14, the time of application of the proceeds of the refunding bonds to the satisfaction of the bonds which are to be refunded shall be the time of deposit with the paying agent for such bonds which are to be refunded pursuant to Section 10-126, R.R.S. Neb. 2012 (or any successor statutory provision thereto) or the time when such bonds which are to be refunded under the terms of their authorizing ordinance or ordinances are no longer deemed to be outstanding, whichever occurs sooner.

Section 15. So long as any 2013 Bonds or Additional Bonds are outstanding, the City hereby covenants and agrees as follows:

(a) The City will maintain the Sewer System in good condition and will continuously operate the same in a reasonable and efficient manner, and the City will punctually perform all duties with reference to said system required by the Constitution and statutes of the State of Nebraska, but this covenant shall not prevent the City from discontinuing the use and operation of all or any portion of the Sewer System so long as the Revenues derived from the City's ownership of the properties constituting the Sewer System shall be sufficient to fulfill the City's obligations under Section 12 of this Ordinance.

(b) The City will not grant any franchise or right to any person, firm or corporation to own or operate a sewer system in competition with the Sewer System.

ORDINANCE NO. 9434 (Cont.)

(c) The City will maintain insurance on the property constituting the Sewer System (other than such portions of the system as are not normally insured) against risks customarily carried by similar utilities, but including fire and extended coverage insurance in an amount which would enable the City to repair, restore or replace the property damaged to the extent necessary to make the Sewer System operable in an efficient and proper manner to carry out the City's obligations under this Ordinance. The Mayor and Council shall annually examine the amount of insurance carried with respect to the Sewer System and shall evidence approval of such insurance by resolution. The proceeds of any such insurance received by the City shall be used to repair, replace or restore the property damaged or destroyed to the extent necessary to make the Sewer System operable in an efficient and proper manner, and any amount of insurance proceeds not so used shall be credited to the Surplus Account. In the event of any such insured casualty loss, the City may advance funds to make temporary repairs or provide for an advance on costs of the permanent repair, restoration or replacement from the Operation and Maintenance Account and any such advances shall be repaid from insurance proceeds received.

(d) The City will keep proper books, records and accounts separate from all other records and accounts in which complete and correct entries will be made of all transactions relating to the Sewer System. The City will have its operating and financial statements related to the Sewer System audited annually by a certified public accountant or firm of certified public accounts. The City will furnish to the original purchaser of the 2013 Bonds and to the original purchaser or purchasers of each series of Additional Bonds issued hereunder, within four months after the end of each fiscal year of the Sewer System, a copy of the financial statements of the Sewer System and the report thereon of the certified public accountants.

(e) The City shall cause each person handling any of the monies in the Grand Island Sewer System Fund to be bonded by an insurance company licensed to do business in Nebraska in an amount or amounts deemed sufficient by the Mayor and Council to cover the amount of money belonging to said system reasonably expected to be in the possession or control of any such person. The amount of such bond or bonds shall be fixed by the Mayor and Council and the costs thereof shall be paid as an operating and maintenance expense from the Operation and Maintenance Account.

Section 16. The City's obligations under this Ordinance and the liens, pledges, covenants and agreements of the City herein made or provided for, shall be fully discharged and satisfied as to the 2013 Bonds issued pursuant to this Ordinance and any such bonds shall no longer be deemed outstanding hereunder if such bonds shall have been purchased and cancelled by the City, or when payment of the principal of and interest thereon to the respective date of maturity or redemption (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by depositing with the Paying Agent and Registrar, or with a national or state bank having trust powers or trust company, in trust solely for such payment, (i) sufficient money to make such payment and/or

ORDINANCE NO. 9434 (Cont.)

(ii) Deposit Securities in such amount and bearing interest payable and maturing or redeemable at stated fixed prices at the option of the holder as to principal, at such time or times, as will ensure the availability of sufficient money to make such payment; provided, however, that, with respect to any 2013 Bond to be paid prior to maturity, the City shall have duly given notice of redemption of such bond as provided by law or made irrevocable provisions for the giving of such notice. Any such money so deposited with a bank or trust company or the Paying Agent and Registrar may be invested and reinvested in Deposit Securities and all interest and income from such Deposit Securities in the hands of such bank or trust company or Paying Agent and Registrar, in excess of the amount required to pay principal of and interest on the bonds for which such monies were deposited, shall be paid over to the City as and when collected.

Section 17. The terms and provisions of this Ordinance do and shall constitute a contract between the City and the registered owner or owners of the 2013 Bonds and no changes, variations or alterations of any kind, except for changes necessary to cure any ambiguity, formal defect or omission, shall be made to this Ordinance without the written consent of the registered owners of two-thirds (2/3rds) in principal amount of the 2013 Bonds then outstanding, provided, however, that neither the principal and interest to be paid upon any 2013 Bond nor the maturity date of any 2013 Bond shall be changed without the written consent of the registered owners of all such bonds then outstanding. Any registered owner of a 2013 Bond may by mandamus or other appropriate action or proceedings at law or in equity in any court of competent jurisdiction enforce and compel performance of this Ordinance and every provision and covenant hereof, including without limiting the generality of the foregoing, the enforcement of the performance of all duties required of the City by this Ordinance and the applicable laws of the State of Nebraska, including in such duties the collecting of Revenues and the segregation and application of such Revenues as described in Section 11 of this Ordinance. After any default in payment or other default in performance, the registered owners of the 2013 Bonds or any Additional Bonds shall be entitled to the appointment of a receiver for the Sewer System. Any and all actions brought by any registered owner or owners of the 2013 Bonds or Additional Bonds shall be maintained for the equal and ratable benefit of all registered owners of the 2013 Bonds and Additional Bonds outstanding and no registered owners of any

ORDINANCE NO. 9434 (Cont.)

of the 2013 Bonds or Additional Bonds shall have any right in any manner whatsoever by any action or proceedings to affect, disturb or prejudice the pledge created by this Ordinance.

Section 18. The Mayor and City Clerk and City Treasurer of the City are hereby authorized to do all things and execute all documents as may by them be deemed necessary and proper to complete the issuance and sale of the 2013 Bonds contemplated by this Ordinance.

Section 19. If any section, paragraph, clause or provision of this Ordinance shall be held invalid, the invalidity of such section, paragraph, clause or provision shall not affect any of the other provisions of this Ordinance.

Section 20. The City hereby ratifies and approves the publication, distribution and use of the Preliminary Official Statement in connection with the offering of the 2013 Bonds substantially in the form presented, but with such changes, if any, therein, as may be approved by the Mayor, City Clerk, City Treasurer or any other officer of the City. The City hereby deems the information contained in the Preliminary Official Statement to be “final” as of its date, except for the omission of such information as is permitted by Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”), such as offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and identity of the Underwriter. The City further authorizes and directs the preparation of, and authorizes and directs the execution and delivery by the Mayor, City Clerk, City Treasurer or any other officer of the City of an Official Statement for use in connection with the sale of the 2013 Bonds.

Section 21. In accordance with the requirements of the Rule, the City hereby (a) authorizes and directs that an officer of the City (or any one of them) execute and deliver, on the date of issue of the 2013 Bonds, a Continuing Disclosure Undertaking in order for the Underwriter to comply with the Rule, in such form as shall be satisfactory to such officer, and (b) covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Undertaking. Notwithstanding any other provision of this Ordinance, failure of the City to comply with any Continuing Disclosure Undertaking shall not be considered an event of default hereunder; however, any Participating

ORDINANCE NO. 9434 (Cont.)

Underwriter (as such term is defined in the Continuing Disclosure Undertaking) or any Beneficial Owner or any Registered Owner of a 2013 Bond may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Section.

Section 22. The City hereby covenants and agrees that it will make no use of the proceeds of the 2013 Bonds which would cause the 2013 Bonds to be arbitrage bonds within the meaning of Sections 103(b)(2) and 148 of the Internal Revenue Code of 1986, as amended (the "Code") and further covenants to comply with said Sections 103(b)(2) and 148 and all applicable regulations thereunder throughout the term of said issue. The City hereby covenants to take all action necessary to preserve the tax-exempt status of the interest on the 2013 Bonds for federal income tax purposes under the Code with respect to taxpayers generally. The City further agrees that it will not take any actions which would cause the 2013 Bonds to constitute "private activity bonds" within the meaning of Section 141 of the Code.

Section 23. This Ordinance shall be in force and take effect from and after its passage and approval as provided by law and shall be published in pamphlet form.

PASSED AND APPROVED this 13th day of August, 2013.

Mayor

ATTEST:

City Clerk