

City of Seward, NE
Tuesday, February 3, 2015
Regular Session

Item G7

**CONSIDERATION OF AN ORDINANCE AUTHORIZING THE
ISSUANCE OF WATER SYSTEM REVENUE REFUNDING
BONDS - PRINCIPAL AMOUNT OF \$1,620,000 FOR THE
PURPOSE OF REFUNDING \$1,495,000 OF OUTSTANDING
WATER SYSTEM REVENUE REFUNDING BONDS - D.A.
Davidson, Paul Grieger**

Staff Contact:

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF SEWARD, NEBRASKA, AUTHORIZING THE ISSUANCE OF WATER SYSTEM REVENUE REFUNDING BONDS OF THE CITY OF SEWARD, NEBRASKA, IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED ONE MILLION SIX HUNDRED TWENTY THOUSAND DOLLARS (\$1,620,000) FOR THE PURPOSE OF REFUNDING \$1,495,000 OF OUTSTANDING WATER SYSTEM REVENUE REFUNDING BONDS, SERIES 2010; PROVIDING FOR NECESSARY RESERVE FUNDS AND PAYING COSTS OF ISSUANCE OF SAID BONDS; PRESCRIBING THE FORM, TERMS AND DETAILS OF SAID BONDS; PLEDGING AND HYPOTHECATING THE REVENUE AND EARNINGS OF THE WATERWORKS PLANT AND WATER SYSTEM OF SAID CITY FOR THE PAYMENT OF SAID BONDS AND INTEREST THEREON; PROVIDING FOR THE COLLECTION, SEGREGATION AND APPLICATION OF THE REVENUE OF SAID WATERWORKS PLANT AND WATER SYSTEM; ENTERING INTO A CONTRACT ON BEHALF OF THE CITY WITH THE HOLDERS OF SAID BONDS; REPEALING ANY CONFLICTING ORDINANCES AND PROVIDING FOR PUBLICATION OF THE ORDINANCE IN PAMPHLET FORM.

BE IT ORDAINED BY THE MAYOR AND THE CITY COUNCIL OF THE CITY OF SEWARD, NEBRASKA:

Section 1. The Mayor and Council of the City of Seward, Nebraska (the “City”), hereby find and determine as follows:

- (a) that the City owns and operates a waterworks plant and water system (the “Water System”), which represents a revenue-producing undertaking of the City. Reference herein to the Water System shall include all additions and improvements thereto hereafter acquired by the City;
- (b) that the City has previously issued and there are now outstanding the following issues of revenue bonds for which the revenues of the Water System have been pledged:

Water System Revenue Refunding Bonds, Series 2010, date of original issue—March 30, 2010, issued pursuant to Ordinance No. 5-10 (the “2010 Ordinance”) of which there remain outstanding and unpaid Bonds in the principal amount of \$1,495,000 (the “2010 Bonds”);

Water System Revenue Refunding Bonds, Series 2011, date of original issue—June 7, 2011, issued pursuant to Ordinance No. 8-11 (the “2011 Ordinance”) of which there remain outstanding and unpaid bonds in the principal amount of \$1,255,000 (the “2011 Bonds”);

Water System Revenue Bonds, Series 2013, date of original issue—March 22, 2013, issued pursuant to Ordinance No. 1-13 (the “2013 Ordinance”) of which there remain outstanding and unpaid bonds in the principal amount of \$90,000 (the “2013 Bonds”); and

Water System Revenue Bonds, Series 2013B, date of original issue—December 13, 2013, issued pursuant to Ordinance No. 15-13 (the “2013B Ordinance”) of which there remain outstanding and unpaid bonds in the principal amount of \$1,520,000 (the “2013B Bonds”)

the 2011 Bonds, the 2013 Bonds and the 2013B Bonds are sometimes hereinafter referred to as the “Outstanding Bonds”; the 2011 Ordinance, the 2013 Ordinance and the 2013B Ordinance are sometimes hereinafter referred to collectively as the “Prior Ordinances”.

- (c) that the 2010 Bonds are subject to redemption at any time on or after March 30, 2015, all at par plus accrued interest to the date fixed for redemption and have been authorized to be irrevocably called for redemption in accordance with their call provisions on a date to be determined (the "Redemption Date") pursuant to a call resolution adopted contemporaneously herewith; that since the 2010 Bonds (the "Called Outstanding Bonds") were issued, the rates of interest available in the market have declined such that by taking up and paying off the Called Outstanding Bonds through the issuance of refunding bonds as provided herein, a savings in the amount of yearly running interest will be made to the City;
- (d) that under the terms of the Prior Ordinances, bonds of equal lien with the Outstanding Bonds may be issued provided that certain revenues have been experienced by the Water System for its most recent fiscal year; that the "Net Revenues" (as defined in the Prior Ordinances and based upon financial statements currently available) of the Water System for the fiscal year ended September 30, 2014, are not expected to have been less than \$750,000; and that the Authorized Officers (as defined herein) are hereby authorized to and shall certify prior to the issuance of the bonds authorized herein that said Net Revenues are not less than 1.25 times the average annual debt service requirements (as described in the Prior Ordinances) of the Outstanding Bonds and the bonds herein authorized; that said Outstanding Bonds and the Called Outstanding Bonds represent the only outstanding indebtedness of the City for which the revenues of the Water System have been pledged; that, upon the issuance of the bonds herein authorized, all payment requirements of said Called Outstanding Bonds will be paid and satisfied; that all conditions required under the terms of the Prior Ordinances for the issuance of the bonds herein authorized as "additional bonds" of equal lien and standing with the Outstanding Bonds do exist and have happened; and
- (e) that for the purpose of making said redemption of the Called Outstanding Bonds on the Redemption Date, it is in the best interest of the City to issue revenue refunding bonds of the City in the principal amount of not to exceed \$1,620,000;
- (f) that all conditions, acts and things required to exist or to be done precedent to the issuance of Water System Revenue Refunding Bonds of the City of Seward, Nebraska, in the principal amount of not to exceed One Million Six Hundred Twenty Thousand Dollars (\$1,620,000) pursuant to Sections 18-1803 to 18-1805, R.R.S. Neb. 2007, do exist and have been done as required by law.

Section 2. The Mayor and City Council further find and determine in order to provide for the refunding as described in Section 1 hereof, the City is authorized to issue Water System Revenue Refunding Bonds of the City of Seward, Nebraska, pursuant to the Prior Ordinances and Sections 18-1803 to 18-1805, R.R.S. Neb, 2007, as amended, in the aggregate principal amount of not to exceed \$1,620,000; that all conditions, acts and things required to exist or to be done precedent to the issuance of such Water System Revenue Refunding Bonds do exist and have been done as required by law and there shall be and there are hereby ordered issued Water System Revenue Refunding Bonds of the City of Seward, Nebraska, as aforesaid.

Section 3. To provide for the refunding of the Called Outstanding Bonds as described in Sections 1 and 2 hereof, including costs of issuance hereof, there shall be and there are hereby ordered issued Water System Revenue Refunding Bonds, Series 2015, of the City of Seward, Nebraska, in the principal amount of not to exceed One Million Six Hundred Twenty Thousand Dollars (\$1,620,000) (the "2015 Bonds"), with said bonds to become due on June 1 of each year as indicated below:

Principal	Maturing June 1
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<u>Amount</u>	<u>Of Year</u>
\$175,000	2015
175,000	2016
175,000	2017
180,000	2018
175,000	2019
180,000	2020
185,000	2021
185,000	2022
190,000	2023

provided, that the Series 2015 Bonds shall bear interest at the rates per annum as shall be determined in a written designation (the "Designation") signed by the Mayor, Clerk or Treasurer of the City (each, an "Authorized Officer") on behalf of the City and which may be agreed to by D.A. Davidson & Co. (the "Underwriter"), which Designation may also determine or modify the principal amount for each maturity of the Series 2015 Bonds, mandatory redemption provisions (if any), and pricing terms as set forth in Section 9 below, all within the following limitations:

- (a) the aggregate principal amount of the Series 2015 Bonds shall not exceed \$1,620,000, provided, however, in the event the Series 2015 Bonds are sold with a net original issue discount such aggregate principal amount may be increased in an amount necessary to compensate for any such net original issue discount;*
- (b) the Bonds shall bear interest at such rates per annum so that debt service payable on the Bonds provides at least a net present value savings to the City over the debt service payable on the Called Outstanding Bonds;*
- (c) the longest maturity of the Series 2015 Bonds may not be later than June 1, 2023;*
- (d) the true interest cost of the Series 2015 Bonds shall not exceed 3.00%;*
- (e) two or more of the principal maturities may be combined and issued as "term bonds" and the Authorized Officer 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 Registrar (as hereinafter designated) or by the Depository (as hereinafter designated).*

The Authorized Officers (or any one of them) 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 Mayor and Council of the City without further action of the Mayor and Council of the City.

The 2015 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 2015 Bonds shall be Date of Delivery. Interest on the 2015 Bonds, at the respective rates for each maturity, shall be payable semi-annually on June 1 and December 1 of each year, commencing June 1, 2015, or such other dates as may be determined in the Designation (each an "Interest Payment Date"), and the 2015 Bonds shall bear such interest from the date of original issue or the most recent Interest Payment Date, whichever is later. The interest due on each Interest Payment Date shall be payable to the registered owners of record as of the fifteenth day immediately preceding the Interest Payment Date (the "Record Date"), subject to the provision of Section

5 hereof. The 2015 Bonds shall be numbered from 1 upwards in the order of their issuance. No 2015 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 2015 Bonds issued shall be as directed by the Underwriter. Payments of interest due on the 2015 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 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 the Paying Agent and Registrar upon presentation and surrender of the 2015 Bonds to said Paying Agent and Registrar. The City and said Paying Agent and Registrar may treat the registered owner of any 2015 Bond as the absolute owner of such 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 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 2015 Bond in accordance with the terms of this Ordinance shall be valid and effectual and shall be a discharge of the City and said Paying Agent and Registrar, in respect of the liability upon the 2015 Bonds or claims for interest to the extent of the sum or sums so paid.

Section 4. The Jones National Bank & Trust Company of Seward, Seward, Nebraska, is hereby designated to serve as Paying Agent and Registrar for the 2015 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 this Ordinance, which form is hereby approved. The Mayor and City Clerk are hereby authorized to execute said 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 2015 Bonds at its principal corporate trust office. The names and registered addresses of registered owner or owners of the 2015 Bonds shall at all times be recorded in such books. Any 2015 Bond may be transferred pursuant to its provisions at the 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 2015 Bond or 2015 Bonds of the same interest rate, aggregate principal amount and maturity. To the extent of the denominations authorized for the 2015 Bonds by this Ordinance, one such bond may be transferred for several such bonds of the same interest rate and maturity, and for a like aggregate principal amount, and several such bonds may be transferred for one or several such bonds, respectively, of the same interest rate and maturity and for a like aggregate principal amount. In every case of transfer of a 2015 Bond, the surrendered 2015 Bond shall be canceled and destroyed. All 2015 Bonds issued upon transfer of the 2015 Bonds so surrendered shall be valid obligations of the City evidencing the same obligation as the 2015 Bonds surrendered and shall be entitled to all the benefits and protection of this Ordinance to the same extent as the 2015 Bonds upon transfer of which they were delivered. The City and said Paying Agent and Registrar shall not be required to transfer any 2015 Bond during any period from any Record Date until its immediately following Interest Payment Date or to transfer any 2015 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 2015 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 2015

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 2015 Bonds maturing anytime on or after June 1, 2020 shall be subject to redemption at the option of the City, in whole or in part, prior to maturity at any time on or after five years after the date of delivery, at par plus accrued interest on the principal amount redeemed to the date fixed for redemption (or such other date as may be determined in the Designation). The City may select the 2015 Bonds to be redeemed for such optional redemption in its sole discretion. The 2015 Bonds shall be redeemed only in the amounts of \$5,000 or integral multiples thereof. 2015 Bonds redeemed in part only shall be surrendered to said Paying Agent and Registrar in exchange for a new 2015 Bond or 2015 Bonds evidencing the unredeemed principal thereof. Notice of Redemption of any 2015 Bond called for redemption shall be given, at the direction of the City in the case of optional redemption and without further direction in the case of mandatory redemption, 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 2015 Bond at said owner's registered address. Such notice shall designate the 2015 Bond or 2015 Bonds to be redeemed by maturity or otherwise, the date of original issue and the date fixed for redemption and shall state that such 2015 Bond or 2015 Bonds are to be presented for prepayment at the office of said Paying Agent and Registrar. In case of any 2015 Bond being partially redeemed, such notice shall specify the portion of the principal amount of such 2015 Bond to be redeemed. No defect in the mailing of notice for any 2015 Bond shall affect the sufficiency of the proceedings of the City designating the 2015 Bonds called for redemption or the effectiveness of such call for 2015 Bonds of which notice by mail has been properly given and the City shall have the right to further direct notice of redemption for any such bond for which defective notice has been given.

Section 7. If the date for payment of the principal or interest on the 2015 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 2015 Bonds shall be in substantially the following form:

UNITED STATES OF AMERICA

**STATE OF NEBRASKA
COUNTY OF SEWARD**

**WATER SYSTEM REVENUE REFUNDING BOND, SERIES 2015
OF THE CITY OF SEWARD, NEBRASKA**

No. R-____

<u>Interest Rate</u> %	<u>Maturity Date</u> June 1,	<u>Date of Original Issue</u> March 30, 2015	<u>CUSIP No.</u>
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**Registered Owner: Cede & Co.
13-2555119**

Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS: That the City of Seward, in the County of Seward, in the State of Nebraska, hereby acknowledges itself to owe and for value received promises to pay, but only from the special sources herein 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 issuer most recent Interest Payment Date, whichever is later, at the rate per annum specified above, payable semi-annually on June 1 and December 1 of each year (each an "Interest Payment Date"), commencing June 1, 2015. Said 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 any unpaid interest accrued thereon, is payable upon presentation and surrender of the bond at the office of The Jones National Bank & Trust Company of Seward, the Paying Agent and Registrar, in Seward, Nebraska. 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, on the fifteenth day immediately preceding the Interest Payment Date, 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, as 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.

The revenue and earnings of the waterworks plant and water system (the "Water System") of the City of Seward, Nebraska, have been pledged and hypothecated for the payment of this bond and the other bonds of this issue and for the payment of the City's outstanding Water System Revenue Refunding Bonds, Series 2011, presently outstanding in the principal amount of \$1,255,000 (the "Series 2011 Bonds"), for the payment of the City's outstanding Water System Revenue Bonds, Series 2013, presently outstanding in the principal amount of \$90,000 (the "Series 2013 Bonds"), and for the payment of the City's outstanding Water System Revenue Bonds, Series 2013B, presently outstanding in the principal amount of \$1,520,000 (the "Series 2013B Bonds", and together with the Series 2011 Bonds and the Series 2013 Bonds, the "Outstanding Bonds") and for the payment of any additional bonds of equal priority issued in accordance with the ordinance authorizing the bonds of this issue. The bonds of this issue are payable from and a lien only upon said revenue and earnings, equal in standing and on a parity with the Outstanding Bonds, and are not general obligations of the City of Seward, Nebraska.

The ordinance authorizing the issuance of this bond and the other bonds of this issue sets forth the covenants and obligations of the City with respect to the Water System and the application of the revenues to be derived therefrom, which revenues are by the terms of said ordinance to be deposited in the "Seward Water Department Fund" and disbursed to pay costs of operation and maintenance, make payments of principal and interest on the bonds of the issue and make other payments as specified in said ordinance. Said ordinance designates the terms and conditions on which additional bonds of equal lien to the bonds of this issue may be issued. Said ordinance also designates the terms and conditions on which this bond shall cease to be entitled to any lien, benefit or security under such ordinance and all covenants, agreements and obligations of the City under such ordinance may be discharged and satisfied at or prior to the maturity or redemption of this bond if moneys or certain specified securities shall have been deposited with the Paying Agent and Registrar or a designated trustee. The City also reserves the right to issue bonds junior in lien to the bonds of this issue the principal and interest of which shall be payable from monies in the "Surplus Account" of the Seward Water Department Fund as designated in said ordinance.

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 to date of maturity, rate of interest and denomination which were issued by the City for the purpose of refunding the City's outstanding Water System Revenue Refunding Bonds, Series 2010, date of original issue – March 30, 2010, in the principal amount of \$1,495,000, in strict compliance with Sections 18-1803 to 18-1805, R.R.S. Neb., 2007, as amended, and has been duly authorized by ordinance legally passed, approved and published and by proceedings duly had by the Mayor and Council of said City.

[The bonds of this issue due as term bonds in the years ____ and ____ (the "Term Bonds") are required to be redeemed prior to their stated maturity, commencing on June 1, 20__ and continuing on June 1 of each year thereafter through and including payment at maturity, in part, which redemptions and payment at maturity shall be in the years and for the principal amounts set forth below:

20__ Term Bond	
<u>Year of Redemption</u>	<u>Amount Required to be Redeemed</u>
June 1, 20__	\$ __,000
June 1, 20__	__,000
June 1, 20__	__,000
June 1, 20__ (Maturity)	__,000

20__ Term Bond	
<u>Year of Redemption</u>	<u>Amount Required to be Redeemed</u>
June 1, 20__	\$ __,000
June 1, 20__ (Maturity)	__,000

Such mandatory redemptions shall be at a price equal to 100% of the principal amount redeemed plus interest accrued on the principal amount being redeemed to the date fixed for redemption. The Paying Agent and Registrar shall select the Term Bonds for mandatory redemption using any random method of selection deemed appropriate by the Paying Agent and Registrar.]

Any or all of the bonds of said issue maturing on or after June 1, 2020 are subject to redemption at the option of the City, in whole or in part, at any time on or after _____, 2020 at par plus interest accrued thereon to the date fixed for redemption.

Notice of redemption shall be given by mail to the registered owner of any bond to be redeemed 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 authorizing said issue of bonds, subject to the limitations therein prescribed. The City, the Paying Agent and Registrar or 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 date for payment of the principal 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.

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 REGISTRAR. DTC OR NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF AND 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 REGISTRAR FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE 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.

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 required by law and that the indebtedness of said City, including this bond and the indebtedness refunded hereby, does not now and did not at the time of the incurring of said indebtedness, exceed any limitation imposed by law.

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 Seward, Nebraska, have caused this bond to be executed on behalf of the City with the facsimile signatures of the Mayor and the City Clerk and by causing the official seal of the City to be imprinted hereon, all as of the date or original issue specified above.

CITY OF SEWARD, NEBRASKA

Mayor

ATTEST:

City Clerk

[SEAL]

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 Seward, Nebraska, as described in said bond.

THE JONES NATIONAL BANK & TRUST COMPANY OF SEWARD, SEWARD, NEBRASKA

By: _____

Authorized Officer

(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

Registered Owner

Witness: _____

Note: The signature of this assignment must correspond with the name as written on the face of the within bond in every particular, without alteration, enlargement, or any change whatsoever.

Section 9. Each of the 2015 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. The 2015 Bonds shall be issued initially as "book-entry-only" bonds using the services of The Depository Trust Company (DTC), with one typewritten bond per maturity being issued to DTC. In such connection said officers are authorized to execute and deliver a Letter of Representations (including any blanket letter previously executed and delivered by the City) in the form required by DTC, for and on behalf of the City, which shall thereafter govern matters with respect to registration, transfer, payment and redemption of the 2015 Bonds. Upon the issuance of the 2015 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 2015 Bonds as securities depository (each, a "Bond Participant") or to any person who is an actual purchaser of a 2015 Bond from a Bond Participant while the 2015 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 2015 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 2015 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, or any amount with respect to the 2015 Bonds. The Paying Agent and Registrar shall make payments with respect to the 2015 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 2015 Bonds to the extent of the sum or sums so paid. No person other than the Depository shall receive an authenticated 2015 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 2015 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 substitute depository willing and able upon reasonable and customary terms to maintain custody of the 2015 Bonds or (ii) to make available 2015 Bonds registered in whatever name or names the Beneficial Owners transferring or exchanging such 2015 Bonds shall designate.

(c) If the City determines that it is desirable that certificates representing the 2015 Bonds be delivered to the Bond Participants and/or Beneficial Owners of the 2015 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 2015 Bonds. In such event, the Paying Agent and Registrar shall issue, transfer and exchange bond certificates representing the 2015 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 2015 Bond is registered in the name of the Depository or any nominee thereof, all payments with

respect to such 2015 Bond and all notices with respect to such 2015 Bond shall be made a given, respectively, to the Depository as provided in the Letter of Representations.

(e) Registered ownership of the 2015 Bonds may be transferred on the books of registration maintained by the Paying Agent and Registrar, and the 2015 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.

(f) In the event of any partial redemption of a 2015 Bond unless and until such partially redeemed 2015 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 2015 Bond as is then outstanding and all of the 2015 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, 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 even that such supply of certificates shall be insufficient to meet the requirements of the Paying Agent and Registrar for issuance of replacement 2015 Bonds upon transfer or partial redemption, the City agrees to order printed an additional supply of certificates and to direct their execution by manual or facsimile signature of its then duly qualified and acting Mayor and City Clerk of such City. In case any officer whose signature or facsimile thereof shall appear on any 2015 Bond shall cease to be such officer before the delivery of such 2015 Bond (including any bond certificates delivered to the Paying Agent and Registrar for 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 such 2015 Bond. The 2015 Bonds shall not be valid and binding on the City until authenticated by the Paying Agent and Registrar. The 2015 Bonds shall be delivered to the Paying Agent and Registrar for registration and authentication. Upon execution, registration and authentication of the 2015 Bonds, they shall be delivered to the City Treasurer, who is authorized to deliver them to the Underwriter upon receipt of the purchase price of 98.5% of the principal amount thereof plus accrued interest on the principal amount of the 2015 Bonds to date of payment for the 2015 Bonds (which purchase price may be modified by the terms of the Designation). The Underwriter shall have the right to direct the registration of the 2015 Bonds and the denominations thereof within each maturity, subject to the restrictions of this Ordinance. The Underwriter and its agents, representatives and counsel (including its bond counsel) are hereby authorized to take such actions on behalf of the City as are necessary to effectuate the closing of the issuance and sale of the 2015 Bonds, including, without limitation, authorizing the release of the 2015 Bonds by the Depository at closing. If no separate written agreement is executed and delivered for the 2015 Bonds, this Ordinance shall constitute the contract for the purchase and sale of the 2015 Bonds.

Section 10. The City Clerk shall make and certify duplicate transcripts of the proceedings of the Mayor and Council with respect to the 2015 Bonds, one of which shall be delivered to said purchaser.

Section 11. The Called Outstanding Bonds have been authorized to be called for redemption on the Redemption Date. The Jones National Bank & Trust Company of Seward is the Paying Agent and Registrar for the Called Outstanding Bonds and the net principal proceeds of the Bonds together with other funds of the City sufficient to effect the redemption in full of the Called Outstanding Bonds shall be deposited with said Paying Agent and Registrar to fully satisfy the principal and interest requirements of the Called Outstanding Bonds on the Redemption Date. The City hereby agrees to take all actions necessary to

effect the payment and redemption of the Called Outstanding Bonds as called for redemption. The Mayor and City Clerk and President of the Council, or any one of them, are hereby authorized to execute and deliver for and on behalf of the City all other documents and instruments necessary in connection with the issuance of the Bonds and to provide for the transfer of funds to the paying agent and registrar for the Called Outstanding Bonds necessary to provide for the payment of principal and interest on the Called Outstanding Bonds as called for redemption on the Redemption Date. The City hereby covenants and agrees to take all steps necessary and appropriate to provide for the calling and redemption of the Called Outstanding Bonds on the Redemption Date.

Section 12. The revenues and earnings of the Water System are hereby pledged and hypothecated for the payment of the 2015 Bonds, the Outstanding Bonds and any additional bonds of equal lien issued as authorized by this Ordinance and interest on such 2015 Bonds, the Outstanding Bonds and any such additional bonds, and the City does hereby agree with the holders of said 2015 Bonds, the Outstanding Bonds and additional bonds as follows:

(a) WATER DEPARTMENT FUND - The entire gross revenues and income derived from the operation of the Water System shall be set aside as collected and deposited in a separate fund which has been previously created and has been confirmed under the Prior Ordinances and shall continue to be designated as the "Seward Water Department Fund." For purposes of allocating the monies in the Seward Water Department Fund, the City shall continue to maintain (in accordance with the provisions of the Prior Ordinances and this Ordinance) the following accounts: (1) Bond Payment Account; (2) Operation and Maintenance Account; (3) Debt Service Reserve Account; and (4) Surplus Account.

(b) BOND PAYMENT ACCOUNT - Out of the Seward Water Department Fund there shall be deposited monthly on or before the first day of each month, as described below, to the Bond Payment Account the following amounts:

(1) Beginning on the first day of the month immediately following the month in which the 2015 Bonds are issued and continuing the first day of each month thereafter so long as any of the 2015 Bonds herein authorized remain outstanding and unpaid, an amount not less than the amount which, if the same amount were deposited each month, would be sufficient to pay the interest becoming due on the 2015 Bonds on the next succeeding Interest Payment Date.

(2) Beginning on the first day of the month twelve months preceding the month in which the first principal payment is due and continuing the first day of each month thereafter so long as any of the 2015 Bonds herein authorized remain outstanding and unpaid, an amount equal to 1/12th of the next maturing principal payment for the 2015 Bonds.

(3) During the periods and in the amounts specified for the Outstanding Bonds in the Prior Ordinances.

The City Treasurer is hereby authorized and directed, without further authorization, to withdraw monies deposited 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, an amount sufficient to pay, when due, the principal of and interest on the 2015 Bonds, the Outstanding Bonds and any additional bonds and to transfer such amounts to the Paying Agent and Registrar, in Seward, Nebraska, (or the designated paying agent for the Outstanding Bonds and any additional bonds) at least five (5) days before each principal and interest payment date. Upon the issuance of any additional bonds pursuant to this Ordinance appropriate additional

deposits to the Bond Payment Account shall be provided for sufficient to pay principal and interest on said additional bonds.

(c) OPERATION AND MAINTENANCE ACCOUNT - Out of the Seward Water Department Fund, after making the deposits required by Subsection 10(b), there shall be monthly deposited 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 Water System.

(d) DEBT SERVICE RESERVE ACCOUNT - The City has previously established under the terms of the Prior Ordinances provisions governing separate reserve sub-accounts for the Prior Bonds, which provisions shall continue in effect so long as the Prior Bonds remain outstanding. There is hereby established within the Debt Service Reserve Account the 2015 Sub-account (the "2015 Reserve Account"). Concurrently with the issuance of the 2015 Bonds (or in such other manner as may be determined in the Designation), the City agrees that it shall deposit to the 2015 Reserve Account from funds on hand or proceeds of the 2015 Bonds a sum (which may be \$0.00) not greater than the least of (a) 10 percent of the stated principal amount of the original principal amount of the 2015 Bonds; (b) 125% of the average annual principal and interest requirements of the 2015 Bonds; or (c) the maximum annual principal and interest requirements of the 2015 Bonds, (the "Required Balance"). Such Required Balance shall be the amount required to be maintained as the required balance in said account, so long as the 2015 Bonds remain outstanding. Monies deposited to the 2015 Reserve Account may be withdrawn, as needed, to provide funds to pay, when due, the principal of and interest on the 2015 Bonds issued pursuant to this Ordinance, 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 2015 Reserve Account, there shall be deposited to the 2015 Reserve Account in the month following such withdrawal all monies in the Seward Water Department Fund remaining after making the payments required to be made in such month to the Bond Payment Account and Operation and Maintenance Account and each month thereafter all remaining monies shall be deposited to the 2015 Reserve Account and used to restore the 2015 Reserve Account until the Required Balance has been restored, provided that any such credits shall be made on a pro rata basis (in accordance with the respective amounts of outstanding principal) with any credits required for the reserve sub-accounts for the Prior Bonds or any Additional Bonds, all as then outstanding. Upon the issuance of any Additional Bonds pursuant to this Ordinance, there shall be established a sub-account in the Debt Service Reserve Account for such Additional Bonds, and the method of funding or accumulations of the same shall be determined pursuant to the ordinance authorizing each such series of Additional Bonds. Anything in this Subsection 10(d) to the contrary notwithstanding, the amount required to be maintained in the Debt Service Reserve Account or the 2015 Reserve Account under the terms of this Ordinance shall not exceed the maximum amount the allowable for a "reasonably required reserve fund" under Section 148 of the Code and the current rules and regulations thereunder (as in effect from time to time), which results in no yield restrictions in the investment of such Account.

(e) SURPLUS ACCOUNT - Monies in the Seward Water Department Fund remaining after the deposits required in the foregoing Subsections 12(b), 12(c), and 12(d) shall be deposited 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 2015 Bonds, the Outstanding 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 Water System or for any other lawful purposes of the City as directed by the Mayor and City Council.

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 municipal utility enterprises, which books and records shall show deposits to and expenditures from the several accounts required by this section. Monies deposited to the Debt Service Reserve Account shall, if maintained in a demand or time deposit account, be kept in a separate account and not commingled with other City or Water System funds. If invested, monies credited to the Debt Service Reserve Account may be commingled with other City funds, including Water System funds, 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.

Monies in any of the accounts except the Debt Service Reserve Account may be invested in securities eligible for investment of other City funds. Monies in the Debt Service Reserve Account may be invested in Deposit Securities, as defined in Section 17 hereof, or in certificates of deposit, savings accounts or other interest bearing accounts in banks which are members of the Federal Deposit Insurance Corporation, (FDIC) except that whenever the amount so deposited exceeds the amount of the FDIC insurance available thereon, the excess shall be secured in the manner required by Section 16-716, R.R.S. Neb. 2012. Investments made from or attributable, in whole or in part, to the Debt Service Reserve Account shall mature or be redeemable at the option of the holder, without penalty, in not more than ten years. Income from or profit realized from investment for any account shall be deposited to such account until such account contains any amount then required to be therein, and thereafter such income or profit shall be transferred to the Seward Water Department Fund and treated as other revenues from the operation of the Water System.

The pledge and hypothecation provided for the 2015 Bonds and the Outstanding Bonds in this Ordinance is intended to and shall provide for a first and prior pledge or lien upon and security interest in the revenues of the Water System superior to any pledge, lien or security interest made or given with respect to any other indebtedness of the City as to its Water System and is intended as a full exercise of the powers of the City provided for in Sections 18-1803 to 18-1805, R.R.S. Neb. 2012, as now or hereafter amended, with respect to the City's Water System and the revenues and earnings thereof.

Section 13. So long as any of the 2015 Bonds, the Outstanding 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 water service furnished from the Water System adequate to produce revenues and earnings sufficient at all times:

- (a) To provide funds to pay, when due, the principal of and interest on the 2015 Bonds, the Outstanding Bonds and any additional bonds issued pursuant to the provisions of this Ordinance;
- (b) To pay all proper and necessary costs of operation and maintenance of the Water System and to pay for the necessary and proper repairs, replacements, enlargements, extensions, and improvements to the Water System;
- (c) To provide funds sufficient to make the credits into the accounts and at the times and in the amounts required by Section 12 of this Ordinance and by the similar sections of the Prior Ordinances.

Section 14. To provide funds for any purpose related to the Water System (or any additional utility permitted by this Section 14 to be combined therewith in the event that the revenues of such additional utilities are to be pledged to the payment of the 2015 Bonds, the Outstanding Bonds, any additional bonds then outstanding and the proposed additional bonds), the City may issue additional bonds payable from the revenues of the Water System having equal priority and on a parity with the 2015

Bonds and the Outstanding 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 deposits into the Bond Payment Account in amounts sufficient to pay, when due, the principal of and interest on the 2015 Bonds, the Outstanding Bonds, any additional bonds then outstanding and such additional bonds and for any monthly deposits to the Debt Service Reserve Account as are required under Subsection 12(d).

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

(1) The Net Revenues derived by the City from its Water 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 2015 Bonds, the Outstanding Bonds and any additional bonds previously issued, as then outstanding, and on the proposed additional bonds. For purposes of such determination "Net Revenues" shall mean the gross revenues derived from the ownership and operation of the Water System, including investment income, but not including any income from sale or disposition of the property of said system, less ordinary expenses of operating and maintaining the Water System payable from the Operation and Maintenance Account. Operation and maintenance expenses for such purpose shall not include depreciation, amortization or interest on any bonds or other indebtedness. Such Net Revenues shall be shown by an audit for such fiscal year for the City's Water System as conducted by independent certified public accountants. Also for purposes of such determination, "average annual debt service requirements" shall be determined by adding all of the principal and interest due (taking into consideration any provisions for mandatory redemptions of term bonds) when computed to the absolute maturity of the 2015 Bonds, the Outstanding Bonds and any additional bonds previously issued, as then outstanding, and on the proposed additional bonds and dividing such total by the number of years remaining that the longest bond of any such issue of bonds (including the proposed additional bonds) has to run to maturity; 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 Water 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 2015 Bonds, the Outstanding Bonds and any additional bonds previously issued, as then outstanding, and the proposed additional bonds. For purposes of such projection "Net Revenues" shall have the same meaning as provided in Subsection 12(b)(1) above, and average annual debt service requirements shall be computed in the same manner as specified in said Subsection 12(b)(1). In making such projection, the consulting engineer shall use as a basis the Net Revenues of the Water System during the last 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 such engineer's estimate of the net increase over or net decrease under the Net Revenues of the Water System for the year for which the audit was made by reason of: (i) changes of amounts payable under existing contracts for services, (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 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 projections of 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, but no additional bonds shall be issued requiring any annual debt service payment in excess of the amount so estimated by the consulting engineer.

If the City shall find it desirable it shall also have the right when issuing additional bonds to combine with the Water System any other utilities of the City authorized to be combined under Sections 18-1803 through 18-1805, R.R.S. Neb. 2012, and to cause all of the revenues of such combined utilities systems to be paid into the Seward Water Department Fund (which fund may be appropriately redesignated) and to provide that all of the 2015 Bonds, the Outstanding Bonds and any additional bonds previously issued and as then outstanding, and the proposed issue of additional bonds shall be payable from the revenues of such combined utilities and shall stand on a parity and in equality as to security and payment, provided, however, no utility shall be combined with the Water System as contemplated in this paragraph of this Section 14 unless the City is current with all the payments required to be made into the accounts described in Section 12 and the Net Revenues of such combined utilities systems shall satisfy one or the other of the requirements provided for in Subsection 14(b) above. In the event of such combination of an additional utility and for purposes of meeting such test, the definition of Net Revenues shall be altered to include the gross revenues of the additional utility or utilities and the ordinary expenses of operating and maintaining the additional utility or utilities and for such purposes any engineer furnishing projections may take into consideration the factors described in (A) and (B) of Subsection 14(b)(2) with respect to such additional utility or utilities. Net Revenues of the additional utility or utilities shall be based upon the report or reports of independent certified public accounts in the same manner as is required under Subsection 14(b)(1) or 14(b)(2) above.

The City hereby covenants and agrees that so long as any of the 2015 Bonds, the Outstanding Bonds and any additional bonds are outstanding, it will not issue any bonds or notes payable from the revenues of the Water System 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 2015 Bonds, the Outstanding Bonds and any such additional bonds, with the principal and interest of such bonds or notes to be payable from monies deposited to the Surplus Account as provided in Subsection 12(e). The term "additional bonds" as used in this Ordinance refers only to such bonds as are payable from the revenues of the Water System on a parity with the 2015 Bonds, the Outstanding Bonds and are issued in accordance with the terms of this Section 14 or refunding bonds which are issued in accordance with the terms of Section 15 of this Ordinance if and when such refunding bonds under the terms of said Section 15 become payable on a parity with the 2015 Bonds, the Outstanding Bonds and any additional bonds then outstanding. Anything in this Section 14 or in Section 15 to the contrary notwithstanding, additional bonds for refunding purposes may be issued under the conditions set forth in this Section 14 as an alternative if such conditions can be met for their issuance.

Section 15. The City may issue refunding bonds, which shall qualify as additional bonds of equal lien to refund any of the 2015 Bonds, the Outstanding Bonds or additional bonds then outstanding, provided that, if any such 2015 Bonds, the Outstanding 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 15 may be issued as additional bonds of equal lien without compliance with the conditions set forth in Subsection 14(b) of this Ordinance.

The City may also issue refunding bonds which shall qualify as additional bonds of equal lien to refund any of the 2015 Bonds, the Outstanding Bonds or additional bonds then outstanding provided that if any 2015 Bonds, the Outstanding 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 14(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 2015 Bonds, the Outstanding Bonds and 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 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 the 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 of the Water System (such as investment earnings on bond proceeds or bond proceeds themselves) 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 15, 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 comes sooner.

Section 16. So long as any 2015 Bonds remain outstanding, the City hereby covenants and agrees as follows:

- (a) The City will maintain the Water System in good condition and will continuously operate the same in a reasonable and efficient manner, and the City will punctually perform all the 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 Water System so long as the revenue derived from the City's ownership of the properties constituting the Water System shall be sufficient to fulfill the City's obligations under Sections 14 and 15 of this Ordinance.
- (b) The City will not grant any franchise or right to any person, firm or corporation to own or operate a utilities system or systems in competition with the Water System.
- (c) The City will maintain insurance on the property constituting the Water System (other than such portions of said 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 Water 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 Water 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 Water 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 Water System. This City will have its operating and financial statements relating to the Water System audited annually by a certified public account or firm of certified public accountants. The City will furnish to the original purchaser of the 2015 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 Water System, a copy of the financial statements of the Water System and the report thereon of the certified public accountants.

(e) The City shall cause each person handling any of the monies in the Seward Water Department 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 17. 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 2015 Bonds and any such bonds shall no longer be deemed outstanding hereunder if such bonds shall have been purchased and canceled 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 another national or state bank having trust powers or trust company, in trust solely for such payment (1) sufficient money to make such payment and/or (2) Deposit Securities in such amount and bearing interest at such rates and payable at such time or times 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 2015 Bonds to be paid prior to maturity, the City shall have duly given notice of redemption of such bonds as provided by law or made irrevocable provision for the giving of such notice. Any such money so deposited with a bank, trust company or the Paying Agent and Registrar, may be invested and reinvested in Deposit Securities at the direction of the City, and all interest and income from such Deposit Securities in the hands of such bank, 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. For purposes of this Section 17, Deposit Securities shall mean (a) direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and (b) bonds, debentures, notes, participation certificates, or other evidences of indebtedness issued by any of the Federal Home Loan Bank system, the Export Import Bank of the United States or the Government National Mortgage Association or any combination of any of the foregoing. For purposes of this Section 17, such Deposit Securities shall be non-callable or callable only at the option of the holder.

Section 18. The terms and provisions of this Ordinance do and shall constitute a contract between the City of Seward and the holder or holders of the 2015 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 holders of two-thirds (2/3rds) in principal amount of the 2015 Bonds then outstanding, provided, however, that neither the principal and interest to be paid upon any 2015 Bond nor the maturity date of any 2015 Bond shall be changed without the written consent of all holders of the 2015 Bonds then outstanding affected thereby. The holder of any

2015 Bond or 2015 Bonds may, either in law or in equity, by suit, action, mandamus or other proceeding, enforce or compel performance of any and all of the acts and duties required by this Ordinance, and any court of competent jurisdiction may, after default in compliance with the terms of this Ordinance on application of any such holder, appoint a receiver to take charge of the Water System and operate the same and apply the earnings thereof to the payment of the principal of an interest on the 2015 Bonds, the Outstanding Bonds and any additional bonds then outstanding in accordance with the provisions of this Ordinance, the Prior Ordinances and any ordinance or ordinances authorizing additional bonds.

Section 19. The Mayor, City Clerk and Treasurer of the City are hereby authorized to do all things and execute all such documents as may by them be deemed necessary and proper to complete the issuance and sale of the Bonds as contemplated by this Ordinance, including but not limited to the calling and redemption of the Called Outstanding Bonds. Said officers or any one of them are further authorized to make any allocations or elections deemed necessary or appropriate related to the provisions of the Code and regulations thereunder.

Section 20. The City hereby covenants to the purchasers and holders of the 2015 Bonds that it will make no use of the proceeds of said bond issue, including money held in any sinking fund attributable to said bonds which would cause said bonds to be arbitrage bonds within the meaning of such term as used in the Internal Revenue Code of 1986, as amended, and further covenants to comply with all applicable regulations thereunder throughout the term of said bond issue. The City hereby covenants and agrees to take all actions necessary under current federal law to maintain the tax-exempt status (as to taxpayers generally) of interest payable on the 2015 Bonds. The City specifically agrees that it will report and make payment with respect to any rebate amounts due with respect the 2015 Bonds under Section 148 of the Code and applicable regulations thereunder. The City hereby designates the Series 2015 Bonds as its “qualified tax-exempt obligations” pursuant to Section 265(b)(3)(B)(i)(III) of the Code and covenants and warrants that it does not reasonably expect to issue or have issued on its behalf tax-exempt bonds or other tax-exempt interest bearing obligations aggregating in principal amount more than \$10,000,000 during calendar year 2015 (taking into consideration the exception for current refunding issues).

Section 21. The form of Preliminary Official Statement with respect to the 2015 Bonds is hereby approved, and the Mayor and City Administrator, or either of them, are authorized to approve and authorized to deliver a final Official Statement for and on behalf of the City.

Section 22. The City hereby (a) authorizes and directs that an Authorized Officer execute and deliver, on the date of issue of the Bonds, a continuing disclosure undertaking in accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission in such form as determined necessary and appropriate by such Authorized Officer (the “Continuing Disclosure Undertaking”) and (b) covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Undertaking. Notwithstanding any other provision of this resolution, failure of the City to comply with the Continuing Disclosure Undertaking shall not be considered an event of default hereunder; however, any Participating Underwriter (as such term is defined in the Continuing Disclosure Undertaking) or any Beneficial Owner or any Registered Owner of a Bond (as such terms are defined in the Continuing Disclosure Undertaking) 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, and under the Continuing Disclosure Undertaking. An Authorized Officer may appoint a Dissemination Agent for the Bonds in the Authorized Officer’s discretion.

Section 23. 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 24. All ordinances or resolutions of the Mayor and Council which are in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

Section 25. This Ordinance is hereby determined to be a measure necessary to carry out the City's contractual obligations with respect to the 2015 Bonds. This Ordinance shall be in force and take effect from and after its passage and approval according to law. This Ordinance shall be published in pamphlet form.

PASSED AND APPROVED this 3rd day of February, 2015.

ATTEST:

Joshua Eickmeier, Mayor

Bonnie Otte
Assistant Administrator / Clerk-Treasurer /
Budget & Human Resource Director

[SEAL]