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**Chapter 10**

**FINANCE**

**ARTICLE I**

**IN GENERAL**

**DIVISION 1. DEPOSITORIES FOR CITY FUNDS**

**Sec. 10-1. Naming depositories for city funds.**

From and after the effective date of this Ordinance, the Washington County Mercantile Bank, the Ozarks Federal Savings and Loan Association and the Belgrade State Bank shall be depositories for funds of the city of Potosi, Missouri. (Ord. 585, §1.)

**Sec. 10-2. Security of deposits.**

The deposits shall be secured by deposit of securities as required by Sections 110.010 and 110.020 RSMo. (Ord. 585, §2.)

**Sec. 10-3. Banking and check issuing.**

That it is the intent of the Board of Aldermen of the City of Potosi to provide oversight to disbursements by the City and to direct the Banking institutions with whom the City deals that all checks issued by the City shall have both the signature of the Mayor and the City Clerk on the face thereof to be a valid check upon the account of the City, and that those two parties are authorized, in addition to the President of the Board of Aldermen who from time to time functions as acting Mayor, to sign signature cards at any banking institution with which the city has funds. (Ord. 733, §1)

**Sec. 10-4. Utility accounts.**

That the Board of Aldermen of the City of Potosi, Missouri, authorizes the establishment of reserve fund accounts for each of the utility accounts, and directs the City Clerk to establish such accounts, and to deposit therein 8% water and sewer and 4% natural gas of the monthly receipts of said utilities, and directs the clerk to provide the Board of Aldermen with monthly reports of said receipts and accounts. All expenditures from any reserve fund shall require the approval of the Board of Aldermen and Mayor by resolution or ordinance. (Ord. 747, §1)

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**Sec. 10-5. Capital Improvement/Equipment Fund**

1. **Capital Improvement/Equipment Fund established.**

There is hereby established a Capital Improvement Equipment Fund, to account for the financial resources to be used in the planning, design, acquisition, management, and construction of capital improvements, and equipment not specifically designated in other City funds.

1. **Funds defined.**

The funds established herein shall be fiscal and accounting entities with self-balancing sets of accounts recording cash and other financial resources that are segregated for the purpose of carrying on the specific activities of the fund.

1. **Revenues.**

Capital Improvement/Equipment Fund revenues shall consist of General Revenue for project improvements/equipment and such other revenues as may be appropriated by the Council.

1. **Expenditures.**

Capital Improvement/Equipment Fund expenditures shall be limited to the Planning, design, acquisition, management, and construction of capital improvement projects and equipment, which are not specifically designated as expenditures in other City funds.

1. **Budget.**

These funds shall be included in the annual city budget showing estimated revenues and appropriations as provided in the budget resolution.

1. **Fund Balance.**

Any positive balances derived in these funds shall remain therin for the exclusive uses as provided by this section.

1. **Effective date.**

This ordinance shall be full force and effect beginning in fiscal year 2011-2012 that begins on July 1, 2011. (Ord. 1048)

**Sec. 10-6 to 10-7. Reserved.**

**CROSS REFERENCES:**

**City collector, §2-8; business regulations and licenses, Ch. 6; motor vehicle license, §24-210; street improvements, Ch. 22; taxation, Ch. 23; funds derived from operation of utilities, Ch. 25;**

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**ARTICLE I**

**IN GENERAL**

**DIVISION 2. MODEL INVESTMENT POLICY**

**Sec. 10-8. Scope.**

This policy applies to the investment of all operating funds of the City of Potosi. Longer-term funds, including investments of employees' retirement funds and proceeds from certain bond issues, are covered by a separate policy.

(a) Pooling of funds. Except for cash in certain restricted and special funds, the City of Potosi will consolidate cash balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

(b) External management of funds. Investment through external programs, facilities and professionals operating in a manner consistent with this policy will constitute compliance. (Ord. 728, §I)

**Sec. 10-9. General objectives.**

The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield.

(a) Safety. Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

(A) Credit risk. The City of Potosi will minimize credit risk, the risk of loss due to the failure of the security issuer or backer by:

(1) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City of Potosi will do business.

(2) Diversifying the portfolio so that potential losses on individual securities will be minimized.

(B) Interest rate risk. The City of Potosi will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, by:

(1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operation, thereby avoiding the need to sell securities on the open market prior to maturity.

(2) Investing operating funds primarily in shorter-term securities.

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(b) Liquidity. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio also may be placed in bank deposits or repurchase agreements that offer same-day liquidity for short-term funds.

(c) Yield. The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:

(1) A security with declining credit may be sold early to minimize loss of principal.

(2) A security swap would improve the quality, yield, or target duration in the portfolio.

(3) Liquidity needs of the portfolio require that the security be sold.

(Ord. 728, §II)

**Sec. 10-10. Standards of care.**

(a) Prudence. The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion to the governing body and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

(b) Ethics and conflicts of interest. Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaken personal investment transactions with the same individual with which business is conducted on behalf of the City of Potosi. *(Revised 7/99)*

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(c) Delegation of authority. Authority to manage the investment program is granted to the City of Potosi Board of Aldermen and derived from the following: City of Potosi code, Section 10-1 and 10-2, and RSMo. §79.110. Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with the established written procedures and internal controls for the operation of the investment program consistent with this investment policy. Procedures should include references to: safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer. The investment officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. (Ord. 728, §III)

**Sec. 10-11. Annual review.**

An annual review of the financial condition and registration of qualified financial institutions will be conducted by the investment officer. (Ord. 728, §1)

**Sec. 10-12. Internal controls.**

(a) The investment officer is responsible for establishing and maintaining an internal control structure that will be reviewed annually with the City of Potosi's independent auditor. An internal control structure shall be designed to ensure that the assets of the City of Potosi are protected from loss, theft or misuse and to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits require estimates and judgments by management.

(b) The internal controls shall address the following points.

(1) Control of collusion.

(2) Separation of transaction authority from accounting and record keeping and custodial safekeeping.

(3) Avoidance of physical delivery securities.

(4) Clear delegation of authority to subordinate staff members.

(5) Written confirmation of transactions for investments and wire transfers.

(6) Development of a wire transfer agreement with the lead bank and third party custodian.

(Ord. 728, §2)

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**Sec. 10-13. Delivery vs payment.**

All trades where applicable will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in eligible financial institutions prior to the release of funds. All securities shall be perfected in the name or for the account of the City of Potosi and shall be held by a third-party custodian as evidenced by safekeeping receipts. (Ord. 728, §3)

**Sec. 10-14. Suitable and authorized investments.**

(a) Investment types. In accordance with and subject to restrictions imposed by current statutes, the following list represents the entire range of investments that the City of Potosi will consider and which shall be authorized for the investments of funds by the City of Potosi.

(1) Collateralized Public Deposits (Certificates of Deposit). Instruments issued by financial institutions which state that specified sums have been deposited for specified periods of time and at specified interest rates. The certificates of deposits are required to be backed by acceptable collateral securities as directed by state statute. (Ord. 728)

**Sec. 10-14A. Investment restrictions and prohibited transactions.**

To provide for the safety and liquidity of the City of Potosi funds, the investment portfolio will be subject to the following restrictions:

(a) Borrowing for investment purposes ("Leverage") is prohibited.

(b) Instruments known as Structured Notes (e.g. inverse floaters, leveraged floaters, and equity-linked securities) are not permitted. Investment in any instrument, which is commonly considered a "derivative" instrument (e.g. options, futures, swaps, caps, floors, and collars), is prohibited.

(c) Contracting to sell securities not yet acquired in order to purchase other securities for purposes of speculating on developments or trends in the market is prohibited. (Ord. 728, §3)

**Sec. 10-14B. Collateralization.**

Collateralization will be required on all investments. The market value (including accrued interest) of the collateral should be at least 100%.

For certificates of deposit, the market value of collateral must be at least 100% or greater of the amount of certificates of deposits plus demand deposits with the depository, less the amount, if any, which is insured by the Federal Deposit Insurance Corporation, or the National Credit Unions Share Insurance Fund.

All securities, which serve as collateral against the deposits of a depository institution, must be safe kept at a non-affiliated custodial facility. Depository institutions pledging collateral against deposits must, in conjunction with the custodial agent, furnish the necessary custodial receipts within five business days from the settlement date.

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The City of Potosi shall have a *depository contract and pledge agreement* with each safekeeping bank that will comply with the Financial Institutions, Reform, Recovery, and Enforcement Act of 1989 (FIRREA). This will ensure that the City of Potosi's interest in collateral pledged to secure deposits is enforceable against the receiver of a failed financial institution. (Ord. 728, §4)

**Sec. 10-14B. Maximum maturities.**

To the extent possible, the City of Potosi shall attempt to match its investments with anticipated cash flow requirements. All other investments shall mature and become payable not more than 1 year from the date of purchase, should not exceed two (2) years [three (3) years] and is consistent with the investment objectives.

Because of inherent difficulties in accurately forecasting cash flow requirements, a portion of the portfolio should be continuously invested in readily available funds such as in checking accounts to ensure that appropriate liquidity is maintained to meet ongoing obligations. (Ord. 728, §4)

**Sec. 10-14C. Policy considerations.**

(a) Exemption. Any investment currently held that does not meet the guidelines of this policy shall be exempt from the requirements of this policy. At maturity or liquidation, such monies shall be reinvested only as provided by this policy.

(b) Adoption. This policy shall be adopted by resolution of the City of Potosi governing body. The policy shall be reviewed annually by the investment officer and recommended changes will be presented to the governing body for consideration. (Ord. 728, §§1-2)

**Sec. 10-14E. List of attachments.**

The following documents, as applicable, are attached to this policy.

1. Securities acceptable as collateral to secure deposits.

2. Listing of authorized personnel.

3. Relevant investment statutes and ordinances.

4. Repurchase agreements and tri-party agreements.

5. Listing of authorized financial institutions and the safekeeping agreements.

6. Glossary.

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SECURITIES ACCEPTABLE AS COLLATERAL TO SECURE CITY OF POTOSI DEPOSITS

The securities described below are hereby designated as acceptable collateral for the City of Potosi funds on deposit, as required by Section 30.270 RSMo (as amended). The City of Potosi reserves the right to refuse to accept as collateral any security or securities on this list or to request the submission of an alternate acceptable security or securities, if the City of Potosi determines that such action will provide greater security for the deposit of City of Potosi funds.

The securities described below are designated as acceptable collateral for the deposit of City of Potosi funds. The listing is not intended to serve as, and should not be considered as a listing of legally authorized investment instruments.

Marketable Treasury securities of the Untied States.

The following debt securities of the State of Missouri and its state authorities.

a. General obligation debt securities issued by the State of Missouri.

b. Revenue bonds issued by the Missouri Board of Public Buildings or Department of Natural Resources.

c. Revenue bonds of the Missouri Housing Development Commission, Missouri Health and Education Facilities Authority, Missouri Higher Education Loan Authority, Missouri Environmental Improvement and Energy Resources Authority, Missouri Agricultural and Small Business Development Authority, Missouri Industrial Development Board, or state-owned educational institutions, so long as any of the above are rated "A" or better by Moody's or Standard & Poors (MI on notes), or are secured by, a federal agency guarantee (directly or through guaranteed loans).

General obligation bonds of any city in this state having a population of not less than two thousand.

General obligation bonds of any county of this state.

General obligation bonds, approved and registered, of any school district situated in this state.

General obligation bonds, approved and registered, of any special road district in this state.

General obligation state bonds of any of the 50 states.

Debt securities of the Federal Farm Credit System.

Debt securities of the Federal Home loan Banks (FBLB) (excluding Zeros).

Other debt securities guaranteed by the United States or its agencies or instrumentality's, as follows:

a. Debt securities of the Federal National Mortgage Association (FNMA).

b. Debt securities of the Student Loan Marketing Association (SLMA).

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c. Debt securities of the Government National Mortgage Association (GNMA).

d. Debt securities of the Federal Home Loan Mortgage corporation (FHLMC) (excluding FHLMC Mortgage Cash Flow Obligations).

e. Guaranteed Loan Pool Certificates of the Small Business Administration (SBA).

f. Federal Home Administration insured notes (CBOs).

g. Public housing notes and bonds ("project notes and bonds") issued by public housing agencies, guaranteed as to the payment of principal and interest by the government of the United States or any agency or instrumentality thereof.

h. Debt securities of the Resolution Funding Corporation (REFCORP).

All pledges of pass-through mortgage-backed securities will be valued at 90% of market value. SBA pool certificates and collateralized mortgage obligation will be valued at 75% of market value. The only Collateralized Mortgage Obligations (CMO) the City of Potosi will accept are Planned Amortization Class (PAC) Collateralized Mortgage Obligations that have a weighted average life not to exceed three years and pass the FFIEC High Risk Stress Test. No Strips or Zeros are acceptable.

11. Bonds of any political subdivision established under the provisions of Section 30, Article VI, of the constitution of Missouri.

12. Tax anticipation notes issued by any county of class one in Missouri.

13. Surety bonds issued by an insurance company licensed under the laws of the State of Missouri whose claims-paying ability is rated in the highest category by Duff & Phelps, A.M. Best, Standard & Poors, or Moody's. The face amount of such surety bond shall be at least equal to the portion of the deposit to be secured by the surety bond.

14. An irrevocable standby letter of credit issued by a Federal Home Loan Bank possessing the highest rating issued by at least one nation ally recognized statistical rating agency.

*(Revised 7/99)* 142.5

142.6**ARTICLE II**

**MUNICIPAL BONDS**

**DIVISION 1. WATERWORKS AND SEWERAGE**

**SYSTEM REVENUE BONDS - ISSUE OF APRIL 28, 1965\***

**Sec. 10-15. Issuance of combined waterworks and sewerage system revenue bonds as authorized by voters on April 17, 1965.**

That the board of aldermen of the city of Potosi, Missouri, hereby recites, finds and determines that an estimate of the cost of improving and extending the combined waterworks and sewerage system of said city as provided in the plans and specifications therefor on file in the office of the city clerk, has been made, the amount of such estimated cost being $220,000, all of which will be paid out of the proceeds of the revenue bonds herein authorized. (Ord. 411, §1.)

**Sec. 10-16. Construction in accordance with plans by consulting engineer.**

That said improvements and extensions to the combined waterworks and sewerage system of said city shall be constructed in accordance with the plans and specifications therefor prepared by the city's consulting engineer, heretofore approved by the board of aldermen and on file in the office of the city clerk, including any alterations in or amendments to said plans and specifications deemed advisable by the city's consulting engineer and approved by the board of aldermen. (Ord. 411, §2.)

**Sec. 10-17. Principal amount of revenue bonds; land acquisition.**

That there are hereby authorized and directed to be issued an issue of Combined Waterworks and Sewerage System Revenue Bonds of the city of Potosi, Missouri, in the principal amount of $220,000 for the purpose of acquiring land for an oxidation basin and otherwise extending and improving the combined waterworks and sewerage system of said city, including the purchase of a water storage tank. (Ord. 411, §3.)

**Sec. 10-18. Number series of bonds; denomination; rate of interest.**

That said issue of Combined Waterworks and Sewerage System Revenue Bonds of the city of Potosi, Missouri, shall consist of 220 negotiable interest bearing bonds, numbered from 1 to 220 inclusive, each in the denomination of $1,000. All of said bonds shall be dated June 1, 1965, and shall become due serially on May 1 in each year and shall bear interest as follows:

**\*EDITOR'S NOTE:**

**Authorized by voters on April 17, 1965.**

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**numbers total maturity interest**

**june 1**

1-5 $ 5,000 1971 4%

6-10 5,000 1972 4%

11-16 6,000 1973 4%

17-22 6,000 1974 4%

23-28 6,000 1975 4%

29-34 6,000 1976 4 1/2%

35-40 6,000 1977 4 1/2%

41-46 6,000 1978 4 1/2%

47-53 7,000 1979 4 1/2%

54-60 7,000 1980 4 1/2%

61-68 8,000 1981 4 1/2%

69-76 8,000 1982 4 1/2%

77-84 8,000 1983 4 1/2%

85-92 8,000 1984 4 1/2%

93-101 9,000 1985 4 1/2%

102-110 9,000 1986 4 3/4%

111-120 10,000 1987 4 3/4%

121-130 10,000 1988 4 3/4%

131-140 10,000 1989 4 3/4%

141-151 11,000 1990 4 3/4%

152-163 12,000 1991 4 3/4%

164-176 13,000 1992 4 3/4%

177-190 14,000 1993 4 3/4%

191-205 15,000 1994 4 3/4%

206-220 15,000 1995 4 3/4%

Bonds numbered 1 to 101, inclusive, shall become due without option of prior payment but bonds numbered 102 to 220, inclusive, may be called for payment and redemption at the option of said city on June 1, 1985, or on any interest payment date thereafter at the par value thereof together with accrued interest thereon to date of redemption, plus a premium of four percent (4%) of the principal amount of said bonds so paid and redeemed.

In the event that said city shall elect to call for payment and redemption as aforesaid any of said bonds numbered 102 to 220, inclusive, prior to maturity, then all of said bonds so subject to redemption shall be paid and redeemed prior to their ultimate maturity only in the inverse numerical order of said bonds, the outstanding bond having the highest number being the first bond called for payment.

In the event that the city shall elect to pay and redeem any bond prior to the maturity thereof, the city shall give written notice of the intention of the city to pay and redeem said bonds, the same being described by number, said notice to be given by United States registered mail addressed to Commerce Trust Company, in the city of Kansas City, Missouri, and to be mailed at least thirty days prior to the date fixed for redemption. The city shall also give like notice of any such redemption to Luce, Thompson & Co., of Kansas City, Missouri.

If any bond be called for payment as aforesaid, interest on such bond shall cease from and after the date for which such call is made, provided funds are available for its payment at the price hereinbefore specified.

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Bonds numbered 1 to 28, inclusive, shall bear interest at the rate of four percent (4%) per annum; bonds numbered 29 to 101, inclusive, shall bear interest at the rate of four and one-half percent (4 1/2%) per annum; and bonds numbered 102 to 220, inclusive, shall bear interest at the rate of four and three-quarters percent (4 3/4%) per annum. Said interest shall be payable May 1, 1966, and thereafter semiannually on December 1 and June 1 in each year.

Said bonds and the interest coupons to be attached thereto as hereinafter provided shall be payable in lawful money of the United States of America at Commerce Trust Company, in the city of Kansas City, Missouri. (Ord. 411, §4.)

**Sec. 10-19. Signatures; seal of city.**

Said bonds shall be signed by the mayor and shall have the corporate seal of the city affixed thereto, attested by the city clerk. Negotiable interest coupons shall be attached to said bonds representing the interest to mature thereon, said interest coupons to bear the facsimile signatures of the mayor and city clerk of said city. (Ord. 411, §5.)

**Sec. 10-20. Form of bonds and interest coupons.**

Each of said bonds and the interest coupons to be attached thereto shall be in substantially the following form:

No.\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $1,000

united states of america

state of missouri

county of washington

city of potosi

combined waterworks and

sewerage system revenue bonds

know all men by these presents: That the city of Potosi, in the county of Washington, state of Missouri, a municipal corporation, for value received, hereby promises to pay to the bearer hereof, solely from the revenues derived and to be derived from the operation of the combined waterworks and sewerage system of said city, as hereinafter provided, the sum of

one thousand dollars

on the first day of June, 19\_\_\_, and to pay interest thereon from the date hereof at the rate of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (\_\_\_\_\_\_\_\_%) per annum, likewise payable solely from the revenues derived and to be derived from the operation of the combined waterworks and sewerage system of said city payable June 1, 1966, and thereafter semiannually on December 1 and June 1 in each year, until the said principal sum shall have been paid, upon presentation and surrender of the respective interest coupons hereto attached as said coupons severally become due.

Both principal of and interest on this bond are payable in lawful money of the United States of America at Commerce Trust Company, in the city of Kansas City, Missouri.

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(Insert here in each of bonds numbered 102 to 220 inclusive, the appropriate redemption provision hereinafter set forth)

This bond is one of an authorized issue of 220 bonds, numbered from 1 to 220, inclusive, of like date, denomination and tenor, excepting number, interest rate, privilege of redemption and maturity, aggregating the principal amount of $220,000 issued by the city of Potosi, Missouri, for the purpose of acquiring land for an oxidation basin and otherwise extending and improving the combined waterworks and sewerage system of said city, including the purchase of a water storage tank, pursuant to the provisions of Section 250.101 to 250.250, inclusive, Revised Statutes of Missouri, 1959, and pursuant to an election duly held in said city on April 17, 1965, at which election more than four sevenths of the qualified electors of said city voting on said proposition at said election gave their assent to and voted in favor of the issuance of said bonds, and pursuant to ordinances duly passed and proceedings duly had by the board of aldermen of said city.

This bond and the interest thereon are payable solely from the revenues derived and to be derived by the city of Potosi, Missouri, from the operation of the combined waterworks and sewerage system of said city, including revenues from improvements and extensions of said combined waterworks and sewerage system hereafter constructed or acquired by said city, and the taxing power of the city of Potosi, Missouri, is not pledged to the payment hereof either as to principal or interest. This bond shall not be or constitute a general obligation of the city of Potosi, Missouri, is not pledged to the payment hereof either as to principal or interest. This bond shall not be or constitute a general obligation of the city of Potosi, Missouri, nor shall it constitute an indebtedness of said city within the meaning of any constitutional, statutory or charter restriction limitation or provision.

In accordance with the provisions of the statute hereinbefore mentioned, the city of Potosi, Missouri, covenants and agrees that it will fix and maintain rates and make and collect charges for the use and services of the combined waterworks and sewerage system of said city sufficient to pay the cost of maintenance and operation thereof, to pay the principal of and the interest on this bond and all other bonds of the issue of which this bond is one and to provide funds ample to meet the requirements of the ordinance under which such revenue bonds have been issued, and that it will revise said rates from time to time so as fully to meet said requirements and the requirements of said statute. An amount sufficient for the purposes aforesaid of the net revenues of the combined waterworks and sewerage system of said city is by operation of said statute pledged to the payment of the principal of and the interest on this bond and all other bonds of the issue of which this bond is one as the same mature and accrue.

This bond and the series of which it is a part have been authorized and issued under the provisions of an ordinance of said city, duly passed and approved, to which ordinance reference is made for a description of the covenants of the city with respect to the collection, segregation and application of the revenues of the combined waterworks and sewerage system of the city, the nature and extent of the security of such bonds, the rights, duties and obligations of the city with respect thereto, and the rights of the holders thereof.

This bond and the interest coupons attached hereto are negotiable and shall be transferable by delivery.

It is hereby certified, recited, declared and represented that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this bond and of the issue of which it is one, in order to make the same valid, legal and binding

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obligations of said city, according to the terms thereof, do exist, have happened, and have been performed in due and regular time, form and manner as required by law; that before the issuance of this bond provision has been duly made for the collection and segregation of the revenues of the combined waterworks and sewerage system of the city of Potosi, Missouri, including the revenues of improvements and extensions of said system hereafter constructed or acquired, and for the application of the same as provided by law, and that for the performance in due time and manner of all covenants contained herein and for the prompt payment of the principal of and the interest on this bond solely, however, from the revenues aforesaid, and for the faithful performance of each and every official act necessary therefor the full faith of the city of Potosi, Missouri, is hereby irrevocably pledged.

in witness whereof, the city of Potosi, Missouri, has executed this bond by causing it to be signed by its mayor and attested by the city clerk, and its corporate seal to be hereto affixed, and has caused the annexed interest coupons to be executed with the facsimile signatures of said officers, and this bond to be dated this first day of May, 1965.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Mayor*

attest:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*City clerk*

*\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_*

Each of said bonds numbered 102 to 220, inclusive, shall contain the following additional text:

At the option of the city of Potosi, Missouri, this bond may be called for payment and redemption on June 1, 1985, or on any interest payment date thereafter at the par value of this bond together with accrued interest thereon to date of redemption, plus a premium of four percent (4%) of the principal amount of said bonds so paid and redeemed; provided, however, that all of the bonds of the issue of which this bond is one which are subject to payment and redemption prior to their ultimate maturity, being bonds numbered 102 to 220, inclusive, shall be paid and redeemed only in their inverse numerical order, the outstanding bond at the time subject to redemption which has the highest number being the first bond called for payment and redemption. In the event that the city shall elect to pay and redeem this bond prior to the maturity thereof as hereinbefore provided, the city shall give written notice of the intention of the city to pay and redeem this bond on a specified date, this bond being described by number, said notice to be given by United States registered mail addressed to Commerce Trust Company, in the city of Kansas City, Missouri, and to be mailed at least thirty (30) days prior to the date fixed for redemption. If this bond be called for payment and redemption as aforesaid, interest on this bond shall cease from and after the date for which such call is made, provided funds are available for its payment at the price above specified.

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(form of coupon)

First Coupon Other Coupons

for 12 months for 6 months

due May 1 due November 1

1966. and May 1.

Bonds 1-28 $40.00 $20.00

29-101 45.00 22.50

102-220 47.50 23.75

Coupon No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

On the first day of June, 19\_\_\_\_, the city of Potosi, Missouri, will pay to bearer, solely from the revenues derived from the operation of the combined waterworks and sewerage system of said city, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Dollars and \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_Cents in lawful money of the United States of America, at Commerce Trust Company, in the city of Kansas City, Missouri, being interest due on that date on its Combined Waterworks and Sewerage System Revenue Bond, dated June 1, 1965, No. \_\_\_\_\_\_\_\_\_\_\_\_\_\_.

(facsimile)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Mayor*

attest:

(facsimile)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*City clerk*

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Ord. 411, §6.)

**Sec. 10-21. Execution of bonds.**

That the mayor and city clerk are hereby authorized and directed to prepare and execute the Combined Waterworks and Sewerage System Revenue Bonds, hereinbefore described, and upon the execution of said bonds, the officers of said city shall deliver the same to Luce, Thompson & Co., of Kansas City, Missouri, the purchaser thereof, upon payment of the purchase price. (Ord. 411, §7.)

**Sec. 10-22. Construction fund.**

The principal amount received from the sale of said bonds shall be deposited in a separate fund to be known as the "Combined Waterworks and Sewerage System Construction Account," and shall be used by the city solely for the purpose of paying the cost of acquiring

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land for an oxidation basin and otherwise extending and improving the combined waterworks and sewerage system of said city, including the purchase of a water storage tank.

Withdrawals from said fund for improving and extending the combined waterworks and sewerage system of said city shall be made only when authorized by the board of aldermen of said city and only on duly authorized and executed warrant therefor accompanied by a certificate executed by the city's consulting engineer that such payment is being made for a purpose within the scope of this ordinance and that the amount of such payment represents only the contract price of the labor, materials or service being paid for or, if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Nothing hereinbefore contained shall prevent the payment of all costs and expenses incident to the issuance of the Combined Waterworks and Sewerage System Revenue Bonds of the city herein authorized without a certificate from the city's consulting engineer. Any amount in said fund not required for that purpose and any amount received by said city on account of accrued interest on said revenue bonds shall be credited to and deposited in the "Sinking Fund Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965," created by Section 10-18 of this ordinance. (Ord. 411, §8.)

**Sec. 10-23. Principal and interest payable solely from the revenue of combined waterworks and sewage system operations.**

That the principal of and the interest on the Combined Waterworks and Sewerage System Revenue Bonds of the city of Potosi, Missouri, herein authorized, shall be payable solely from the revenues derived and to be derived by the city from the operation of the combined waterworks and sewerage system of said city, including revenues from improvements and extensions of said combined waterworks and sewerage system of said city, including revenues from improvements and extensions of said combined waterworks and sewerage system hereafter constructed or acquired by the city, and the taxing power of the city is not pledged to the payment of said bonds either as to principal or interest. Said bonds shall not be or constitute a general obligation of the city of Potosi, Missouri, nor shall they constitute an indebtedness of said city within the meaning of any constitutional, statutory or charter restriction, limitation or provision. (Ord. 411, §9.)

**Sec. 10-24. Special revenue fund created.**

That there is hereby created in the treasury of the city a special fund for the purpose of handling all revenues derived and to be derived by the city from the operation of its combined waterworks and sewerage system to be known and hereinafter referred to as the "Combined Waterworks and Sewerage System Fund" and, from and after the delivery of the revenue bonds of the city herein authorized, and continuing so long as any of said bonds remain outstanding and unpaid, the city of Potosi, Missouri, covenants and agrees that it will maintain said fund and will segregate all of the revenues derived and to be derived by said city from the operation of its combined waterworks and sewerage system, including revenues derived from improvements and extensions of said system hereafter constructed or acquired by said city, and will hold the same separate and distinct from all other funds of said city, and will deposit the same in a bank or banks, which bank or banks shall be members of the Federal Deposit Insurance Corporation. Said "Combined Waterworks and Sewerage System Fund" shall be applied in the manner provided by law and as hereinafter in this ordinance specified. (Ord. 411, §10.)

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**Sec. 10-25. Four separate accounts created.**

That there is hereby created in the treasury of the city four separate accounts to be known respectively as the

"Combined Waterworks and Sewerage System Operation and

Maintenance Account,"

"Sinking Fund Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965,"

"Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965,"

"Combined Waterworks and Sewerage System Replacement and Extension Account,"

and the city of Potosi, Missouri, covenants and agrees that from and after the delivery of the revenue bonds dated June 1, 1965, herein authorized, and continuing so long as any of said bonds shall remain outstanding, said city will maintain said four accounts and each of them, and that said city on the first day of each month, beginning on the first day of the month following the delivery of any of the revenue bonds of the city herein authorized, will allocate all of the revenues then in the "Combined Waterworks and Sewerage System Fund" created by Section 10-24 of this ordinance as follows:

(a) There shall first be credited to and deposited in said "Combined Waterworks and Sewerage System Operation and Maintenance Account" an amount sufficient to pay the estimated cost of operating and maintaining the combined waterworks and sewerage system of the city during the ensuing month (provided, however, that the first amount credited to and deposited in said account may also include any amount required to pay part or all of the cost of operating and maintaining said system during the month next preceding the date of said first deposit). All amounts credited to and deposited in said operation and maintenance account shall be expended and used by the city for the sole purpose of paying the reasonable and proper expenses of operating and maintaining the combined waterworks and sewerage system of the city and keeping the same in good repair and working order.

(b) There shall next be credited to and deposited in said "Sinking Fund Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965," the following sums:

(i) On the first day of each month during the period beginning with the first of said monthly deposits and ending with the next succeeding interest payment date on the revenue bonds of the city dated June 1, 1965, herein authorized, an equal pro rata portion of the amount required to pay interest on said revenue bonds on the next succeeding interest payment date and, for the balance of the time that any of said bonds shall remain outstanding and unpaid, an amount not less than one sixth of the amount of interest becoming due on said bonds on the next succeeding interest payment date, and

(ii) On the first day of each month during the period beginning with the first of said monthly deposits and ending with the next succeeding principal payment date on the revenue bonds of the city dated June 1, 1965, herein authorized, an equal pro rata portion of the amount required to pay principal on said revenue bonds on the next succeeding principal payment date

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and, for the balance of the time that any of said bonds shall remain outstanding and unpaid, an amount not less than one twelfth of the amount of principal becoming due on said bonds on the next succeeding principal payment date, and

(iii) On the first day of each month during the period beginning with the first of said monthly deposits and ending with the next succeeding interest and principal payment date on said revenue bonds of said city, dated June 1, 1965, herein authorized, an equal pro rata portion of the amount required to pay the necessary fiscal agency charges made to the city for paying interest on and principal of said bonds that will become due on the next succeeding interest and principal payment date and for the balance of the time that any of said bonds shall remain outstanding and unpaid, an amount not less than one sixth of the necessary fiscal agency charges made to the city for paying interest on and principal of said bonds that will become due on the next succeeding interest or principal payment date.

All amounts credited to and deposited in said sinking fund account shall be expended and used by said city for the sole purpose of paying the interest on and principal of the Combined Waterworks and Sewerage System Revenue Bonds of the city dated May 1, 1965, herein authorized as and when the same become due and the charges of the fiscal agency for paying said interest and principal as and when the same become due.

(c) After making the deposits into the accounts provided for by paragraphs (a) and (b) of this Section, 10-25, there shall next be credited to and deposited in said "Reserve Account for Combined Waterworks and Sewerage Systems Revenue Bonds dated June 1, 1965," at annual intervals, all remaining revenues received from the operation of the combined waterworks and sewerage system until a total amount of fifty thousand dollars ($50,000), either in cash or in the par or face amount of obligations of the United States Government shall have accumulated in said account. All amounts credited to and deposited in said reserve account shall be expended and used solely to prevent any default in the payment of interest on or principal of the revenue bonds of the city dated June 1, 1965, herein authorized, if the moneys in the "Sinking Fund Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965," hereinbefore created, are insufficient to pay interest on or principal of said bonds as they become due. No part of said reserve account shall ever be expended or used by said city to call any of said revenue bonds for payment prior to their ultimate maturity unless all of said outstanding bonds be called for payment and funds are available to pay the same according to their terms. After said payments into said "Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965," aggregate the principal amount of fifty thousand dollars ($50,000), either in cash or in the par or face amount of obligations of the United States Government, no further payments into said reserve account shall be required but if the city shall ever be compelled to use and expend any part of said reserve account for the purpose of paying the interest on or principal of the revenue bonds of the city dated June 1, 1965, herein authorized, and such expenditures shall reduce the amount of said reserve account below the sum of fifty thousand dollars ($50,000), either in cash or in the par or face amount of obligations of the United States Government, then the city covenants and agrees that after making all deposits at the time required to be made by the city under the provisions of paragraphs (a) and (b) hereof, it will thereafter continue or resume said deposits into said "Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965," in the amount specified in this paragraph (c) until said reserve account aggregates fifty thousand dollars ($50,000) either in cash or in the par or face amount of obligations of the United States Government.

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(d) There shall next be credited to and deposited in said "Combined Waterworks and Sewerage System Replacement and Extension Account," after making the payments required by paragraphs (a) and (b) and after fifty thousand dollars ($50,000) has accumulated in the Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds created by paragraph (c) of this Section 10-25, at annual intervals, all remaining revenues received from the operation of the combined waterworks and sewerage system until a total amount of ten thousand dollars ($10,000), either in cash or in the par or face amount of obligations of the United States Government shall have accumulated in said account. All amounts credited to and deposited in said replacement and extension account shall be used by the city, if no other funds are available therefor, for paying the cost of operating and maintaining the combined waterworks and sewerage system of said city and keeping the same in good repair and working order and for replacements of said system and for the purpose of paying the cost of improving and extending said system. Moneys in said account may also be used for the purpose of redeeming and paying prior to their ultimate maturity any of the revenue bonds herein authorized, which are subject to redemption, such redemption to be made in the manner herein specified or for paying the same at par and accrued interest, together with any necessary premium not in excess of four percent (4%) if the holders thereof are willing to accept payment prior to maturity.

Moneys in said replacement and extension account may and shall be used by the city to prevent any default in the payment of interest on or principal of the revenue bonds herein authorized if no other funds are available for said purpose.

As long as any of the bonds herein authorized remain outstanding and unpaid and after making all of the payments required by paragraphs (a), (b), (c) and (d) of this Section 10-25, any remaining moneys in said "Combined Waterworks and Sewerage System Fund" may be used for any other proper municipal purpose, as determined by the governing body of the city.

If at any time the revenues derived from the operation of the combined waterworks and sewerage system shall be insufficient to make any payment on the dates herein specified, the city will make good such deficiency by making additional payments out of the first available revenues received from the operation of its combined waterworks and sewerage system. (Ord. 411, §11.)

**Sec. 10-26. Investment of funds.**

Moneys held in the "Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965," and in the "Combined Waterworks and Sewerage System Replacement and Extension Account" may be invested by the city if permitted by law in bonds or other obligations of the United States Government or unconditionally guaranteed by the United States Government having a fixed redemption value or becoming due within five years from the year of purchase. No such investment shall be made for a period longer than the time that the governing body of the city may estimate that moneys may not be needed for the purposes of such funds or accounts. All interest on any investments held in any fund or account shall accrue to and become a part of such fund or account. In determining the amount held in any fund or account under the provisions contained herein, bonds or other direct obligations of the United States Government shall be valued at their par value or at their then redemption value, whichever is lower. (Ord. 411, §12.)

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**Sec. 10-27. Obligations of city on outstanding bonds.**

The city of Potosi, Missouri, covenants with each of the purchasers and owners of any of the Combined Waterworks and Sewerage System Revenue Bonds of said city dated June 1, 1965, herein authorized that so long as any of said bonds remain outstanding and unpaid,

(a) The city will operate and maintain its combined waterworks and sewerage system and will keep the same in good repair and working order. Said system will be operated in an efficient manner and at reasonable cost, provided, however, that the city may abandon or cease to operate any property which has become non productive or otherwise unusable to the advantage of the city.

(b) The city will fix and maintain rates and make and collect charges for the use and services of the combined waterworks and sewerage system of the city, including all improvements and extensions of said system hereafter constructed or acquired by the city in an amount sufficient to pay the cost of maintenance and operation of said system, to pay the principal of and interest on the issue of revenue bonds of the city dated June 1, 1965, herein authorized, as and when the same become due, and to provide adequate reserves for the payment of said bonds and the interest thereon, and for the protection and benefit of such combined waterworks and sewerage system as hereinbefore specified in Section 10-25 of this Ordinance.

(c) None of the facilities or services afforded by the combined waterworks and sewerage system of the city will be furnished to any water or sewerage user (excepting the city itself) without a reasonable charge being made therefor. In the event that the revenues derived by the city from said system shall at any time prove insufficient to pay the cost of maintenance and operation of said system and also to pay all interest on and principal of the revenue bonds of the city dated June 1, 1965, herein authorized, as and when the same become due, then the city will thereafter pay into the "Combined Waterworks and Sewerage System Fund" created by Section 10-24 of this ordinance a fair and reasonable payment for all water or sewer or sewerage service, and other facilities, if any, furnished said city or any of its departments by the combined waterworks and sewerage system of the city, including all improvements and extensions of said system, and such payments will continue so long as the same may be necessary in order to prevent any default in the payment of the interest on or the principal of the revenue bonds of the city herein authorized.

(d) The city will not mortgage, pledge or otherwise encumber its combined waterworks and sewerage system or any part thereof or any improvement, extension or betterment thereto, nor will it sell, lease or otherwise dispose of said system or any material part thereof.

(e) The city will carry and maintain a reasonable amount of all risk insurance upon all of the properties forming a part of the combined waterworks and sewerage system of the city in so far as they are of an insurable nature, the amount of such insurance being such amount as would normally be insured by a private corporation engaged in a similar type of business. In the event of loss or damage, the city will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or, if such reconstruction and replacement be unnecessary, then in paying and redeeming the outstanding revenue bonds of the city herein authorized if such bonds be subject to redemption, and if not then in paying at par and accrued interest, together with a premium of not more than four percent (4%) any of the outstanding revenue bonds herein authorized if the holders thereof are willing to accept payment prior to maturity. The city in operating its combined waterworks and sewerage system will carry and

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maintain public liability and workmen's compensation insurance in such amounts as would normally be maintained by a private corporation engaged in a similar type of business. All of the costs of such insurance shall be paid as an operating cost out of the revenues of said system.

(f) The city will install and maintain proper books, records and accounts (entirely separate from all other records and accounts of the city) in which correct entries will be made of all dealings and transactions of or in relation to the properties, business and affairs of the combined waterworks and sewerage system of the city. Such accounts shall show the amount of revenues received from said system, the application of such revenues and all financial transactions in connection therewith. At least once a year, promptly after the end of each fiscal or operating year, such accounts for the preceding year shall be audited property by a public accountant employed for that purpose to be paid from the revenues of said system. A report of such audit shall be prepared by said accountant and shall be filed in the office of the city clerk, and duplicate copies of said audit shall be furnished and mailed to Luce, Thompson & Co., of Kansas City, Missouri, not more than sixty days after the close of each fiscal or operating year. Such audits shall at all times during usual business hours be open to examination and inspection by any taxpayer, any user of the services of the combined waterworks and sewerage system of the city, or any holder of any of the revenue bonds of the city herein authorized, or by anyone acting for or on behalf of such taxpayer, user or bondholder. Said annual audit of the combined waterworks and sewerage system of the city shall include:

(i) A classified statement of the gross revenues received, of the expenditures for operation and maintenance, of the net operating revenue, and of the amount of any capital expenditures made in connection with the system during the fiscal or operating year;

(ii) A balance sheet as of the end of each fiscal or operating year, with the amount on hand at the end of such year in each of the accounts created by Section 10-24 and 10-25 of this ordinance;

(iii) A statement showing the profit or loss for such fiscal or operating year;

(iv) A statement of the number of customers served by the system at the beginning and also at the end of such fiscal or operating year;

(v) A statement showing the amount and character of the insurance carried by the city on the property constituting its system and showing the names of the insurers, the expiration dates of the policies, and the premiums thereon;

(vi) Such remarks and recommendations regarding the city's method of operating its system and its accounting practices as said accountant may deem appropriate.

(g) The holder of any of the revenue bonds of the city herein authorized shall have the right at all reasonable times to inspect the system and all records, accounts, and data relating thereto, and any such holder shall be furnished with all such information concerning said system and the operation thereof which he may reasonably request.

(h) The city will punctually perform all duties and obligations with respect to the operation and maintenance of its combined waterworks and sewerage system, including all extensions and improvements thereof, now or hereafter imposed upon the city by the Constitution and the laws of the state of Missouri, including particularly the provisions of Sections 250.010 to

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250.250, inclusive, Revised Statutes of Missouri, 1959, and including all other duties and obligations imposed by law or by the provisions of this ordinance. (Ord. 411, §13.)

**Sec. 10-28. Restrictions on payment of other bonds from proceeds of this issue.**

The city of Potosi, Missouri, hereby covenants and agrees that so long as any of the revenue bonds of the city herein authorized remain outstanding and unpaid, the city will not issue any additional bonds or other obligations payable out of the income derived from the combined waterworks and sewerage system of said city or any part thereof, which bonds are issued on an equality with the revenue bonds of the city herein authorized, unless all of the following conditions are met:

(a) The average annual net income, derived by the city from its combined waterworks and sewerage system, after deduction of the reasonable expenses of operation, maintenance and repair of such system but before depreciation, amortization and interest chargeable to income account, for the two fiscal or operating years next preceding the issuance of additional bonds, must have been equal to at least 150% of the maximum amount required to be paid out of said income in any subsequent fiscal or operating year on account of both principal and interest becoming due with respect to all revenue obligations, including the additional revenue bonds proposed to be issued.

(b) There shall be no default in any of the payments required to be made into the respective funds created by Sections 10-24 and 10-25 of this ordinance.

Additional Combined Waterworks and Sewerage System Revenue Bonds issued under the conditions set forth above shall stand on an equal basis with the revenue bonds of the city dated June 1, 1965, herein authorized, and shall enjoy complete equality of pledge with said bonds upon the revenues of said combined waterworks and sewerage system and, in such event, the city may make equal provision for paying said bonds and the interest thereon and creating reasonable reserves therefor out of the "Combined Waterworks and Sewerage System Fund" created by Section 10-24 of this ordinance.

Nothing hereinbefore in this section contained shall prohibit or restrict the right of the city to issue additional combined waterworks and sewerage system revenue bonds or other revenue obligations for the purpose of improving. extending, enlarging, repairing, or altering the combined waterworks and sewerage system of the city and to provide that the interest on said revenue bonds or obligations shall be payable out of the net revenue of the combined waterworks and sewerage system of the city, provided

(i) At the time of the issuance of such additional revenue obligations the city shall not be in default in the performance of any covenant or agreement therein contained,

(ii) No such additional revenue obligations shall become due nor shall the principal thereof be paid by redemption or otherwise until after June 1, 1995, unless all of the revenue bonds dated May 1, 1965, herein authorized, and all interest thereon, be sooner paid, and

(iii) Said additional revenue bonds or obligations shall be junior and subordinate to the Combined Waterworks and Sewerage System Revenue Bonds of the city dated June 1, 1965, herein authorized, so that if at any time the city shall be in default in paying either interest on or

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principal of the revenue bonds of the city dated June 1, 1965, herein authorized, or if the city shall be in default in making any payments required to be made by the provisions of this ordinance, including the payments required to be made into the accounts created by Section 10-25 of this ordinance, the city shall make no payments of interest on said junior and subordinate obligations unless said default or defaults be cured and no default shall exist on the part of the city under the covenants, agreements and conditions contained in this ordinance.

In the event of the issuance of any such junior and subordinate revenue obligations, the city, subject to the provisions aforesaid, may make provision for paying the interest on said obligations out of the moneys in the "Combined Waterworks and Sewerage System Fund" created by Section 10-24 of this ordinance. (Ord. 411, §14.)

**Sec. 10-29. Right of refund on revenue bonds reserved by city.**

The city of Potosi, Missouri, shall have the right, if it shall find it desirable, to refund any of the revenue bonds herein authorized then subject to redemption or becoming due, under the provisions of any law then available. Said bonds or any part thereof may be refunded and the refunding bonds so issued shall enjoy complete equality of pledge with any of the revenue bonds issued hereunder, which are not refunded, if any there be, upon the revenues of the combined waterworks and sewerage system of the city, provided, however, that if only a portion of the issue of revenue bonds herein authorized be refunded and if said bonds are refunded in such manner that the refunding bonds bear a higher rate of interest or become due on a date earlier than that of any of the bonds issued hereunder which are not refunded, then said bonds may be refunded only by and with the written consent of the holders of seventy-five percent (75%) of the bonds herein authorized not refunded. (Ord. 411, §15.)

**Sec. 10-30. Default in payment.**

The city of Potosi, Missouri, hereby agrees that in the event that said city shall default in the payment of the principal of or interest on any of the revenue bonds of said city herein authorized, as the same shall become due, and in the event that such default shall continue for a period of thirty (30) days, or in the event that said city or the governing body or officers, agents, or employees thereof shall fail or refuse to comply with any of the provisions of this ordinance or of the statutes of the state of Missouri, then, at any time thereafter and while such default shall continue, the holders of twenty-five percent (25%) in amount of the revenue bonds herein authorized then outstanding may, by written notice to said city filed in the office of the city clerk or delivered in person to the mayor or city clerk of said city, declare the principal of all revenue bonds issued hereunder then outstanding to be due and payable immediately, and upon any such declaration given as aforesaid, all of said bonds shall become and be immediately due and payable, anything in this ordinance or in said bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said revenue bonds shall have been so declared to be due and payable, all arrears of interest upon all of said outstanding revenue bonds, except interest accrued but not yet due on such bonds, and all arrears of principal upon all of said revenue bonds shall have been paid in full, and all other defaults, if any, by the city under the provision of this ordinance and under the provision of the statutes of the state of Missouri shall have been cured, then and in every such case, the holders of a majority in amount of the revenue bonds herein authorized then outstanding, by written notice to the city given as hereinbefore specified, may rescind and annual such declaration and its consequences but no such rescission or

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annulment shall extend to or affect any subsequent default or impair any rights consequent thereon. (Ord. 411, §16.)

**Sec. 10-31. Statement of intent.**

That the provision of this ordinance shall constitute a contract between the city of Potosi, Missouri, and the holders of the revenue bonds of said city herein authorized and the holders of any one or more of such bonds may, by suit, action, mandamus, injunction or other proceedings, either at law or in equity, enforce or compel performance of all duties and obligations required by this ordinance to be done or performed by said city. Nothing contained in this ordinance, however, shall be construed as imposing on such city any duty or obligation to levy any tax either to meet any obligation contained herein or to pay the principal of or interest on the revenue bonds of said city herein authorized. (Ord. 411, §17. )

**Sec. 10-32. Severability.**

That if any section, paragraph, sentence, clause, or other part of this ordinance, whether large or small, shall be held invalid, the invalidity thereof shall not affect the other provisions of this ordinance. (Ord. 411, §18.)

**Secs. 10-33 to 10-37. Reserved.**

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**ARTICLE II**

**MUNICIPAL BONDS**

**DIVISION 2. WATERWORKS AND SEWERAGE**

**SYSTEM REVENUE BONDS - ISSUE OF SEPTEMBER 28, 1987\***

**Sec. 10-38. Issuance of combined waterworks and sewerage system revenue bonds as authorized by voters on November 4, 1986.**

That the negotiable, interest-bearing revenue bonds of the City of Potosi, Washington County, Missouri, be and the same are hereby authorized, ordered, and directed to be issued in the principal sum of four hundred thousand dollars ($400,000) to provide funds for the purpose of paying part of the cost of improving and extending the combined waterworks and sewerage system owned exclusively by said City; the principal of and the interest on said revenue bonds to be payable solely from the revenues to be derived by said City of Potosi from the operation of said waterworks and sewerage system, all in accordance with and as authorized by Section 250.010 et seq., Vernon's Annotated Missouri Statutes, and pursuant to and in accordance with the authority of a special bond election held in said City on General Election Day, Tuesday, the 4th day of November, 1986, as set forth in the preamble to this Ordinance.

That the bonds issued hereunder shall be junior and subordinate with respect to the payment of principal and interest from the revenues derived by said City of Potosi from the operation of its combined waterworks and sewerage system and in all other respects to an issue of Combined Waterworks and Sewerage System Revenue Bonds of said City dated June 1, 1965 (the "1965 Bonds"), and an issue of Combined Waterworks and Sewerage System Revenue Bonds, Series of 1979 (the "1979 Bonds"). In the event of any default in the payment of either principal of or interest on any of the 1965 Bonds, all of the revenues of the combined waterworks and sewerage system of said City, including all extensions and improvements thereto, will be applied solely to the payment of the principal of and interest on the 1965 Bonds until such default is cured. The Bonds issued hereunder shall not have any priority with respect to the payment of principal or interest from said revenues or otherwise over any combined waterworks and sewerage system revenue bonds of said City hereafter issued in accordance with the provisions of this Ordinance and standing on a parity with the 1965 Bonds or the 1979 Bonds, nor shall any combined waterworks and sewerage system revenue bonds of said City hereafter issued have any priority with respect to the payment of principal or interest from said revenues or otherwise over the 1965 Bonds or the 1979 Bonds. (Ord. 600, §1.)

**\*EDITOR'S NOTE:**

**Authorized by voters on November 4, 1986.**

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**Sec. 10-39 Denomination of bonds; rate of interest.**

That the aforesaid bonds issued hereunder shall be of the denomination of five thousand dollars ($5,000) each or any whole multiple thereof, shall bear date of September 1, 1987, and shall bear interest from the date thereof at the rate of seven and three-fourths per centum (7-3/4%) per annum, payable March 1, 1988, and semiannually thereafter on September 1 and March 1 in each year until the principal thereof, respectively, shall have been fully paid. Interest to accrue on said bonds on and prior to the maturity date thereof shall be payable by check or draft drawn by the Paying Agent hereinafter designated and made payable to each registered owner of bonds of this issue listed as an owner of record on the fifteenth (15th) day prior to each of the aforesaid dates upon which interest will be due and payable. Both principal of and interest on said bonds shall be payable in lawful money of the United States of America at the Office of the City Clerk, in the City of Potosi, State of Missouri (the "Paying Agent" for this issue), and said bonds shall mature on September 1, 1997.

Bonds issued hereunder may be called in, paid, and redeemed on any interest payment date, by lot in multiples of five thousand dollars ($5,000) in principal amount if less than all of the bonds are being called, at par and accrued interest. If any of the said bonds or parts thereof be so called for redemption prior to maturity as herein provided, the City of Potosi, Missouri, shall cause written notice of its intention to call in, pay, and redeem any such bond or part thereof to be given to each Registered Owner of each bond being so called in whole or in part, and such written notice shall be mailed by prepaid United States Mail to each Registered Owner of each bond being so called not less than thirty (30) days in advance of the date set for the redemption of any such bond; but neither the failure to mail such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any such bond or part thereof. Interest shall cease on any bond or part thereof so called for redemption from and after the date fixed for the payment thereof; provided that funds shall be available for such payment on such date.

If less than the entire principal amount of any bond be called for redemption as hereinabove provided, upon surrender of the bond to the Bond Registrar hereinafter designated, the Bond Registrar shall issue to the Registered Owner of the bond, without charge, a new bond or bonds in the appropriate remaining aggregate principal amount (Ord. 600, §2.)

**Sec. 10-40. Execution and form of bonds.**

That the said bonds shall be executed by the signature of the Mayor of said City, under the seal of said City, attested by the signature of the City Clerk; that each of said bonds shall be authenticated by the manual signature of a duly authorized officer or employee of the Paying Agent acting as the Bond Registrar of said bonds (the "Bond Registrar"); and that the said bonds shall be in substantially the following form, to-wit:

UNITED STATES OF AMERICA

STATE OF MISSOURI

COUNTY OF WASHINGTON

CITY OF POTOSI

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JUNIOR LIEN COMBINED WATERWORKS AND SEWERAGE SYSTEM REVENUE BOND

INTEREST RATE MATURITY DATE ORIGINAL ISSUE DATE

7-3/4% September 1, 1997 September 1, 1987

REGISTERED OWNER: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

PRINCIPAL AMOUNT:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_DOLLARS

The City of Potosi, Washington County, Missouri, acknowledges itself to owe and, for value received, promises to pay to the Registered Owner hereof, identified hereinabove, or registered assigns, as hereinafter provided, the Principal Amount set forth hereinabove on the Maturity Date likewise set forth hereinabove and to pay to said Registered Owner interest on the aforesaid Principal Amount from the date hereof or from the then latest interest payment date to which interest shall have been paid at the Interest Rate set forth hereinabove, payable March 1, 1988, and semiannually thereafter on September 1 and March 1 in each year until the Principal Amount of this Bond shall have been fully paid. No interest shall accrue on this Bond after the aforesaid Maturity Date unless this Bond shall have been presented for payment at maturity and shall not have been paid.

Both the Principal Amount of and the interest on this Bond are payable in lawful money of the United States of America by check of or draft upon the Treasury of the City of Potosi, State of Missouri (through the City Clerk of said City as the Paying Agent for this Bond), mailed by prepaid United States Mail to the aforesaid Registered Owner if listed of record at least fifteen (15) days prior to each interest payment date at the address of such Registered Owner as the same appears on the books and records of the aforesaid Paying Agent kept in his capacity as Bond Registrar; provided, however, that the principal amount hereof shall be payable only upon presentation and surrender of this Bond at the principal office of said Paying Agent.

The right is reserved unto said City to call in, pay, and redeem Bonds of the issue of which this Bond is one, on any interest payment date, by lot in multiples of five thousand dollars ($5,000) in principal amount if less than all of the Bonds are being called, at par and accrued interest. If any of the said Bonds or parts thereof be so called for redemption prior to maturity as herein provided, the City of Potosi, Missouri, shall cause written notice of its intention to call in, pay, and redeem any such Bond or part thereof to be given to each Registered Owner of each Bond being so called in whole or in part, and such written notice shall be mailed by prepaid United States Mail to each Registered Owner of each Bond being so called not less than thirty (30) days in advance of the date set for the redemption of any such Bond, but neither the failure to mail such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of any such Bond or part thereof. Interest shall cease on any Bond or part thereof so called for redemption from and after the date fixed for the payment thereof; provided that funds shall be available for such payment on such date.

If less than the entire principal amount of this Bond be called for redemption as hereinabove provided, upon surrender of this Bond to the Bond Registrar, the Bond Registrar shall issue to the Registered Owner hereof, without charge, a new Bond or Bonds in the appropriate remaining aggregate principal amount.

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This Bond is one of a duly authorized issue of Junior Lien Combined Waterworks and Sewerage System Revenue Bonds of the aforesaid City, all of like date, tenor, and effect, except as to number and provision for redemption prior to maturity, as hereinabove set forth, of the denomination of five thousand dollars ($5,000) or some whole multiple thereof, aggregating the principal sum of four hundred thousand dollars ($400,000), issued by said City to provide funds for the purpose of paying part of the cost of improving and extending the combined waterworks and sewerage system owned exclusively by said City and is issued pursuant to the Constitution and Laws of the State of Missouri, including, among others, Section 250.010 et seq., Vernon's Annotated Missouri Statutes, and pursuant to Ordinance No. 600 of said City authorizing and directing the issuance of the Bonds of the issue of which this Bond is one duly adopted on the 28th day of September, 1987 (the "Bond Ordinance"), by the Board of Aldermen of said City and with the approval of four-sevenths (4/7) of the qualified electors of said City voting at a special bond election held on General Election Day, Tuesday, the 4th day of November, 1986. This Bond does not constitute an indebtedness of said City within the meaning of any constitutional or statutory limitation or provision, and the taxing power of said City is not pledged to the payment hereof, either as to principal or interest.

This Bond is and shall be a negotiable instrument in accordance with the laws of the State of Missouri and shall be transferable only by delivery to the aforesaid Bond Registrar, serving in his capacity as Bond Transfer Agent for this Bond and the issue of which it is one, of a written instrument of transfer executed by the Registered Owner or by that Owner's attorney thereunto duly authorized and upon surrender of this Bond to said Bond Registrar for cancellation. Upon such transfer, a new registered Bond or Bonds of the issue of which this Bond is one and of the same maturity and of the denomination of five thousand dollars ($5,000) or any whole multiple thereof aggregating the same principal amount will be issued by said Bond Transfer Agent to the transferee in exchange therefor; provided, that no such transfer shall take place of record within fifteen (15) days next preceding any interest payment date. The Board of Aldermen of said City of Potosi, Washington County, Missouri, and the said Paying Agent may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of the Principal Amount of this Bond and the interest due hereon and for all other purposes, and neither the Board of Aldermen nor the Paying Agent shall be affected by any notice to the contrary.

The City of Potosi covenants and agrees that it will apply the proceeds of the issue of which this Bond is one to the purpose above set forth and that, as long as this Bond or any Bond of the issue of which it is one or any of the interest thereon is unpaid, it will operate and maintain its combined waterworks and sewerage system; that, as long as any of said Bonds or the interest thereon is unpaid, it will fix and maintain rates and make and collect charges for the service and facilities of said system, sufficient to provide for the payment of the principal of and the interest on said Bonds as the same shall mature and accrue and for the operation and maintenance of said combined waterworks and sewerage system in good repair and working order and to provide other funds in connection therewith, all as set forth in the Ordinance pursuant to which the said Bonds are issued; and that such an amount of the revenues of said system as will maintain an interest and sinking fund sufficient to pay the principal of and the interest on this Bond and the issue of which it is one, when the same shall mature and accrue, is hereby irrevocably pledged to said purpose.

This Bond and the issue of which it forms a part are payable, both as to principal and interest, solely from the revenues to be derived by said City from the operation of its combined waterworks and sewerage system and are junior and subordinate with respect to the payment of principal and interest from the revenues of the combined waterworks and sewerage system of

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the City and in all other respects to an outstanding series of Combined Waterworks and Sewerage System Revenue Bonds of the City dated June 1, 1965, maturing serially on June 1 in each of the years 1980 to 1995, inclusive, and an outstanding series of Combined Waterworks and Sewerage System Revenue Bonds, Series 1979, dated November 1, 1979, and maturing on September 1, 1995, and, in the event of any default in the payment of either principal of or interest on said outstanding Bonds, all of the revenues of the combined waterworks and sewerage system of the City, including all extensions and improvements thereto, will be applied solely to the payment of the principal of and interest on said outstanding Bonds until such default is cured. Under the conditions set forth in Ordinance No. 411 of the said City which authorized the issuance of the aforesaid Bonds dated June 1, 1965, said City has the right to issue additional parity bonds payable from the same source and secured by the same revenues as the Bonds dated June 1, 1965; provided, however, that such additional bonds may be so issued only in accordance with and subject to the covenants conditions, and restrictions relating thereto set forth in the Ordinance.

It is hereby certified, recited, and declared that all acts, conditions, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond and of the series of which it is one, in order to make the same legal and binding obligations of said City according to the terms thereof, do exist, have happened, and have been performed in due and regular time, form, and manner, as required by law; that this Bond and the issue of which it is one, together with all indebtedness of said City of Potosi, Missouri, do not exceed any limit of indebtedness prescribed by law; and that, for the performance in due time and manner of all covenants herein, for the prompt payment of the principal of and the interest on this bond, and for the performance in due time and manner of each and every official act necessary therefor, the full faith of the City of Potosi is hereby irrevocably pledged.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security, source of payment, or benefit under the Bond Ordinance until the certificate of authentication hereon shall have been signed manually by the City Clerk of said City acting as the Bond Registrar.

IN TESTIMONY WHEREOF, the City of Potosi, Washington County, Missouri, has executed this Bond by causing it to be signed by the Mayor of said City, under the corporate seal of said City, attested by the signature of the City Clerk, and this Bond to be dated the first day of September, 1987.

CITY OF POTOSI, MISSOURI

By\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Mayor*

Attest:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*City Clerk*

(SEAL)

AUTHENTICATION DATE: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

BOND REGISTRAR'S CERTIFICATE OF AUTHENTICATION

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This Bond is one of the issue of Junior Lien Combined Waterworks and Sewerage System Revenue Bonds of the City of Potosi, Washington County, Missouri, authorized by the within-mentioned Ordinance passed by the Board of Aldermen and approved by the Mayor of the said City.

CITY CLERK, CITY OF POTOSI, MISSOURI

as Bond Registrar

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(The following shall appear on the reverse of each Bond.)

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns, and transfers unto \_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*(Name and Address of Assignee)*

the within Junior Lien Combined Waterworks and Sewerage System Revenue Bond and does hereby irrevocably constitute and appoint \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_to transfer the said Junior Lien Combined Waterworks and Sewerage System Revenue Bond on the books kept for the registration thereof with full power of substitution in the premises.

Dated: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

*Signature Guaranteed*

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Notice: The signature to this assignment must correspond with the name as it appears on the face of the within bond in every particular, without alteration, enlargement, or any change whatever.

(Ord. 600, §3.)

**Sec. 10-41. Interest payable semiannually.**

That interest on each five thousand dollars ($5,000) in principal amount of bonds shall be payable semiannually in the amount of one hundred ninety-three dollars and seventy-five cents ($193.75). (Ord. 600, §4.)

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**Sec. 10-42. Principal and interest payable solely from the revenue of combined waterworks and sewage system operations.**

That the Bonds herein authorized and directed to be issued shall be payable, both as to principal and interest, solely from the revenues derived by the aforesaid City of Potosi from the operation of the aforesaid combined waterworks and sewerage system; that no Bond issued hereunder shall constitute an indebtedness of said City within the meaning of any constitutional or statutory restriction, limitation, or provision; and that the taxing power of said City is not pledged to the payment of any of the Bonds authorized hereby, either as to principal or interest. (Ord. 600, §5.)

**Sec. 10-43. Special revenue fund created.**

That the principal amount received from the sale of the Bonds issued hereunder, exclusive of any accrued interest thereon, shall be deposited in a separate fund hereby created in the treasury of the City of Potosi to be known as the "Junior Lien Combined Waterworks and Sewerage System Construction Fund of 1987" (the "1987 Construction Fund"), and shall be used by said City for the sole purpose of paying part of the cost of improving and extending the combined waterworks and sewerage system of said City, as hereinbefore provided, in accordance with the plans and specifications therefor contained in the report prepared by said City's consulting engineers heretofore approved by the aforesaid Board of Aldermen and on file in the office of the City Clerk, including any alterations in or amendments to said plans and specifications deemed advisable by said City's consulting engineers and approved by said Board of Aldermen.

Withdrawals from the 1987 Construction Fund shall be made only on duly authorized and executed warrant therefor accompanied by a certificate executed by said City's consulting engineers that such payment is being made for a purpose within the scope of this Ordinance and that the amount of such payment represents only the contract price of the property, equipment, labor, materials, or service being paid for, or if such payment is not being made pursuant to an express contract, that such payment is not in excess of the reasonable value thereof. Nothing hereinbefore contained shall prevent the payment out of the 1987 Construction Fund of all costs and expenses incident to the issuance of said Bonds without a certificate from said City's consulting engineers.

Any amount received by the City on account of accrued interest on said Bonds shall be deposited in the 1987 Interest Account created in Section 10-45 of this Ordinance.

Upon completion of the improvements and extensions to the combined waterworks and sewerage system of said City as hereinbefore provided, any surplus remaining in the 1987 Construction Fund shall be deposited in said 1987 Interest Account created in Section 10-45 of this Ordinance. (Ord. 600, §6.)

**Sec. 10-44. Disposition of bond proceeds.**

That the said City of Potosi covenants and agrees that, from and after the delivery of said Bonds, and continuing so long as any of said Bonds remains outstanding and unpaid, all of the revenues derived and collected by said City from the operation of its combined waterworks and sewerage system, including the revenues from all improvements and extensions to said system

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hereafter constructed or acquired by said City, will be paid and deposited into a separate fund heretofore created in the treasury of said City pursuant to the provisions of Ordinance No. 411 of said City and known and hereinafter referred to as the "Combined Waterworks and Sewerage System Fund", and that said revenues shall be segregated and kept separate and apart from all other moneys, revenues, funds, and accounts of said City and shall not be mingled with any other moneys, revenues, funds, or accounts of said City. The Combined Waterworks and Sewerage System Fund shall be administered and applied solely for the purposes and in the manner provided in said Ordinance No. 411 (as long as any of the 1965 Bonds remains outstanding and unpaid), in the aforesaid Ordinance No. 547 (as long as any of the 1979 Bonds remains outstanding and unpaid), and in this Ordinance. (Ord. 600, §7.)

**Sec. 10-45. Four separate accounts created.**

That the creation and establishment in the treasury of said City by said Ordinance No. 411 of four separate accounts known, respectively, as the:

(a) "Combined Waterworks and Sewerage System Operation and Maintenance Account" (the "Operation and Maintenance Account");

(b) "Sinking Fund Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965" (the "1965 Sinking Fund Account");

(c) "Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds dated June 1, 1965" (the "1965 Bond Reserve Account"); and

(d) "Combined Waterworks and Sewerage System Replacement and Extension Account" (the "Replacement and Extension Account")

are hereby ratified and confirmed. In addition to said four (4) Accounts, under the provisions of the aforesaid Ordinance No. 547, heretofore there have been created and ordered to be established in the treasury of said City four (4) separate accounts known, respectively, as the:

(e) "Principal Account for Combined Waterworks and Sewerage System Revenue Bonds, Series 1979" (the "1979 Principal Account");

(f) "Interest Account for Combined Waterworks and Sewerage System Revenue Bonds, Series 1979" (the "1979 Interest Account");

(g) "Reserve Account for Combined Waterworks and Sewerage System Revenue Bonds, Series 1979" (the "1979 Bond Reserve Account"); and

(h) "Combined Waterworks and Sewerage System Surplus Account" (the "Surplus Account").

The Accounts referred to in paragraphs (a) and (d) aforesaid shall be maintained and administered by said City in accordance with the provisions of this Ordinance, the 1965 Ordinance, and the 1979 Ordinance so long as any of the Bonds issued hereunder, the 1965 Bonds, or the 1979 Bonds remains outstanding and unpaid. The Accounts referred to in paragraphs (b) and (c) aforesaid shall be maintained and administered in accordance with the

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provisions of the 1965 Ordinance so long as any of the 1965 Bonds remains outstanding and unpaid. The Accounts referred to in paragraphs (e), (f), (g), and (h) aforesaid shall be maintained and administered as provided in said 1979 Ordinance and hereinafter in this Ordinance provided so long as any of the Bonds issued hereunder remains outstanding and unpaid. (Ord. 600, §8.)

**Sec. 10-46. Particular covenants of the city.**

That the City of Potosi covenants and agrees that, from and after the delivery of the Bonds issued hereunder and continuing so long as any of said Bonds shall remain outstanding and unpaid, said City, on the first day of each month, will administer and allocate all of the moneys then held in the Combined Waterworks and Sewerage System Revenue Fund as follows:

(a) First, there shall be paid and credited on the first day of each month from the Combined Waterworks and Sewerage System Revenue Fund to the aforesaid Operation and Maintenance Account an amount sufficient to pay the estimated cost of operating and maintaining said City's combined waterworks and sewerage system during the ensuing month.

All amounts paid and credited to said Operation and Maintenance Account shall be expended and used by the City solely for the purpose of paying the reasonable and proper expenses of operating and maintaining the combined waterworks and sewerage system of said City and keeping said system in good repair and working order.

(b) Next, there shall be paid and credited on the first day of each month from the Combined Waterworks and Sewerage System Revenue Fund to the aforesaid 1965 Sinking Fund Account and to the aforesaid 1965 Bond Reserve Account any amounts at the time required to be paid and credited to said Accounts under the provisions of the 1965 Ordinance.

(c) Next, there shall continue to be paid and credited on the first day of each month, from the Combined Waterworks and Sewerage System Revenue Fund to the 1979 Principal Account, the sum of seven hundred fifty dollars ($750), being a portion of the amount necessary to meet at the maturity thereof the principal of the 1979 Bonds.

All amounts credited to the 1979 Principal Account shall be used for the sole purpose of paying the principal of the 1979 Bonds and shall be held in the 1979 Principal Account until such time as it is necessary to make said payment. All moneys held in the 1979 Principal Account shall be invested so as to receive a rate of return which is no greater than the interest rate on the Bonds, and all proceeds from said investments shall be paid to and remain in the 1979 Principal Account.

In the event that said City is unable to invest the moneys in said Account so as to receive a rate of return equal to at least seven per centum (7%) per annum of the total principal amount invested, said City shall increase the aforesaid payments to said Account by the amounts necessary to make up the difference between the amounts actually received by said City as investment income and the amounts which would have been received if said City was receiving the aforesaid seven per centum (7%) per annum rate of return.

Moneys in the 1979 Principal Account my be deposited with the Paying Agent prior to maturity of the 1979 Bonds in order to defease said 1979 Bonds pursuant to Section 19 of

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Ordinance No. 547; provided, however, that said deposit and defeasance may occur only if the 1965 Bonds are no longer outstanding and unpaid.

(d) Concurrently with the payments made to the 1979 Principal Account, as required by paragraph (c) hereof, said City shall continue to pay and credit to the 1979 Interest Account the following sums:

(i) On the first day of each month, so long as any of the 1979 Bonds shall remain outstanding and unpaid, an amount not less than one-sixth (1/6) of the amount of interest that will become due on the Bonds on the next-succeeding interest payment date; and

(ii) On the first day of each month preceding a month in which fees of the Paying Agent are scheduled to become due, such amounts as may be required to pay such fees of the Paying Agent becoming due in the next month.

All amounts paid and credited to the 1979 Interest Account shall be expended and used by said City for the sole purpose of paying the interest on the 1979 Bonds as and when the same become due and the fees of the Paying Agent for acting as Paying Agent in the payment of said interest.

(e) Said City next shall continue to pay and credit to the 1979 Bond Reserve Account the sum of three hundred fifty dollars ($350) on the first day of each month until said Account shall aggregate the sum of twenty thousand dollars ($20,000).

All amounts paid and credited to the 1979 Bond Reserve Account shall be expended and used by said City solely to prevent any default in the payment of interest on the 1979 Bonds if the moneys in the 1979 Interest Account are insufficient to pay the interest on the Bonds as they become due. After the 1979 Bond Reserve Account aggregates the sum of twenty thousand dollars ($20,000), no further payments into said Account shall be required, but, if said City ever shall be required to expend and use a part of the moneys in said Account for the purpose herein authorized and such expenditure shall reduce the amount of said Account below the sum of twenty thousand dollars ($20,000), said City shall resume and continue said monthly payments into said Account until said Account shall aggregate the sum of twenty thousand dollars ($20,000). The moneys in the 1979 Bond Reserve Account first shall be used to pay principal of the 1979 Bonds becoming due on September 1, 1995, unless such principal thereof be paid otherwise, in which event the moneys in the 1979 Bond Reserve Account shall be used to pay the final interest payment on the Bonds, unless such interest thereon be paid otherwise.

(f) After all payments and credits required at the time to be made by said City under the provisions of paragraphs (a), (b), (c), (d), and (e) of this Section shall have been made, there next shall continue to be paid and credited on the first day of each month from the Combined Waterworks and Sewerage System Revenue Fund to the Replacement and Extension Account, in addition to any amounts at the time required to be paid and credited to said Account under the provisions of the 1965 Ordinance, the sum of two hundred fifty dollars ($250) until said Account shall aggregate the sum of twenty thousand dollars ($20,000), including any amounts required to be maintained in said Account pursuant to the 1965 Ordinance. Except as hereinafter provided in Section 10-47 of this Ordinance, moneys in the Replacement and Extension Account shall be expended and used by said City for the purpose of paying the cost of operating and maintaining the City's combined waterworks and sewerage system, if no

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other funds are available therefor, and keeping the same in good repair and working order, for the purpose of paying the cost of replacements of said system, and for the purpose of paying the cost of improving and extending said system. After the Replacement and Extension Account aggregates the sum of twenty thousand dollars ($20,000), including any amounts required to be maintained in said Account pursuant to the 1965 Ordinance, no further payments into said Account shall be required, but, if said City ever shall be required to expend and use a part of the moneys in said Account for the purposes aforesaid or for the purpose authorized by Section 10-47 of this Ordinance and such expenditure shall reduce the amount of said Account below the sum of twenty thousand dollars ($20,000), then the City shall resume and continue said monthly payments into said Account until said Account shall aggregate the sum of twenty thousand dollars ($20,000), including any amounts required to be maintained in said Account pursuant to the 1965 Ordinance.

Ten thousand dollars ($10,000) of the moneys in said Account (being the aggregate sum required to be deposited in said Account by the 1965 Ordinance) may be used to call the 1965 Bonds for redemption and payment prior to their ultimate maturity, provided all of the 1965 Bonds at the time outstanding are called for payment and funds are available to pay the same according to their terms.

(g) After all payments and credits required at this time to be made by said City under the provisions of paragraphs (a), (b), (c), (d), (e) and (f) of this Section shall have been made, all moneys remaining in the Combined Waterworks and Sewerage System Fund shall continue to be paid and credited on the first day of each month to the Surplus Account. Moneys in the Surplus Account may be expended and used for the following purposes as determined by the governing body of said City:

(i) Paying the cost of extending, enlarging, or improving the City's combined waterworks and sewerage system;

(ii) Preventing default in, anticipating payments into, or increasing the amounts in the Principal and Interest Accounts, the Bond Reserve Accounts, or the Depreciation and Replacement Account referred to in paragraphs (b), (c), (d) and (e) of this Section, or any one of them, or establishing or increasing the amount of any principal and interest account or bond reserve account created by the City for the payment of any combined waterworks and sewerage system revenue bonds of the City hereafter issued under the conditions hereinafter specified and standing on a parity with the 1965 Bonds;

(iii) Calling, redeeming, and paying prior to maturity, or, at the option of the City, purchasing in the open market at the best price obtainable not exceeding the call price (if any Bonds are callable), the 1965 Bonds or, if the 1965 Bonds are no longer outstanding and unpaid, the 1979 Bonds or any other combined waterworks and sewerage system revenue bonds of the City standing on a parity with the 1979 Bonds, including principal, interest, and premium, if any;

(iv) Paying, when due, interest on and principal of any general obligation combined waterworks and sewerage system bonds of the

City; or

(v) Any proper governmental or municipal purpose.

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In accordance with the provisions of subparagraph (i) of this paragraph (g) of this Section 10-46, the principal of and the interest on the Bonds issued hereunder shall be paid solely and only out of sums on deposit to the credit of the Surplus Account heretofore mentioned in this paragraph (g). On the first day of each month, beginning as of October 1, 1987, so long as any of the Bonds issued hereunder shall remain outstanding and unpaid, an amount not less than one-sixth (1/6) of the amount of interest that will become due on the Bonds issued hereunder on the then next-succeeding interest payment date plus the sum of one thousand dollars ($1,000) shall be deposited into a separate account within said Surplus Account hereby created and designated the "1987 Bonds Interest and Sinking Account". The moneys in said 1987 Bonds Interest and Sinking Account shall be expended and used by said City solely for the purpose of paying the interest on the Bonds issued hereunder as and when the same becomes due, and the principal of said Bonds when it matures. No expenditures authorized to be made under subparagraphs (i), (ii), (iii), (iv) and (v) shall be made until a sum which equals the interest requirements on the Bonds issued hereunder to become due on the then next two (2) interest payment dates plus a sum resulting from the deposit, beginning as of October 1, 1987, and continuing on the first day of each month thereafter shall be on deposit in that portion of said Surplus Account hereinbefore created and designated as the 1987 Bonds Interest and Sinking Account, which said sums shall be used solely and only for said purpose. (Ord. 600, §9.)

**Sec. 10-47. Default, events of default.**

That, if, at any time, the revenues derived by said City from the operation of its combined waterworks and sewerage system shall be insufficient to make any payment on the date or dates hereinbefore specified, the City first shall pay all amounts required by paragraphs (a) and (b) of Section 10-46 before making any other payments. Said City will make good any deficiency by making additional payments or credits out of moneys in the Surplus Account, if any moneys are in such Account, and, if moneys in the Surplus Account are insufficient to cure such deficiency, then out of the first available revenues thereafter received by said City from the operation of its combined waterworks and sewerage system, such payments and credits being made and applied in the order hereinbefore specified in Section 10-46 of this Ordinance.

If, at any time, the moneys in the 1987 Bonds Interest and Sinking Account are not sufficient to pay the principal of and interest on the Bonds issued hereunder, as and when the same become due, then moneys otherwise in the Surplus Account may and shall be used by said City to prevent any default in the payment of the principal of and interest on said Bonds issued hereunder; provided, however, that available moneys in all of the aforesaid Accounts shall be used first to pay the principal of and interest on the 1965 Bonds and, then, to the 1979 Bonds, if no other moneys are available to pay said principal and interest as the same become due. (Ord. 600, §10.)

**Sec. 10-48. Use of moneys in funds and accounts.**

That the Treasurer of said City is hereby authorized and directed to withdraw from the 1987 Bonds Interest and Sinking Account, to the extent necessary to prevent a default in the payment of interest on the 1965 Bonds or the 1979 Bonds, sums sufficient to pay the principal of and the interest on the 1965 Bonds or the 1979 Bonds and the fees of the respective Paying Agents therefor as and when the same become due, and to forward such sums to the respective Paying Agents therefor not less than five (5) days prior to the date when such interest and fees of the

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Paying Agent will become due. The Treasurer of said City is also hereby authorized and directed to withdraw from the 1987 Bonds Interest and Sinking Account, sums sufficient to pay the principal of the Bonds issued hereunder as and when the same become due and to forward such sums to the Paying Agent not less than five (5) days prior to the date such principal will become due. If, through lapse of time, or otherwise, the holders of Bonds issued hereunder no longer shall be entitled to enforce payment of their obligations, it shall be the duty of the Paying Agent forthwith to return said funds to said City. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Ordinance. (Ord. 600, §11.)

**Sec. 10-49. Investments.**

That cash moneys in the Funds and Accounts created by and referred to in this Ordinance shall be deposited in a bank which is a member or in banks which are members of the Federal Deposit Insurance Corporation, and all such bank deposits shall be secured continuously and adequately by the bank or banks holding such deposits as provided by the laws of the State of Missouri.

Moneys held in said Funds and Accounts may be invested by said City in direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such Fund or Account was created. All interest on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account. Any expenses incident to the investment of moneys held in any Fund or Account shall be charged to and paid from the Fund or Account to which the income from such investment is payable. In determining the amount held in any Fund or Account under any of the provisions of this Ordinance, obligations of or guaranteed by the United States of America shall be valued at the principal amount or the market value thereof, whichever is lower. If and when the amount held in any Fund or Account shall be in excess of the amount required by the provisions of this Ordinance, said City shall direct that such excess be paid and credited to the Combined Waterworks and Sewerage System Revenue Fund.

So long as any of the 1965 Bonds remain outstanding and unpaid, any investments made pursuant to this Section shall be subject to any restrictions in the 1965 Ordinance with respect to the Funds and Accounts created by and referred to in said 1965 Ordinance. (Ord. 600, §12.)

**Sec. 10-50. Investment restrictions.**

That said City covenants and agrees that it will use the proceeds of the Bonds issued hereunder as soon as practicable and with all reasonable dispatch for the purpose for which said Bonds are issued as hereinbefore set forth, and that no part of the proceeds of said Bonds shall be invested in any securities or obligations except for the temporary period pending such use nor used, at any time, directly or indirectly, in a manner which, if such use had been reasonably anticipated on the date of issuance of said Bonds, would have caused any of said Bonds to be or become "Arbitrage Bonds" within the meaning of the Internal Revenue Code of 1986 and the regulations of the Treasury Department thereunder proposed or in effect at the

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time of such use and applicable to obligations issued on the date of issuance of said Bonds. (Ord. 600, §13.)

**Sec. 10-51. Obligations of city on outstanding bonds.**

That said City covenants and agrees with each of the purchasers and owners of any of the Bonds issued hereunder that, so long as any of said Bonds remains outstanding and unpaid:

(a) Said City will own and will operate continuously its combined waterworks and sewerage system in an efficient and economical manner and will keep and maintain the same in good repair and working order.

(b) Said City will fix, establish, maintain, and collect such rates, fees, and charges for the use and services furnished by or through the combined waterworks and sewerage system of said City, including all improvements and extensions thereto hereafter constructed or acquired by said City, as will produce revenues sufficient to, (i) pay the cost of the operation and maintenance of said system; (ii) pay the principal of and interest on said Bonds issued hereunder as and when the same become due; (iii) enable said City to have in each fiscal year net operating revenues from said system in an amount that will be not less than one hundred twenty-five per centum (125%) of the amount required to be paid by said City in such fiscal year on account of both principal of and interest on all combined waterworks and sewerage system revenue bonds at the time outstanding; and (iv) provide reasonable and adequate reserves for the payment of said Bonds issued hereunder and the interest thereon and for the protection and benefit of the combined waterworks and sewerage system of said City as provided in this Ordinance. Said City will require the prompt payment of accounts for water and sewer service and will take whatever action is legally permissible promptly to enforce and collect delinquent charges.

(c) None of the facilities or services afforded by the combined waterworks and sewerage system of said City will be furnished to any user (excepting the City itself) without a reasonable charge being made therefor. In the event that the revenues derived by said City from its combined waterworks and sewerage system shall be insufficient at any time to pay the reasonable expenses of operation and maintenance of said system and also to pay all interest on and principal of said Bonds issued hereunder as and when the same become due, then the City thereafter will pay into the Combined Waterworks and Sewerage System Revenue Fund a fair and reasonable sum for all service or other facilities furnished to said City or any of its departments by said system, including all improvements and extensions thereto, and such payments will continue so long as the same may be necessary in order to prevent or reduce the amount of any default in the payment of the interest on or principal of said Bonds issued hereunder.

(d) Said City will not mortgage, pledge, or otherwise encumber its combined waterworks and sewerage system or any part thereof, or any improvement or extension thereof, nor will it sell, lease, or otherwise dispose of said system or any material part thereof; provided, however, said City may sell any portion of such property which shall have been replaced by other similar property of at least equal value, or which shall cease to be necessary for the efficient operation of said combined waterworks and sewerage system. The proceeds of any such sale or sales shall be paid and deposited into the Combined Waterworks and Sewerage System Revenue Fund. Said City may cease to operate, abandon, or otherwise dispose of any

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property which has become obsolete, nonproductive, or otherwise unusable to the advantage of said City.

(e) Said City will carry and maintain a reasonable amount of all-risk insurance upon all of the properties forming a part of its combined waterworks and sewerage system insofar as the same are of an insurable nature, such insurance to be of the character and coverage and in an amount as normally would be carried by a private corporation engaged in a similar type of business. In the event of loss or damage, said City will use the proceeds of such insurance in reconstructing and replacing the property damaged or destroyed, or, if such reconstruction or replacement be unnecessary, then said City will pay and deposit the proceeds of such insurance into the Combined Waterworks and Sewerage System Revenue Fund. Said City in operating its combined waterworks and sewerage system will carry and maintain public liability and workmen's compensation insurance in such amounts as normally would be maintained by a private corporation engaged in a similar type of business, and the proceeds derived from such insurance shall be used in paying the claims on account of which such proceeds were received. The cost of all insurance obtained pursuant to the requirements of this subparagraph shall be paid as an operating cost out of the revenues of said City's combined waterworks and sewerage system.

(f) Said City will install and maintain proper books, records, and accounts (entirely separate from all other records and accounts of said City) in which complete and correct entries will be made of all dealings and transactions of or in relation to the combined waterworks and sewerage system of said City. Such accounts shall show the amount of revenues received from the combined waterworks and sewerage system of said City. Such accounts shall show the amount of revenues received from the combined waterworks and sewerage system, the application of such revenues, and all financial transactions in connection therewith. Said books shall be kept by said City according to standard accounting practices as applicable to the operation of municipal utilities. Annually, promptly after the end of the fiscal year said City will cause an audit to be made of the combined waterworks and sewerage system of said City for the preceding fiscal year by a certified public accountant or firm of certified public accountants, to be employed for that purpose and paid from the revenues of the combined waterworks and sewerage system. Said annual audit shall include:

(i) A classified statement of the gross revenues received, of the expenditures for operation and maintenance, of the net operating revenues, and of the amount of any capital expenditures made in connection with the system during the previous fiscal year;

(ii) A balance sheet as of the end of each fiscal year, with the amount on hand at the end of such year in each of the funds and accounts created by and referred to in Sections 10-45 and 10-46 of this Ordinance;

(iii) A statement showing the profit or loss for such fiscal year;

(iv) A statement of the number of customers served by the system at the beginning and also at the end of such fiscal year;

(v) A statement of all combined waterworks and sewerage system bonds of said City (either general obligation or revenue) called, purchased, matured or paid during the preceding fiscal year, and a statement of all interest paid during such year on all

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combined waterworks and sewerage system bonds of said City (either general obligation or revenue);

(vi) A statement showing the amount and character of the insurance carried by said City on the property constituting the system and showing the names of the insurers, the expiration dates of the policies, and the premiums thereon; and

(vii) Such remarks and recommendations regarding said City's method of operating the system and its accounting practices as said accountants may deem appropriate.

Within thirty (30) days after the completion of each such audit, a copy thereof shall be filed in the office of the City Clerk, and a duplicate copy of said audit shall be mailed to the original purchaser of the Bonds issued hereunder. Such audits, at all times during the usual business hours, shall be open to examination and inspection by any taxpayer, any user of the services of the combined waterworks and sewerage system of said City, any holder of any of the Bonds issued hereunder, or by anyone acting for or on behalf of such taxpayer, user, or Bondholder.

If any audit shall disclose that proper provision has not been made for all of the requirements of the law under which the Bonds are issued, and of this Ordinance, said City covenants and agrees that it will cure promptly such deficiency and that it will proceed promptly to cause rates to be charged for the use and services furnished by said City's combined waterworks and sewerage system which will provide adequately for such requirements.

(g) The holder or holders of any of said Bonds issued hereunder shall have the right at all reasonable times to inspect the combined waterworks and sewerage system and all records, accounts, and data relating thereto, and any such holder shall be furnished all such information concerning said system and the operation thereof which he or she reasonably may request.

(h) Said City will perform faithfully and punctually all duties and obligations with respect to the operation of its combined waterworks and sewerage system, including all improvements and extensions thereto, now or hereafter imposed upon said City by the Constitution and laws of the State of Missouri and by the provisions of this Ordinance. (Ord. 600, §14.)

**Sec. 10-52. Restrictions on payment of other bonds from the proceeds of this issue.**

That said City hereby covenants and agrees that, so long as any of said Bonds issued hereunder remains outstanding and unpaid, the City will not issue any additional bonds or other obligations payable out of the revenues of its combined waterworks and sewerage system or any part thereof which are superior in lien upon said revenues to the Bonds issued hereunder.

Said City further covenants and agrees that, so long as any of said Bonds issued hereunder remains outstanding and unpaid, said City will not issue any additional bonds or other obligations payable out of the revenues of its combined waterworks and sewerage system or any part thereof which stand on a parity or equality with the 1965 Bonds unless all of the following conditions are met:

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(a) Said City shall not be in default in the payment of principal of or interest on said Bonds issued hereunder or in making any payment at the time required to be made into the respective Funds and Accounts created by and referred to in this Ordinance.

(b) The net revenues derived by said City from the operation of its combined waterworks and sewerage system, such net revenues being defined as the gross revenues less only the reasonable expenses of operation, maintenance, and repair of such system, but before any other payments or charges, for the fiscal year immediately preceding the issuance of additional bonds shall have been not less than one hundred twenty-five per centum (125%) of the maximum amount required to be paid out of said revenues in any succeeding fiscal year on account of both principal and interest becoming due with respect to all combined waterworks and sewerage system revenue obligations of said City, including the additional bonds proposed to be issued. In the event said City shall have made an increase in rates for water and sewer service, and such increase shall not have been in effect during all of the fiscal year immediately preceding the issuance of additional bonds, said City may retain an independent consulting engineer or firm of consulting engineers having a national reputation for skill and experience in the construction and operation of public utilities to make an investigation and report as to the amount of net revenues (as hereinbefore defined) which said City would have received from the operation of its combined waterworks and sewerage system during said preceding fiscal year if such increased rates had been in effect during all of said period, and the amount so determined and reported by said consulting engineer or firm of consulting engineers shall govern in determining the right of said City to issue additional parity bonds under the provisions aforesaid; and

(c) All the requirements of the 1965 Ordinance are met.

Additional revenue bonds of said City issued under the conditions hereinbefore set forth in this Section shall stand on a parity with the 1965 Bonds and shall enjoy complete equality of lien on and claim against the revenues of said City's combined waterworks and sewerage system with the 1965 Bonds, and the City may make equal provision for paying said bonds and the interest thereon out of the Combined Waterworks and Sewerage System Revenue Fund and likewise may provide for the creation of reasonable principal and interest accounts and bond reserve accounts for the payment of such additional bonds and the interest thereon out of moneys in the Combined Waterworks and Sewerage System Revenue Fund.

Nothing in this Section contained shall prohibit or restrict the right of said City to issue additional combined waterworks and sewerage system revenue bonds or other revenue obligations for the purpose of extending, improving, enlarging, repairing, or altering said City's combined waterworks and sewerage system and to provide that the principal of and interest on said revenue bonds or obligations shall be payable out of the revenues of said City's combined waterworks and sewerage system, provided, at the time of the issuance of such additional revenue bonds or obligations, said City shall not be in default in the performance of any covenant or agreement contained in the 1965 Ordinance, the 1979 Ordinance, or in this Ordinance and provided further that such additional revenue bonds or obligations shall be junior and subordinate to the Bonds issued hereunder so that if, at any time, said City shall be in default in paying either interest on or principal of the Bonds issued hereunder, or if said City shall be in default in making any payments required to be made by it under the provisions of paragraphs (a), (b), (c), (d) and (e) of Section 10-46 of this Ordinance, said City shall make no payments of either principal of or interest on said junior and subordinate revenue bonds or obligations until said default or defaults be cured. In the event of the issuance of any such junior and subordinate revenue bonds or obligations, said City, subject to the provisions

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aforesaid, may make provision for paying the principal of and interest on said revenue bonds or obligations out of moneys in the Combined Waterworks and Sewerage System Revenue Fund. (Ord. 600, §15.)

**Sec. 10-53. Default in payment.**

That said City covenants and agrees that, if it shall default in the payment of the principal of or interest on any of the Bonds issued hereunder as the same shall become due, and such default shall continue for a period of thirty (30) days, or if said City or its governing body or any of the officers, agents, or employees thereof shall fail or refuse to comply with any of the provisions of the Constitution or statutes of the State of Missouri, or of this Ordinance, then, at any time thereafter and while such default shall continue, the holder or holders of twenty-five per centum (25%) in principal amount of the Bonds issued hereunder then outstanding, by written notice to said City filed in the office of the City Clerk or delivered in person to said City Clerk, may declare the principal of all Bonds issued hereunder then outstanding to be due and payable immediately, and, upon any such declaration given as aforesaid, all of said Bonds shall become and be immediately due and payable, anything in this Ordinance or in said Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if at any time after the principal of said outstanding Bonds issued hereunder shall have been so declared to be due and payable, all arrears of interest upon all of said Bonds, except interest accrued but not yet due on such Bonds, all arrears of principal upon all of said Bonds shall have been paid in full and all other defaults, if any, by said City under the provisions of this Ordinance and under the provisions of the statutes of the State of Missouri shall have been cured, then and in every such case the holder or holders of a majority in principal amount of the Bonds issued hereunder then outstanding, by written notice to said City given as hereinbefore specified, may rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any rights consequent thereon. (Ord. 600, §16.)

**Sec. 10-54. Amendments.**

That the rights and duties of said City and the Bondholders, and the terms and provisions of the Bonds or of this Ordinance, may be amended or modified at any time in any respect by ordinance of said City with the written consent of the holder or holders of not less than sixty-six and two-thirds per centum (66-2/3%) in principal amount of the Bonds issued hereunder then outstanding, such consent to be evidenced by an instrument or instruments executed by such holder or holders and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the City Clerk, but no such modification or alteration shall:

(a) Extend the maturity of any payment of principal or interest due upon any Bond issued hereunder;

(b) Effect a reduction in the amount which said City is required to pay by way of principal of or interest on any Bond issued hereunder;

(c) Permit the creation of a lien on the revenues of said City's combined waterworks and sewerage system prior or equal to the lien of the Bonds issued hereunder or

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additional bonds hereafter issued on a parity with the Bonds issued hereunder as hereinbefore provided;

(d) Permit preference or priority of any Bonds issued hereunder over any other such Bonds; or

(e) Reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of this Ordinance.

Any provision of the Bonds issued hereunder or of this Ordinance, however, may be amended or modified at any time in any respect with the written consent of the holder or holders of all of said Bonds at the time outstanding. (Ord. 600, §17.)

**Sec. 10-55. Provisions constitute a contract.**

That the provisions of this Ordinance, including the covenants and agreements herein contained, shall constitute a contract between said City and the holder or holders of the Bonds issued hereunder, and the holder or holders of not less than ten per centum (10%) in principal amount of the Bonds issued hereunder at the time outstanding shall have the right, for the equal benefit and protection of all holders of Bonds issued hereunder similarly situated.

(a) By mandamus or other suit, action, or proceeding at law or in equity, to enforce his, her, or their rights against said City and its officers, agents, and employees and to require and compel said City and its officers, agents, and employees to perform all duties and obligations required by the provisions of this Ordinance or by the Constitution and laws of the State of Missouri;

(b) By suit, action, or other proceeding in equity or at law to require said City, its officers, agents, and employees, to account as if they were the trustees of an express trust; and

(c) By suit, action, or other proceeding in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the holder or holders of the Bonds issued hereunder.

Nothing contained in this Ordinance, however, shall be construed as imposing on said City any duty or obligation to levy any taxes either to meet any obligation incurred herein or to pay the principal of or interest on the Bonds issued hereunder.

No one or more Bondholders secured hereby shall have any right in any manner whatever by his, her, or their action to affect, disturb, or prejudice the security granted and provided herein or to enforce any right hereunder, except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had, and maintained for the equal benefit of all holders of such outstanding Bonds issued hereunder. No remedy conferred herein upon the Bondholders is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred herein. No waiver of any default or breach of duty or contract by the holder or holders of any Bond issued hereunder shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon. No delay or omission by any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of

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any such default or acquiescence therein. Every substantive right and every remedy conferred upon the holder or holders of the Bonds issued hereunder by this Ordinance may be enforced and exercised from time to time and as often as may be deemed expedient. In case any suit, action, or proceeding taken by any Bondholder on account of any default or to enforce any right or exercise any remedy shall have been discontinued or abandoned for any reason, or shall have been determined adversely to such Bondholder, then, and in every such case, said City and the holder or holders of the Bonds issued hereunder shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers, and duties of the Bondholders, shall continue as if no such suit, action, or other proceeding had been brought or taken. (Ord. 600, §18.)

**Sec. 10-56. Defeasance.**

That, when all of the Bonds issued hereunder and the interest due thereon shall have been paid and discharged, then the requirements contained in this Ordinance, the pledge of revenues made hereunder, and all other rights granted hereby shall terminate. Bonds and the interest due thereon shall be deemed to have been paid and discharged within the meaning of this Ordinance if there shall have been deposited with the Paying Agent, or a bank located in the State of Missouri and having full trust powers, at or prior to the maturity date of said Bonds and interest thereon, in trust for and irrevocably appropriated thereto, moneys and/or direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America which, together with the interest to be earned on any such obligations, will be sufficient for the payment of the principal of said Bonds and interest accrued to the date of maturity, or, if default in such payment shall have occurred on such date, then to the date of the tender of such payments. Any moneys and obligations which at any time shall be deposited with said Paying Agent or bank by or on behalf of said City, for the purpose of paying and discharging any of the Bonds issued hereunder or interest thereon, shall be and are assigned, transferred, and set over hereby to such Paying Agent or bank in trust for the respective holder or holders of said Bonds and interest thereon, and such moneys shall be and are irrevocably appropriated hereby to the payment and discharge thereof. All moneys deposited with said Paying Agent or bank shall be deemed to be deposited in accordance with and subject to all of the provisions contained in this Ordinance. (Ord. 600, §19.)

**Sec. 10-57. Statement of intent.**

That the Board of Aldermen of the City of Potosi, Washington County, Missouri, in view of the provisions of the Internal Revenue Code of 1986, hereby covenants specially with the holder or holders of the Bonds herein authorized that, within the lawful powers of said Board of Aldermen of said City, said Board, on behalf of said City, will not do and will not refrain from doing anything in the course of issuing said Bonds or in the use or expenditure of the proceeds thereof which would result in the interest income derived or to be derived from said Bonds becoming taxable for Federal income tax purposes. (Ord. 600, §20.)

**Sec. 10-58. Designation of issue.**

That it is hereby found and declared as follows:

(a) The Bonds issued hereunder are not "private activity bonds";

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(b) The Bonds issued hereunder are designated by this Board of Aldermen, acting for and on behalf of the aforesaid City, as "qualified tax-exempt obligations";

(c) This Board of Aldermen anticipates that the amount of qualified tax-exempt obligations which have been and will be issued by the aforesaid City during the calendar year 1987 will not exceed ten million dollars ($10,000,000);

(d) No other obligations issued by the aforesaid City have been designated during the calendar year 1987 by the aforesaid Board of Aldermen on behalf of said City as "qualified tax-exempt obligations"; and

(e) No subordinate entities to the aforesaid City have issued any obligations during the calendar year 1987, and no such entities anticipate issuing any obligations during the calendar year 1987.

The foregoing findings and declarations have been made herein pursuant to the requirements of Section 265(b)(3) of the Internal Revenue Code of 1986. (Ord. 600, §21.)

**Sec. 10-59. Severability.**

That, if any section or other part of this Ordinance, whether large or small, shall be held invalid for any reason, the invalidity thereof shall not affect the validity of the other provisions of this Ordinance. (Ord. 600, §22.)

**Sec. 10-60. Effective date.**

That this Ordinance shall take effect and be in full force from and after its passage by the Board of Aldermen and approval by the Mayor of said City.

Read three (3) times and passed this 28th day of September, 1987. (Ord. 600, §23.)

**Secs. 10-61 to 10-65. Reserved.**

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