

ORDINANCE NO. 504

AN ORDINANCE AUTHORIZING THE ISSUANCE OF SEWER REVENUE BONDS OF THE CITY OF LAS ANIMAS, COLORADO, IN THE PRINCIPAL AMOUNT OF \$1,130,000 FOR THE PURPOSE OF EXTENDING AND IMPROVING THE EXISTING SANITARY SEWER SYSTEM OF THE CITY; PRESCRIBING THE FORM OF SAID BONDS; PROVIDING DETAILS CONCERNING THE BONDS AND FOR THE PAYMENT THEREOF; RATIFYING ACTION HERETOFORE TAKEN; AND DECLARING AN EMERGENCY.

WHEREAS, the City of Las Animas in the County of Bent and State of Colorado (herein "City"), is a municipal corporation duly organized and existing as a city under the Statutes of the State of Colorado; and

WHEREAS, the members of the City Council of the City (the "Council") have been duly elected, chosen and qualified; and

WHEREAS, the City now owns and operates a municipal sanitary sewer system (herein the "System" or "sewer system") for the City and its inhabitants; and

WHEREAS, pursuant to Ordinance No. 496, adopted August 2, 1983, the Council created a Water Board to assist and advise the Council in all matters pertaining to the water and sanitation department; and

WHEREAS, the Water Board has determined the necessity for the extension and improvement of the City's existing System (the "Project") and has recommended to the Council the Project and has requested the Council adopt an ordinance authorizing the issuance of the City's sewer revenue bonds to defray the cost of the Project; and

WHEREAS, the City is authorized, pursuant to Part 4, Article 35, Title 31, Colorado Revised Statutes, as amended (the "Revenue Bond Act"), to exercise the basic powers of furnishing sanitary sewer facilities as provided in Section 31-35-402, Colorado Revised Statutes, together with the powers incidental to such basic power; and

WHEREAS, the City Council has determined that the public interest and necessity demand and require the Project in order to supply the City and the inhabitants thereof with proper and adequate sanitary sewer collection and treatment service; and

WHEREAS, the City pursuant to Resolution No. 6-82, adopted and approved on November 30, 1982, authorized the City Treasurer to borrow for a period of time not to exceed one hundred and eighty (180) days, a sum of money not to exceed \$678,419.40, for the express purpose of interim financing of the Project in the City and that such short-term loan shall be paid from proceeds of the sale of long-term revenue bonds to be issued by the City no later than May 1, 1983; and

WHEREAS, the City pursuant to Resolution No. 3-83, adopted and approved on July 22, 1983, continued the City Treasurer's authority to borrow from the First National Bank of Las Animas for a period of time not to exceed one hundred and eighty (180) days, a sum of \$1,000,000 in the aggregate for the entire Project, for the express purpose of interim financing of the Project in the City and that such short-term loan shall be paid from the proceeds of the sale of long-term revenue bonds to be issued by the City no later than January 22, 1984; and

WHEREAS, Section 31-35-402(f), Colorado Revised Statutes, authorizes a municipality such as the City to issue sewer revenue bonds without the necessity of submitting the question of their issuance to the electors of the City; and

WHEREAS, there are not sufficient funds in the treasury of the City to pay the City's costs of the Project and the City Council deems it advisable and necessary to authorize the issuance of sewer revenue bonds of the City in the amount of \$1,130,000 for that purpose; and

WHEREAS, Section 31-35-404(2)(c), Colorado Revised Statutes, authorizes a municipality such as the City to sell such sewer revenue bonds at public or private sale upon such terms and conditions as the Council shall determine; and

WHEREAS, it is the intent and purpose of the ordinance to effect the Project, and to authorize the issuance of the City's sewer revenue bonds to defray the cost of the Project, pursuant to the Revenue Bond Act, without the Project or the bonds being authorized at an election; and

WHEREAS, the City has received a proposal from Kirchner, Moore & Company, Denver, Colorado, for the purchase of sewer revenue bonds in the principal amount of \$1,130,000, (the "Bonds") and the City has determined that such proposal is to the best advantage of the City and that such Bonds should be sold to Kirchner, Moore & Company; and

WHEREAS, the City has never pledged the revenues to be derived from the operation of the sewer system to the payment of any bonds or for any other purpose (excluding proceedings authorizing the issuance of bonds which have heretofore been redeemed in full, both principal and interest, or for the redemption of which full provision has been made), with the result that such revenues may be pledged lawfully and irrevocably to secure the payment of the Bonds.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LAS ANIMAS, COLORADO:

Section 1. Short Title. This ordinance may be designated by the short title "1984 Revenue Bond Ordinance."

Section 2. Definitions. The terms in this section defined for all purposes of this ordinance and of any ordinance amendatory hereof or supplemental hereto, or relating hereto, and of any instrument or document appertaining hereto, except where the context by clear implication otherwise requires, shall have the meanings herein specified:

(a) "Bonds," "Bond," "1984 Bonds," or "Sewer Revenue Bonds," means the securities herein authorized designated as the "City of Las Animas, Colorado, Sewer Revenue Bonds, Series 1984."

(b) "Bond Fund" means the "Series 1984 Interest and Bond Retirement Fund" created in Section 19 hereof.

(c) "Construction Fund" means the "Series 1984 Construction Fund" created in Section 17 hereof.

(d) "Consulting Engineer" or "Engineer" means the City Engineer or any registered or licensed professional engineer or firm of such engineers having a wide and favorable repute for skill and experience in the field of designing, preparing plans and specifications for, and supervising construction of, sanitary sewer systems and facilities, entitled to practice and practicing as such under the laws of the State of Colorado, retained and compensated by the City.

(e) "Federal Securities" means bills, certificates of indebtedness, notes, bonds or other obligations which are direct obligations of, or the principal and interest of which obligations are unconditionally guaranteed by, the United States of America.

(f) "Fiscal Year" for the purposes of this ordinance means the 12 months commencing on the first day of January of any year and ending on the last day of December of any year.

(g) "Herein," "hereby," "hereunder," "hereof," "hereinbefore," and "hereinafter" refer to this ordinance and not solely to the particular portion thereof in which such word is used.

(h) "Income Fund" means the "Sewer System Gross Income Fund" created in Section 18 hereof.

(i) "Independent Accountant" means any certified public accountant or firm of such accountants duly licensed

to practice and practicing as such under the laws of the State of Colorado, appointed and paid by the City (1) who is, in fact, independent and not under the domination of the City, (2) who does not have any substantial interest, direct or indirect, with the City, and (3) who is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or similar audits of the books or records of the City.

(j) "Insured Bank" means a bank which is a member of the Federal Deposit Insurance Corporation.

(k) "Minimum Reserve" means an amount of \$145,000 as set forth in Section 19 hereof.

(l) "Net Revenues" or "net income" means the revenues after deducting Operation and Maintenance Expenses.

(m) "Operation and Maintenance Expenses" (or a phrase of similar import) means all reasonable and necessary current expenses of the City, paid or accrued, of operating, maintaining and repairing the System, and shall include, without limiting the generality of the foregoing, legal and overhead expenses of the various city departments directly related and reasonably allocable to the administration of the System, insurance premiums, the reasonable charges of depository banks, Registrars and Paying Agents, contractual services, professional services required by this ordinance, salaries and administrative expenses, labor, and the cost of materials and supplies used for current operation, but shall not include any allowance for depreciation, liabilities incurred by the City as the result of its negligence in the operation of the System or other ground of legal liability not based on contract, any costs of improvements, extensions, enlargements or betterments to the System, or any charges for the accumulation of reserves for capital replacements.

(n) "Operation and Maintenance Fund" means the "System Operation and Maintenance Fund" created by Section 19 hereof.

(o) "Parity Bonds" or "parity obligations" means the bonds or obligations payable from revenues of the System hereafter issued on a parity with the 1984 Bonds.

(p) "Paying Agent" means the principal corporate trust office of the Central Bank of Denver, a banking corporation, of Denver, Colorado, as agent for the City for the payment of the 1984 Bonds and interest thereon and

prior redemption premium in connection therewith, or its successors.

(q) "Project" means the program to extend and improve the City's sanitary sewer system to be financed in part by the Bonds, including the payment of, all or any portion of the principal and interest on interim sewer construction loans from The First National Bank of Las Animas, Las Animas, Colorado incurred for that purpose, the payment of all or any portion of those funds drawn from other City funds for that purpose and the payment of the cost of issuance of the Bonds.

(r) "Purchaser" means Kirchner Moore & Company, Denver, Colorado.

(s) "Record Date" means the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding an interest payment date.

(t) "Redemption Date" means the date fixed for the redemption prior to their respective maturities of Bonds in any notice of redemption.

(u) "Registered Owner" or "bondholder" or "holder" or "owner" or "owners" means any person who is the registered owner of any Bond as shown on the registration books kept by the Registrar.

(v) "Registrar" means the single entity as registrar and transfer agent for the Bonds appointed by the City being the Central Bank of Denver, a banking corporation, Denver, Colorado, or its successor.

(w) "Reserve Fund" means the "Series 1984 Reserve Fund" created in Section 19 hereof.

(x) "Revenues," "gross revenues," "income," or "gross income" from the System means all income and revenue derived by the City from the operation of the System, or any part thereof, whether resulting from improvements, extensions, enlargements, repairs or betterments to the System, or otherwise, and includes all revenues received by the City, or any municipal corporation succeeding to the rights of the City, from the System and from the sale and use of sanitary sewer service and facilities, or any combination thereof, by means of the System owned and operated by the City as the same may at any time exist to serve customers outside the City limits as well as customers within the City limits (including but not necessarily limited to all income derived from the investment of any of the funds

established herein even though such investment income is to be credited to the particular fund from which such investment is made, as further provided in Sections 19 and 20 hereof).

(y) "Special Record Date" means a special date fixed to determine the names and addresses of Registered Owners for purposes of paying interest on a special interest payment date for the payment of defaulted interest.

(z) "System" or "sewer system" or "sanitary sewer system" means the municipally owned public utility designated as the City's sanitary sewer system, consisting of all properties, real, personal, mixed, or otherwise, now owned or hereafter acquired by the City through purchase, construction, or otherwise, and used in connection with the sanitary sewer facilities of the City, and in anywise appertaining thereto, whether situated within or without the limits of the City, or both within or without the limits of the City.

(aa) Definitions include both singular and plural.

(bb) Pronouns include both singular and plural and cover all genders.

(cc) Any percentage of Bonds is to be figured on the unpaid principal amount thereof then outstanding.

Section 3. Ratification. All action heretofore taken, not inconsistent with the provisions of this ordinance, by the City Council and the officers of the City directed toward the financing of the Project and the issuance and sale of the Bonds for such purpose be, and the same hereby is, ratified, approved and confirmed; including, without limitation, the issuance of temporary notes described in the preambles hereof.

Section 4. Authorization of Project. The Project is authorized at a total cost of approximately \$1,448,000, of which \$318,000 will be defrayed by a grant from the State of Colorado. The Project briefly and generally described shall consist of enlarging the treatment capacity of the existing sanitary sewer system, the rehabilitation of an existing lift station and the expansion of the existing collection system by installation of a new 10" interceptor line, 8" collector line and lift station on the north side of the City. The details of the Project are more particularly described in the plans and specifications which have heretofore been prepared and filed by Associated Engineers, Inc., of Fort Dodge, Iowa, a firm of consulting engineers chosen for that purpose, the plans and

specifications are available for public inspection in the office of the Director of Public Works of the City.

Section 5. Authorization of Bonds. In accordance with the Constitution of the State of Colorado, all the laws of the State of Colorado thereunto enabling, and the provisions of this ordinance, there are hereby authorized sewer revenue bonds, each to be designated "Sewer Revenue Bond", of the City in the aggregate principal amount of \$1,130,000. The principal thereof, premium, if any, and the interest thereon are payable solely and only out of the Net Revenues of the System, and have an irrevocable and first lien (but not necessarily an exclusive first lien) on such Net Revenues.

Section 6. Bond Details. The Bonds shall be issued in fully registered form (i.e., registered as to payment of both principal and interest) in denominations of \$5,000 and any integral multiple thereof (provided that no Bond may be in a denomination which exceeds the principal coming due on any maturity date and no individual Bond will be issued for more than one maturity). The Bonds shall be dated as of February 1, 1984. The Bonds shall be numbered consecutively from 1 upward. The Bonds shall bear interest from their date to maturity at the rates per annum shown below, payable semiannually on each June 1 and December 1, commencing June 1, 1984, except that Bonds which are reissued upon transfer, exchange or other replacement shall bear interest at the rates shown below from the most recent interest payment date to which interest has been paid or duly provided for, or if no interest has been paid, from the date of the Bonds. The Bonds shall mature serially on December 1 of each year and bear interest, all as follows:

<u>Amounts Maturing</u>	<u>Interest Rate (Per Annum)</u>	<u>Years Maturing</u>
\$ 20,000		1984
20,000		1985
25,000		1986
25,000		1987
25,000		1988
25,000		1989
25,000		1990
30,000		1991
35,000		1992
50,000		1993
850,000		2003

The net effective interest rate on the Bonds is ___% per annum which is determined to be the maximum net effective interest rate for the Bonds.

The principal of any Bond shall be payable to the Registered Owner thereof as shown on the registration books kept by the Registrar upon maturity or prior redemption thereof and upon

presentation and surrender at the Paying Agent. If any Bond shall not be paid upon such presentation and surrender at or after maturity, it shall continue to draw interest at the rate borne by said Bond until the principal thereof is paid in full. Payment of interest on any Bond shall be made to the Registered Owner thereof by check or draft mailed by the Paying Agent, on or before each interest payment date (or, if such interest payment date is not a business day, on or before the next succeeding business day), to the Registered Owner thereof at his or her address as it last appears on the registration books kept by the Registrar on the Record Date; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Registered Owner thereof at the close of business on the Record Date and shall be payable to the person who is the Registered Owner thereof at the close of business on a Special Record Date for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Registered Owners of the Bonds not less than ten days prior to the Special Record Date by first-class mail to each such Registered Owner as shown on the Registrar's registration books on a date selected by the Registrar, stating the date of the Special Record Date and the date fixed for the payment of such defaulted interest. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the owner of such Bond and the Paying Agent. All such payments shall be made in lawful money of the United States of America.

Section 7. Mandatory Sinking Fund Redemption. The Bonds maturing on December 1, 2003 are subject to mandatory sinking fund redemption on December 1, 1994 and on each December 1 thereafter to and including December 1, 2002, in part, by lot in such manner as the Paying Agent may determine (giving proportionate weight to Bonds in denominations larger than \$5,000), at a price equal to 100% of the principal amount of each Bond or portion thereof so redeemed plus accrued interest to the redemption date, in the following respective principal amounts:

<u>December 1 of</u> <u>the Year</u>	<u>Principal Amount</u>
1994	\$50,000
1995	55,000
1996	65,000
1997	70,000
1998	80,000
1999	85,000
2000	95,000
2001	105,000
2002	115,000

The amount of any such Bonds redeemed prior to maturity at the option of the City pursuant to Section 8 hereof shall be credited against such mandatory sinking fund obligations in regular chronological order. The remaining \$130,000 principal amount of Bonds maturing on December 1, 2003 shall be paid upon presentation and surrender at or after their maturity on December 1, 2003, unless sooner redeemed pursuant to Section 8 hereof.

Section 8. Optional Prior Redemption. Bonds maturing on or before December 1, 1993 are not subject to prior redemption. Bonds maturing on and after December 1, 1994, shall be subject to redemption prior to their respective maturities, in whole or in part, in integral multiples of \$5,000, at the option of the City, in inverse order of maturity and by lot within a maturity (giving proportionate weight to Bonds in denominations larger than \$5,000), in such manner as the Paying Agent may determine, on December 1, 1993, or on any interest payment date thereafter for the principal amount of each Bond or portion thereof so redeemed and accrued interest to the redemption date plus a premium of one percent (1%) of the principal amount of each Bond or portion thereof so redeemed.

Section 9. General Redemption Provisions; Redemption Notice.

A. In the case of Bonds of a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any integral multiple thereof) may be redeemed pursuant to Section 7 or Section 8 hereof, in which case the Registrar shall, without charge to the owner of such Bond, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof.

B. The City shall give written instructions concerning any optional prior redemption pursuant to Section 8 hereof to the Paying Agent at least sixty days prior to such redemption date. The

VIKING
OFFICE PRODUCTS

Registrar shall select the Bonds for redemption pursuant to Section 7 hereof at least sixty days prior to such redemption date.

C. Notice of any redemption pursuant to Section 7 or Section 8 hereof shall be given by the Paying Agent in the name of the City by sending a copy of such notice by registered or certified first-class, postage prepaid mail, not more than sixty days and not less than thirty days prior to the redemption date to the Purchaser and to each Registered Owner of any Bond all or a portion of which is called for prior redemption at his address as it last appears on the registration books kept by the Registrar. Failure to give such notice by mailing to the Registered Owner of any Bond or to the Purchaser, or any defect therein, shall not affect the validity of the proceedings for the redemption of any other Bonds. Such notice shall identify the Bonds or portions thereof to be redeemed (if less than all are to be redeemed) and the date fixed for redemption, and shall further state that on such redemption date the principal amount thereof and the designated premium thereon, if any, will become due and payable at the Paying Agent, and that from and after such date interest will cease to accrue. Accrued interest to the redemption date will be paid by check or draft mailed to the Registered Owner (or by alternative means if so agreed to by the Paying Agent and the Registered Owner). Notice having been given in the manner hereinbefore provided, the Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated; and upon presentation thereof at the Paying Agent, the City will pay the Bond or Bonds so called for redemption.

Section 10. Registration, Transfer and Exchange of Bonds.

A. Books for the registration and transfer of the Bonds shall be kept by the Registrar, which is hereby appointed by the City as registrar (i.e., transfer agent) for the Bonds. Upon the surrender for transfer of any Bond at the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner or his attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. Bonds may be exchanged at the Registrar for an equal aggregate principal amount of Bonds of the same maturity of other authorized denominations. The Registrar shall authenticate and deliver a Bond or Bonds which the Registered Owner making the exchange is entitled to receive, bearing a number or numbers not previously assigned. Exchanges and transfers of Bonds as herein provided shall be without charge to the owner or any transferee, but

the Registrar may require the payment by the owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

B. The Registrar shall not be required (1) to transfer or exchange all or a portion of any Bond subject to prior redemption during the period beginning at the opening of business fifteen days next preceding the mailing of notice calling any Bonds for prior redemption as herein provided or (2) to transfer or exchange all or a portion of a Bond after the mailing of notice calling such Bond or portion thereof for prior redemption.

C. The person in whose name any Bond shall be registered, on the registration books kept by the Registrar, shall be deemed and regarded as the absolute owner thereof for the purpose of making payment thereof and for all other purposes except as may otherwise be provided with respect to payment of interest as is provided in Section 6 hereof; and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the Registered Owner thereof or his legal representative, but such registration may be changed upon transfer of such Bond in the manner and subject to the conditions and limitations provided herein. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

D. If any Bond shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it may reasonably require, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not previously assigned. If such lost, stolen, destroyed or mutilated Bond shall have matured or is about to become due and payable, the Registrar may direct the Paying Agent to pay such Bond in lieu of replacement.

E. The officers of the City are authorized to deliver to the Registrar fully executed but unauthenticated Bonds in such quantities as may be convenient to be held in custody by the Registrar pending use as herein provided.

F. Whenever any Bond shall be surrendered to the Paying Agent upon payment thereof, or to the Registrar for transfer, exchange or replacement as provided herein, such Bond shall be promptly cancelled by the Paying Agent or Registrar, and counterparts

of a certificate of such cancellation shall be furnished by the Paying Agent or Registrar to the City.

Section 11. Negotiability. Subject to the registration provisions hereof, the Bonds hereby authorized shall be fully negotiable and shall have all the qualities of negotiable paper, and the holder or holders thereof shall possess all rights enjoyed by the holders of negotiable instruments under the provisions of the Uniform Commercial Code.

Section 12. Execution of Bonds. The Bonds shall be executed in the name of and on behalf of the City by the signature of the Mayor and attested and countersigned by the signature of the City Clerk-Treasurer, and shall be sealed with the seal of the City of Las Animas, or with a facsimile thereof, and authenticated by the manual signature of an authorized officer of its Registrar. The signature of the Mayor and the City Clerk-Treasurer may be by manual or facsimile signature. Said Bonds bearing the manual or facsimile signatures of the officers in office at the time of the signing thereof shall be the valid and binding obligations of the City (subject to the requirement of authentication hereinafter provided) notwithstanding that before the delivery thereof, or before the issuance thereof, or upon transfer or exchange any or all of the persons whose manual or facsimile signature appear thereon shall have ceased to fill their respective offices. The Mayor and City Clerk-Treasurer of the City shall, by the execution of a signature certificate pertaining to the Bonds, adopt as and for their respective signatures the facsimiles thereof appearing on the Bonds. At the time of the execution of the signature certificate, the Mayor and City Clerk-Treasurer may each adopt as and for his or her facsimile signature the facsimile signature of his or her predecessor in office in the event that such facsimile signature appears upon any of the Bonds.

No Bond shall be valid or obligatory for any purpose unless the certificate of authentication, substantially in the form hereinafter provided, has been duly manually executed by the Registrar. The Registrar's certificate of authentication shall be deemed to have been duly executed by it if manually signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all the Bonds issued hereunder. By authenticating any of the Bonds initially delivered pursuant to this ordinance, the Registrar and Paying Agent shall be deemed to have assented to the provisions of this ordinance.

Section 13. Special Obligations. All of the Bonds, together with the interest accruing thereon, and any prior redemption premium, shall be payable and collectible solely out of the net income to be derived from the operation of the System, the income of which is so pledged; the owner or owners thereof may not look to any general or other fund for the payment of principal of and interest on such obligations, except the designated special funds pledged therefor; and such Bonds shall not constitute an indebtedness nor a debt within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City. The City does not pledge its full faith and credit for the payment of the Bonds.

Section 14. Incontestable Recital in Bonds. Each Bond shall recite that it is issued under the authority of the Revenue Bond Act. Such recital shall conclusively impart full compliance with all of the provisions thereof, and all Bonds issued containing such recital shall be incontestable for any cause whatsoever after their delivery for value.

Section 15. Bond, Legal Opinion Certificate and Assignment Forms. Subject to the provisions of this ordinance, each Bond, Registrar's certificate of authentication, the legal opinion certificate and form of assignment shall be in substantially the following form (provided that any of the text on the face of the Bond may, with appropriate reference, be printed on the back of the Bond):

(Form of Bond)

Transfer of this Bond Other Than by Registration is Not Effective

UNITED STATES OF AMERICA

STATE OF COLORADO

COUNTY OF BENT

CITY OF LAS ANIMAS

SEWER REVENUE BOND

SERIES 1984

No. R _____

\$ _____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

INTEREST RATE

MATURITY DATE

DATED AS OF

CUSIP

_____%

February 1,
1984

Solely from the special funds provided therefor, the City of Las Animas, County of Bent, in the State of Colorado (the "City"), for value received hereby promises to pay to the Registered Owner specified above, or registered assigns, the Principal Amount specified above, on the Maturity Date specified above (unless called for earlier redemption), interest thereon payable on June 1 and December 1 in each year commencing on June 1, 1984, at the Interest Rate per annum specified above, until the principal sum is paid or payment has been provided therefor. This Bond will bear interest from the most recent interest payment date to which interest has been paid or provided for, or, if no interest has been paid, from the date of this Bond. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof at the principal corporate trust office of the City's registrar and paying agent (the "Registrar" or the "Paying Agent"), presently the Central Bank of Denver, a banking corporation, in Denver, Colorado. Interest on this Bond will be paid on each interest payment date (or, if such interest payment date is not a business day, on the next succeeding business day), by check or draft mailed to the person in whose name this Bond is registered in the registration records of the City maintained by

the Registrar and at the address appearing thereon at the close of business on the fifteenth day of the calendar month (whether or not a business day) next preceding such interest payment date (the "Record Date"). Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the Registered Owner hereof at the close of business on the Record Date and shall be payable to the person who is the Registered Owner hereof at the close of business on a Special Record Date (defined in Ordinance No. ____ of the City adopted on January 23, 1984 authorizing this Bond, the "Bond Ordinance") for the payment of any defaulted interest. Such Special Record Date shall be fixed by the Registrar whenever moneys become available for payment of the defaulted interest, and notice of the Special Record Date shall be given to the Registered Owners of the Bonds of the series of which this is one (the "Bonds") not less than ten days prior to the Special Record Date. All such payments shall be made in lawful money of the United States of America without deduction for the services of the Paying Agent or Registrar.

The Bonds maturing on December 1, 2003 are subject to mandatory sinking fund redemption on December 1, 1994 and each December 1 thereafter to and including December 1, 2002, in part, by lot in such manner as the Paying Agent may determine (giving proportionate weight to Bonds in denominations larger than \$5,000), at a price equal to 100% of the principal amount thereof plus accrued interest to the redemption date, in the following respective principal amounts:

<u>December 1 of</u> <u>the Year</u>	<u>Principal Amount</u>
1994	\$50,000
1995	55,000
1996	65,000
1997	70,000
1998	80,000
1999	85,000
2000	95,000
2001	105,000
2002	115,000

The amount of any such Bonds redeemed prior to maturity at the option of the City, as hereinafter described, shall be credited against such mandatory sinking fund obligations in regular chronological order. The remaining \$130,000 principal amount of Bonds maturing on December 1, 2003 shall be paid upon presentation and surrender at or after their maturity on December 1, 2003, unless sooner redeemed by optional redemption as hereinafter described.

VIKING
INTEGRITY PRODUCTS

Bonds of the series of which this Bond is a part maturing on and after December 1, 1994, are subject to prior redemption in whole or in part, in integral multiples of \$5,000 at the option of the City, in inverse order of maturity, and by lot within a maturity (giving proportionate weight to Bonds in denominations larger than \$5,000), on December 1, 1993, or on any interest payment date thereafter at a price equal to the principal amount of each Bond or portion thereof redeemed and accrued interest thereon to the redemption date plus a premium of one percent (1%) of the principal amount of each Bond or portion thereof so redeemed.

In the case of any redemption of Bonds of a denomination larger than \$5,000, a portion of such Bond (\$5,000 or any integral multiple thereof) may be redeemed, in which case the Registrar shall, without charge to the Registered Owner of such Bond, authenticate and issue a replacement Bond or Bonds for the unredeemed portion thereof. Redemption shall be made upon not more than 60 days and not less than 30 days' prior mailed notice to a representative of the original purchaser and each Registered Owner as shown on the registration books kept by the Registrar in the manner and upon the conditions provided in the Bond Ordinance.

The Bonds of the series of which this is one are fully registered (i.e., registered as to payment of both principal and interest), and are issuable in denominations of \$5,000 and any integral multiple thereof (provided that no Bond may be in a denomination which exceeds the principal coming due on any maturity date and no individual Bond may be issued for more than one maturity). Upon surrender of any of such Bonds at the Registrar with a written instrument satisfactory to the Registrar duly executed by the Registered Owner or his duly authorized attorney, such Bond may, at the option of the Registered Owner or his duly authorized attorney, be exchanged for an equal aggregate principal amount of such Bonds of the same maturity of other authorized denominations, subject to such terms and conditions as set forth in the Bond Ordinance.

The Registrar will not be required to transfer or exchange (i) any Bond subject to redemption during a period beginning at the opening of business 15 days before the day of the mailing by the Registrar of a notice of prior redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) any Bond after the mailing of notice calling such Bond or any portion thereof for prior redemption.

This Bond is fully transferable by the Registered Owner hereof in person or by his duly authorized attorney on the registration books kept by the Registrar upon surrender of this Bond together with a duly executed written instrument of transfer satisfactory to

the Registrar. Upon such transfer a new fully registered Bond of authorized denomination or denominations of the same aggregate principal amount and maturity will be issued to the transferee in exchange for this Bond, subject to such terms and conditions as set forth in the Bond Ordinance. The City and the Registrar and Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of making payment and for all other purposes.

This Bond does not constitute a debt or an indebtedness of the City within the meaning of any constitutional, or statutory provision or limitation, shall not be considered or held to be a general obligation of the City. Pursuant to Part 4 of Article 35, Title 31, Colorado Revised Statutes (the "Revenue Bond Act"), and all other laws thereunto enabling, this Bond is a special obligation of the City payable and collectible solely out of the net income derived from the operation of the City's municipal sanitary sewer system (the "System"), the income of which is so pledged. The Registered Owner hereof may not look to any general or other fund for the payment of the principal of and the interest on this obligation except the special funds pledged therefor. The City does not pledge its full faith and credit for the payment of this Bond. Payment of the Bonds of the series of which this is one and the interest thereon shall be made solely from and as security for such payment there are pledged, pursuant to the Bond Ordinance two special funds identified as the "City of Las Animas Sewer Revenue Bonds, Series 1984, Interest and Bond Retirement Fund" and as the "City of Las Animas Sewer Revenue Bonds, Series 1984, Reserve Fund," into which funds the City covenants to pay, respectively, from the revenues derived from the operation of the System, after provision only for all necessary and reasonable expenses of the operation and maintenance of the System, sums sufficient to pay when due the principal of and the interest on the Bonds of the series of which this is one and to create (to the extent not created from the proceeds of the Bonds of this series) and to maintain a reasonable and specified reserve for such purpose. For a description of said funds and of the nature and the extent of the security afforded thereby for the payment of the principal of and the interest on the Bonds, reference is made to the Bond Ordinance. The Bonds of the series of which this is one are equitably and ratably secured by a lien on the net revenues of the System, and the Bonds constitute an irrevocable and first lien (but not necessarily an exclusively first lien) upon said net revenues. Bonds in addition to the series of which this is one, subject to expressed conditions, may be issued and made payable from said net revenues of the System having a lien thereon subordinate and junior to the lien, or, subject to additional expressed conditions, having a lien thereon on a parity

with the lien, of the Bonds of the series of which this is one, in accordance with the provisions of the Bond Ordinance.

The City covenants and agrees with the Registered Owner of this Bond and with each and every person who may become the Registered Owner hereof that it will keep and will perform all of the covenants of the Bond Ordinance, including without limiting the generality of the foregoing its covenant against the sale or mortgage of the System or any part thereof unless provision shall be made for the payment of the principal of and the interest on the Bonds of the series of which this is one and including its covenant that it will fix, maintain, and collect rates for services rendered by the System sufficient to produce revenues or earnings annually to pay the annual operation and maintenance expenses and 125% of both the principal of and the interest on the Bonds and any other obligations payable annually from the revenues of the System (excluding the reserves therefor).

This Bond is issued under the authority of the Revenue Bond Act. Pursuant to Section 31-35-413 thereof, such recital conclusively imparts full compliance with all provisions of said act and all Bonds issued containing such recital are incontestable for any cause whatsoever after their delivery for value.

Pursuant to Section 31-35-406, of the Revenue Bond Act, the Bonds and the income therefrom are exempt from taxation by the State of Colorado, except inheritance, estate and transfer taxes.

This Bond is one of a series of Bonds of like tenor, and date except as to amount, number, interest rate, prior redemption option, and maturity, said series being in the principal amount of \$1,130,000; and said Bonds are authorized for the purpose of providing funds for the payment of the costs of extending and improving the City's municipal sanitary sewer system (Sewer Revenue Improvement Project).

It is further certified, recited, and warranted that all the requirements of law have been fully complied with by the proper officers of the City in the issuance of this Bond and that it is issued pursuant to and in strict conformity with the Constitution and laws of the State of Colorado.

This Bond shall not be valid or obligatory for any purpose until the Registrar shall have manually signed the certificate of authentication herein.

IN WITNESS WHEREOF, the City of Las Animas has caused this Bond to be executed in its name and upon its behalf by the manual or facsimile signature of the Mayor, to be attested and countersigned by the manual or facsimile signature of its City Clerk-Treasurer, and by

manual or facsimile impression of the seal of the City, to be affixed hereon all as of the 1st day of February, 1984.

CITY OF LAS ANIMAS

By (Facsimile Signature)
Mayor

Attested and Countersigned:

(Facsimile Signature)
City Clerk-Treasurer

(FACSIMILE SEAL)

(End of Form of Bond)

(Form of Registrar's Certificate of
Authentication)

This is one of the Bonds described in the within-mentioned Ordinance, and this Bond has been duly registered on the registration books kept by the undersigned as Registrar for such Bonds.

CENTRAL BANK OF DENVER, A
BANKING CORPORATION
Denver, Colorado
as Registrar

By _____
Authorized Officer

(End of Form of Registrar's Certificate of
Authentication)

(Form of Legal Opinion Certificate)

STATE OF COLORADO)
)
COUNTY OF BENT) SS. LEGAL OPINION CERTIFICATE
)
CITY OF LAS ANIMAS)

The undersigned, City Clerk of the City of Las Animas, in the County of Bent and State of Colorado, do hereby certify that the following approving legal opinion of Messrs. Sherman & Howard, Attorneys at Law, Denver, Colorado, to wit:

(Attorneys' approving opinion was inserted in submargins, including complimentary closing and "/s/ Sherman & Howard")

is a true, perfect and complete copy of a manually executed and dated copy thereof on file in the records of the City in my office; that manually executed and dated copies of the opinion were forwarded to a representative of the original purchase, and that the opinion was dated and issued as of the date of delivery of and the payment for the bonds of the series of which this bond is one.

IN WITNESS WHEREOF, I have caused to be hereunto set my facsimile signature.

(Facsimile Signature)
City Clerk
Las Animas, Colorado

(End of Form of Legal Opinion of Certificate)

VIKING
OFFICE EQUIPMENT

(Form of Assignment)

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and hereby irrevocably constitutes and appoints _____ attorney, to transfer the same on the books of the Registrar, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Address of transferee:

Social Security or other tax
identification number of transferee:

NOTE: The signature to this Assignment must correspond with the name as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

(End of Form of Assignment)

Section 16. Bond Preparation, Execution and Delivery.

The Mayor and City Clerk-Treasurer are hereby authorized and directed to prepare and execute the 1984 Bonds as herein provided. When said Bonds have been duly executed and sold, the City Clerk-Treasurer shall deliver them to the lawful purchaser on receipt of the agreed purchase price.

Section 17. Disposition of Bond Proceeds.

A. Accrued Interest. All moneys received as accrued interest, at the time of delivery of the Bonds from the sale thereof shall be deposited into the Bond Fund, to apply on the payment of interest on the Bonds payable therefrom.

B. Other Proceeds. The sum of \$145,000 shall be deposited immediately into the Reserve Fund to be held therein and administered in the same manner as other moneys to be deposited therein. The balance of the proceeds received from the sale of Bonds shall be applied as follows:

(1) Construction Fund. Except as herein otherwise specifically provided, the proceeds derived from the sale of the Bonds shall be deposited promptly upon the receipt thereof in an account in a bank designated by the City Council, which account shall be known as the "City of Las Animas Sewer Revenue Bonds, Series 1984, Construction Fund." The moneys in the Construction Fund, except as herein otherwise specifically provided, shall be used and paid out solely for the costs of the Project. Moneys shall be withdrawn from the Construction Fund for such costs only upon vouchers or checks drawn and signed by the City Clerk-Treasurer.

(2) Completion of Project. When the Project shall have been completed in accordance with the plans and specifications, and when all amounts due therefor, including all proper incidental expenses, shall have been paid, the Engineer shall file with the City Clerk-Treasurer a certificate so stating, and thereupon the City Clerk-Treasurer shall transfer to the Bond Fund all money remaining in such Construction Fund, if any.

(3) Purchaser Not Responsible. The Purchaser, however, shall in no manner be responsible for the application or disposal by the City or by its officers of the funds derived from the sale thereof or of any other funds herein designated.

VIKING
OFFICE EQUIPMENT

Section 18. Income Fund. So long as any of the Bonds herein authorized shall be outstanding, either as to principal or interest or both, the entire gross income and revenues of the System shall be set aside and credited to a special account hereby created and designated as the "City of Las Animas Sewer System Gross Income Fund."

Section 19. Administration of Income Fund. So long as any of the Bonds shall be outstanding, either as to principal or interest or both, the following payments shall be made from the Income Fund:

A. Operation and Maintenance Expenses. Firstly, as a first charge on the Income Fund, there shall be set aside from time to time in a separate account hereby created and designated as the "City of Las Animas Sewer System Operation and Maintenance Fund," moneys sufficient to pay Operation and Maintenance Expenses as they become due and payable, and thereupon they shall be promptly paid. Any surplus remaining at the end of the Fiscal Year and not needed for Operation and Maintenance Expenses shall be transferred to the Income Fund and shall be used for the purposes thereof, as herein provided.

B. Bond Fund. Secondly, from any moneys remaining in the Income Fund, there shall be paid to a separate account hereby created and to be known as the "City of Las Animas Sewer Revenue Bonds, Series 1984 Interest and Bond Retirement Fund," the following:

1. Monthly, commencing the first day of the month immediately succeeding the delivery of any of the 1984 Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of interest on the Bonds then outstanding, and monthly thereafter, commencing on June 1, 1984, one-sixth (1/6) of the amount necessary to pay the next maturing installment of interest on the outstanding 1984 Bonds.

2. Monthly, commencing on the first day of the month immediately succeeding the delivery of any of the 1984 Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor to pay the next maturing installment of principal on the 1984 Bonds then outstanding, and monthly thereafter commencing on December 1, 1984, one-twelfth (1/12) of the amount available therefor, to pay the next maturing installment of principal and to include the next maturing installment of principal due on any mandatory sinking fund installment provided for in Section 7 of this ordinance on the 1984 Bonds.

If prior to any interest payment date or principal payment date, there has been accumulated in the Bond Fund the entire amount necessary to pay the next maturing installment of interest or principal, or both, the payment required in subparagraph 1 or 2 (whichever is applicable) of this paragraph, may be appropriately reduced; but the required monthly amounts again shall be so credited to such account commencing on such interest payment date or principal payment date (whichever is applicable). The moneys in the Bond Fund shall be used only to pay the principal of and interest on the Bonds as the same become due.

C. Reserve Fund. Upon delivery of the 1984 Bonds, \$145,000 derived from the proceeds thereof shall be paid to a separate account hereby created and to be known as the "City of Las Animas Sewer Revenue Bonds Series 1984, Reserve Fund". Thereafter and thirdly, and concurrently with the principal and interest payments paid to the Bond Fund hereinabove required, except as hereinafter provided, from any moneys remaining in the Income Fund there shall be paid monthly, to the Reserve Fund, an amount or amounts, if any, which are necessary to maintain the Reserve Fund as a continuing reserve in an amount not less than the Minimum Reserve to meet possible deficiencies in the Bond Fund. No payment need be made to the Reserve Fund so long as the moneys therein (by reason of the transfer of other legally available funds or advance deposits) exceed the amount required to have been accumulated at the foregoing rate; nor need any payment be made into the Reserve Fund if the moneys therein equal at least the Minimum Reserve (regardless of the source of such accumulations). The moneys in the Reserve Fund shall be accumulated and maintained as a continuing reserve to be used, except as hereinafter provided in subsections E and F hereof, only to prevent deficiencies in the payment of the principal of and the interest on the 1984 Bonds hereby authorized resulting from the failure to pay to the Bond Fund sufficient funds to pay said principal and interest as the same accrue.

D. Termination Upon Deposits to Maturity or Redemption Date. No payment need be made to the Bond Fund, the Reserve Fund, or both, if the amount in the Bond Fund and the amount in the Reserve Fund total a sum at least equal to the entire amount of the outstanding 1984 Bonds, both as to principal and interest to their respective maturities, to include mandatory sinking fund maturities as set forth in Section 7 of this ordinance, both accrued and not accrued, or to any redemption date on which the City shall have exercised its option to redeem the 1984 Bonds then outstanding and thereafter maturing, including any prior redemption premiums then due, and both accrued and not accrued, in which case moneys in said two funds in an amount at least equal to such principal, any prior redemption premium, and

interest requirements shall be used solely to pay such as the same accrue, and any moneys in excess thereof in said two funds and any other moneys derived from the operation of the system may be used in any lawful manner determined by the City.

E. Defraying Delinquencies in Bond and Reserve Funds.

If in any month the City shall for any reason fail to pay into the Bond Fund the full amount above stipulated from the net income of the system, then an amount shall be paid to the Bond Fund in such month from the Reserve Fund equal to the difference between that paid from said net income and the full amount so stipulated. The money so used shall be replaced in the Reserve Fund from the first revenues thereafter received from the operation of the System not required to be otherwise applied by this Section, but excluding any payments required for any subordinate obligations. In the event other bonds or other obligations are outstanding any lien to secure the payment of which on the Net Revenues of the System is on a parity with the lien thereon of the 1984 Bonds, and the proceedings authorizing the issuance of those obligations require the replacement of moneys in a reserve fund therefor, then the moneys replaced in the Reserve Fund and in each such other reserve fund shall be replaced on a pro rata basis as moneys become available therefor. If in any month the City shall for any reason fail to pay into the Reserve Fund the full amount above stipulated from the net income of the System, the difference between the amount paid and the amount so stipulated shall in a like manner be paid therein from the first revenues thereafter received from the operation of the System not required to be applied otherwise by this Section but excluding any payments required for any subordinate obligations. The moneys in the Bond Fund and in the Reserve Fund shall be used solely and only for the purpose of paying the principal or any redemption price of and the interest on the 1984 Bonds; provided, however, that any moneys at any time in excess of the Minimum Reserve in the Reserve Fund may be withdrawn therefrom and used for any legal purpose; and provided, further that any moneys in the Bond Fund and in the Reserve Fund in excess of accrued and unaccrued principal, any prior redemption premium due, and interest requirements to the due date or prior redemption date (if duly called on prior redemption), of the outstanding 1984 Bonds may be used as hereinabove provided in subsection D.

F. Payment for Additional Obligations. Fourthly, any moneys remaining in the Income Fund after making the payments hereinabove provided shall be used, either concurrently with or subsequently to the payments required by subsections B and C hereof, as hereinafter provided, for the payment of interest on and principal of additional bonds or other obligations hereafter authorized to be issued and payable from the revenues of the System, as the same

accrue, and may be used to make reasonable reserve payments; provided, however, that the lien of such additional bonds or other obligations on the net income and revenues of the System and the pledge thereof for the payment of such additional obligations shall be on a parity with or subordinate to the lien and pledge of the Bonds herein authorized, as hereinafter provided.

G. Use of Remaining Revenues. After making the payments hereinabove required to be made, any remaining income and revenues derived from the operation of the System in the Income Fund, if any, may be applied to any other lawful purpose or purposes permitted by the Constitution and laws of the State of Colorado.

Section 20. General Administration of Funds. The funds and accounts designated in Section 17, 18 and 19 hereof shall be administered as follows:

A. Places and Times of Deposits. The above accounts and funds shall be separately maintained as a trust fund for the purposes established and shall be deposited in one or more bank accounts in an Insured Bank or Banks. Each account shall be continuously secured to the extent required by law and shall be irrevocable and not withdrawable by anyone for any other purpose. Payments shall be made into the proper account on the 1st day of the month, except when the 1st day shall be on a Sunday or legal holiday, then payment shall be made on the preceding secular day. At least five days prior to any interest payment date, moneys sufficient to pay interest, principal and redemption premium, if any, then due shall be transferred by the City from the Bond Fund to the Paying Agent. Nothing in this ordinance shall prevent the City Council from establishing one bank account for all of the funds required by this ordinance.

B. Investment of Moneys. Moneys in any fund or account not immediately needed may be invested in legal investments permitted by the laws of the State of Colorado, and applicable federal statutes and regulations. Such investments shall be deemed to be a part of said fund, and any profit or loss shall be charged thereto. If necessary to meet any payment, the Treasurer shall sell such investments on the prevailing market from such fund or account.

Section 21. First Lien Bonds. The 1984 Bonds, subject to the payment of all necessary and reasonable Operating and Maintenance Expenses, constitute an irrevocable and first lien (but not necessarily an exclusively first lien) upon the revenues derived from the operation of the System.

Section 22. Equality of Bonds. The 1984 Bonds shall not be entitled to any priority one over the other in the application of the Net Revenues, regardless of the time or times of their issuance.

Section 23. Additional Bonds.

A. Earnings Test. This ordinance shall not prevent the issuance of additional obligations payable from and constituting a lien upon Net Revenues of the System on a parity with the lien of the 1984 Bonds. Before any such additional parity bonds are actually issued, however, it must be determined that:

(1) The City is then current in all of the accumulations required to be made into the Bond Fund and Reserve Fund pursuant to Section 19 hereof; and

(2) The Net Revenues derived from the operation of said System for the Fiscal Year immediately preceding the date of adoption of the ordinance authorizing the issuance of any such parity lien obligations shall have been sufficient to pay an amount representing not less than 125% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on the 1984 Bonds and other outstanding parity lien obligations of the City payable from and constituting a lien on the revenues of the System and the bonds or other obligations proposed to be issued (excluding any reserves therefor).

(3) For purposes of the test set forth above, if there has been adopted a schedule of sewer rate increases during the twelve months immediately prior to the issuance of the proposed bonds or other obligations, and if any revenues collected pursuant to such schedule are not part of the revenues of the Fiscal Year used for the test hereinabove set forth, there may be added to the actual revenues for said Fiscal Year an estimated sum equal to the estimated increase in revenues which would have been realized during said Fiscal Year had such rate increase governed the revenues received during said entire Fiscal Year. Such estimate shall be made in writing by a Consulting Engineer acceptable to the City Council, and if used in connection with the Independent Accountant's certificate hereinafter provided for, such estimate shall be conclusive in determining the right of the City to authorize, issue, sell and deliver said additional bonds or other additional obligations on a parity with the Bonds herein authorized, i.e., the Independent Accountant may conclusively rely upon such written estimate of the Consulting Engineer.

B. Certification or Opinion of Revenues. A written certificate or opinion by an Independent Accountant acceptable to the City Council that the annual revenues of the System are sufficient to pay the amounts specified in A(2) of this Section shall conclusively determine the right of the City to issue additional parity bonds. The Independent Accountant may utilize the results of any annual audit to the extent it covers the applicable period.

C. Subordinate Obligations Permitted. The City may issue bonds or other obligations having a lien on Net Revenues subordinate to the lien of the 1984 Bonds.

D. Superior Obligations Prohibited. The City shall not issue any bond or other obligations having a lien on Net Revenues prior and superior to the 1984 Bonds.

Section 24. Refunding bonds. The provisions of Section 23 hereof are subject to the following exceptions:

A. Privilege of Issuing Refunding Obligations. If at any time the City shall find it desirable to refund any outstanding obligations constituting a lien upon the Net Revenues of the System, said bonds or other obligations may be refunded (but only with the consent of the holders or owners, unless the obligations at the time of their required surrender for payment shall then mature, or shall then be callable for prior redemption at the City's option) regardless of whether lien priority is changed thereby (except that superior obligations are prohibited as provided in paragraph D of Section 23 hereof and in paragraphs B and C of this Section).

B. Limitations Upon Issuance of Parity Refunding Obligations. No refunding obligations shall be issued with a lien on the Net Revenues on a parity with the 1984 Bonds, unless (i) the lien of the obligations refunded is on a parity with the lien of the 1984 Bonds or (ii) the refunding obligations are issued in compliance with paragraph A of Section 23 hereof.

C. Refunding Part of an Issue. The refunding obligations shall enjoy complete equality of lien with any portion of the same issue which is not refunded. The holders or owners of such refunding obligations shall be subrogated to all of the rights and privileges enjoyed by the holders or owners of the obligations of the same issue refunded thereby.

D. Protection of Unrefunded Bonds. Any refunding obligations payable from the revenues of the System shall be issued with such details as the City Council may provide, but without impairing any contractual obligation imposed by any proceedings authorizing any unrefunded portion of any issue (including the 1984 Bonds). If only a part of any parity lien obligations is refunded, then there may be

no refunding without the consent of the holders of the unrefunded portion unless:

(1) The refunding obligations do not increase the aggregate principal and interest requirements for any Fiscal Year commencing prior to the last maturity date of such unrefunded obligations, or

(2) The lien of the refunding obligations is subordinate to the lien of any obligations not refunded, or

(3) The refunding bonds or obligations are issued in compliance with paragraph A of Section 23 hereof.

Section 25. Protective Covenants. The City covenants and agrees with each and every holder and owner that:

A. Use of Bond Proceeds. The City, with the proceeds derived from the sale of Bonds herein authorized, will, after the sale, issuance, and delivery of the Bonds, proceed without delay to effect the Project.

B. Payment of Bonds. The City will promptly pay the principal of and the interest on every Bond at the place, on the dates, and in the manner specified herein and in the Bonds according to the true intent and meaning hereof.

C. Use Charges. Rates for services rendered by the System shall be reasonable and just, taking into account the cost and value of the System, Operation and Maintenance Expenses, proper allowances for depreciation and the amounts necessary to retire all bonds payable from Net Revenues, and the reserves therefor. There shall be charged against all users, including the City, rates and amounts sufficient to produce revenues to pay the annual Operating and Maintenance Expenses of the System and 125% of both the principal of and interest on (excluding reserve requirements) the Bonds and any other obligations payable annually from the revenues of the System. No free service shall be furnished by the System. Any use of the System by the City will be paid for from the City's general fund or other available revenue at the reasonable value of the use so made. Income so derived from the City shall be treated in the same manner as any other System income. The City covenants and agrees that it will cause all rates, fees and service charges appertaining to the System to be collected as soon as reasonable, shall prescribe and enforce rules and regulations for the payment thereof and for the connection with and the disconnection from the properties of the System, and shall provide methods of collection and penalties, to the extent permitted by law, to include causing a lien to be filed upon the real property so served, for nonpayment of such rates, fees and

service charges to the end that the Net Revenues of the System shall be adequate to meet the requirements hereof.

D. Levy and Reduction of Charges. Prior to the delivery of any 1984 Bonds, the City will establish and levy the required rates and charges. No reduction in any initial rate schedule may be made unless:

(1) The City has complied with Section 19 for at least one Fiscal Year immediately preceding such reduction.

(2) The audit for the full Fiscal Year immediately preceding such reduction discloses that the estimated revenues of the System resulting from the proposed rate schedule will be sufficient to meet the requirements of paragraph C of this Section.

E. Efficient Operation. The City shall make such improvements and repairs to the System as may be necessary to insure its economical and efficient operation and its ability to meet demands for service.

F. Records. Separate records will be kept showing complete and correct entries of all transactions relating to the System. Such records shall include monthly entries showing:

- (1) The number of customers;
- (2) The revenues received; and
- (3) A detailed statement of expenses.

G. Right to Inspect. The Purchaser, any holder or owner of any 1984 Bond, or their duly authorized agents, shall have the right at all reasonable times to inspect the System, and all records, accounts and data relating thereto.

H. Audits and Budgets. The City agrees that it will, within 120 days following the close of each Fiscal Year, furnish an audit made by an Independent Accountant to the Purchaser. Each such audit, in addition to matters thought proper by the accountant, shall include:

- (1) A statement for the Fiscal Year just closed, of the income and expenditures of the System, including gross revenues, Net Revenues, the amount of any capital expenditures and profit or loss;
- (2) A balance sheet as of the end of such Fiscal Year, including all funds created by proceedings authorizing bonds payable from System revenues;

(3) The accountant's comment regarding the City's methods of operation and accounting practice;

(4) A list of the insurance policies in force, setting out the amount of each policy, the risks covered, the name of the insurer, and the expiration date;

(5) A recapitulation of each fund or account created by the various proceedings showing deposits and withdrawals for said Fiscal Year; and

(6) The number of connections at the beginning and at the end of each Fiscal Year.

Along with the audit, the City shall furnish an operating budget showing the budget for the preceding year, actual income and expenses for that year and the planned budget for the ensuing year. The City will furnish a copy of each audit and budget to any bondholder at his or her request, and without request to the Purchaser. Any bondholder shall have the right to discuss the contents with any person making the audit.

I. Billing Procedure and Discontinuance of Service. All bills for sewer service shall be sent out on a regularly established day or days of each month in advance or after service is rendered. Bills shall be due immediately upon receipt. If the bills are not paid within 30 days after the date when rendered, they shall become delinquent and the rates and charges due shall be collected in any lawful manner. Sewer charges may be billed jointly with any charges for electric system or water system facilities; and each such bill shall show separate charges for electricity, water and sewer.

J. Use of Bond and Reserve Funds. The Bond Fund and the Reserve Fund shall be used solely and only, and said funds are hereby pledged, for the purposes set forth above.

K. Charges and Liens upon System. The City, from the revenues of the System, will pay all taxes and governmental charges lawfully levied in respect of said System when due. The City will comply with all valid requirements of any governmental authority relative to the System. It will not create or permit to be created any lien or charge upon the System or the revenues except as permitted herein. The City will satisfy all lawful claims and demands within 60 days after the same shall accrue which might by law become a lien upon the System or upon the revenues unless the validity thereof is being contested in good faith by appropriate legal proceedings.

L. Construction Contract and Bond. The City will require each person, firm or Corporation with whom it may contract for labor or materials to furnish a performance and payment bond in the full amount of any contract.

M. Insurance. The City in its operation of the System will carry fire and extended coverage insurance, public liability insurance and other types of insurance in such amounts and to such extent as is normally carried by private corporations operating public utilities of the same type. The City will also maintain as provided by law a self-insurance fund to cover workmen's compensation or will carry equivalent insurance. The cost of insurance shall be considered one of the operating costs of the System. In the event of property loss or damage, insurance proceeds shall be used first for the purpose of restoring or replacing the property lost or damaged, any remainder shall be treated as net income, and shall be subject to distribution in the manner provided hereinabove in Section 19 hereof, for net income and revenues derived from the operation of the System.

N. Competing System. The City shall not grant any franchise or license to a competing system, or permit any person or organization to sell sanitary sewer service within the City, but this covenant shall not require the City to take any action, which, in the opinion of the City Attorney, may violate antitrust laws.

O. Alienating System. The City will not sell, lease, mortgage, pledge, or otherwise alienate, the System, or any part thereof, except any portion which shall have been replaced by other property of at least equal value or which shall cease to be necessary for the efficient operation of the System. In the event of any sale as aforesaid, the proceeds of such sale shall be distributed as net income.

P. Extension of Interest Payments. The City will not extend or be a party to the extension of the time for paying any claim for interest. Any installment of interest so extended shall not be entitled in case of default hereunder to the benefit or security of this ordinance except subject to the prior payment in full of the principal of all Bonds and interest which has not been extended.

Q. Competent Management. The City shall employ experienced and competent management personnel for each component of the System. In the event of default on the part of the City in paying principal of or interest on the 1984 Bonds promptly as each falls due, or in the keeping of any covenants herein contained, and if such default shall continue for a period of sixty days, or if the Net Revenues of the System in any Fiscal Year should fail to equal at least the amount of the principal of an interest on the revenue bonds and other obligations (including all reserves therefor specified in the authorizing proceedings, including but not limited to this ordinance) payable from said Net Revenues in that Fiscal Year, the City shall retain a firm of competent management engineers skilled in

VIKING
PUMPERS

the operation of sewer systems to assist the management of the System so long as such default continues or the Net Revenues are less than the amount hereinabove designated.

R. Surety or Fidelity Bonds. Each City official being responsible for receiving income and maintaining the accounts of the System, shall be fully bonded at all times, which bond shall be conditioned upon the proper application of such bonds. The cost of each bond shall be considered one of the operating costs of the System.

S. City's Existence. The City will maintain its corporate identity and existence so long as any of the 1984 Bonds remain outstanding, unless other political subdivision by operation of law succeeds to the liabilities and rights of the City without adversely affecting to any substantial degree the privileges and rights of any bondholder.

T. Performing Duties. The City will faithfully and punctually perform all duties with respect to the System required by the Constitution and laws of the State of Colorado and the ordinances and resolutions of the City, including but not limited to the making and collecting of reasonable and sufficient rates and charges for services rendered or furnished by the System as hereinbefore provided.

U. Other Liens. Other than as set forth in this ordinance, there are no liens or encumbrances of any nature whatsoever, on or against the System or the revenues derived or to be derived from the operation of the same.

V. No Arbitrage Covenant. The City and the Council covenant to the Purchaser and associates, and the holders of the Bonds from time to time, that the City will make no use of the proceeds of the Bonds or any funds reasonably expected to be used to pay the Bonds which will cause the Bonds to be arbitrage bonds as defined by Section 103(c) of the Internal Revenue Code, as amended, or which would result in the loss of exemption from federal income taxation of interest on the Bonds or any other City bonds. This covenant is for the benefit of the Purchaser and holders of such Bonds from time to time.

Section 26. Events of Default. It is an "event of default" if:

A. Nonpayment of Principal. Payment of principal of any 1984 Bond is not made when due at maturity, upon mandatory sinking fund redemption or upon prior redemption.

B. Nonpayment of Interest. Payment of interest is not made when due.

C. Incapable to Perform. The City is not capable of fulfilling its obligations hereunder.

D. Default of any Provision. The City defaults in the punctual performance of its covenants hereunder for 60 days after written notice shall have been given by the owners of 25 percent of the outstanding 1984 Bonds.

Section 27. Remedies of Defaults. Upon the happening of any event of default, owner or owners of not less than 25 percent in principal amount of the outstanding 1984 Bonds, or a trustee therefor, may protect and enforce the rights of any bondholder by proper legal or equitable remedy deemed most effectual including mandamus, specific performance of any covenant, the appointment of a receiver (the consent to such appointment being hereby granted), injunctive relief, or requiring the governing body of the City to act as if it were the trustee of an expressed trust, or any combination of such remedies. All proceedings shall be maintained for the equal benefit of all owners. Any receiver appointed to protect the rights of bondholders may take possession and operate and maintain the System in the same manner as the City itself might do. The failure of any owner to proceed does not relieve the City or any person of any liability for failure to perform any duty hereunder. The foregoing rights are in addition to any other right and the exercise of any right by any bondholder shall not be deemed a waiver of any other right.

Section 28. Duties upon Default. Upon the happening of any event of default, the City will perform all proper acts to protect and preserve the security created for the prompt payment of the principal of and interest on the 1984 Bonds. The owner or owners of not less than 25 percent in principal amount of the outstanding 1984 Bonds, after written demand, may proceed to protect and enforce the rights provided by this Section.

Section 29. Defeasance. When the 1984 Bonds have been paid, the pledge and lien and all obligations hereunder shall be discharged and the Bonds shall no longer be deemed to be outstanding. Payment of any Bond shall be deemed made when the City Council has placed in escrow with a bank exercising trust powers an amount sufficient (including the known minimum yield from Federal Securities) to meet all requirements of principal, interest and prior redemption premium, if any, as the same become due to its maturity or their maturities or upon designated optional or mandatory prior redemption dates. Any Federal Securities shall become due when needed in accordance with a schedule agreed upon between the Council and such bank at the time of the creation of the escrow. Federal Securities within the meaning of this section shall include only direct obligations of,

or which are unconditionally guaranteed by, the United States of America.

Section 30. Delegated Powers. The officers of the City be, and they hereby are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of this ordinance, including the printing of the Bonds (including the printing thereon of the opinion of bond counsel) and any certificates reasonably required of the City officials by the Purchaser, including but not limited to the execution and delivery of the Bonds, the absence of litigation, pending or threatened, affecting the validity thereof, and the absence and existence of factors affecting the exemption of interest on such Bonds from federal income taxation.

Section 31. Amendment of Ordinance. This ordinance may be amended, without receipt by the City of any additional consideration, but with the written consent of the owners of 3/4ths of the 1984 Bonds then outstanding (not including Bonds which may be held for the account of the City); but no ordinance adopted without the written consent of the owners of all outstanding Bonds shall have the effect of permitting:

- (1) An extension of maturity of any Bond; or
- (2) A reduction in the principal amount or interest rate of any Bond; or
- (3) The creation of a lien upon revenues ranking prior to the lien or pledge created by this ordinance; or
- (4) A reduction of the principal amount of Bonds required for consent to such amendatory ordinance; or
- (5) The establishment of priorities as between Bonds issued and outstanding under the provisions of this ordinance; or
- (6) The modification of or otherwise affecting the rights of the owners of less than all of the outstanding Bonds;

Section 32. Police Power. Nothing herein prohibits or otherwise limits or inhibits the exercise by the State of Colorado, any agency thereof or any political subdivision thereof, including, without limitation, the City, of the police power, i.e., essential governmental powers for the public welfare. The provisions hereof are subject to any proper exercise in the future of the police power thereby. The City cannot contract away the police power thereof nor limit or inhibit by contract the proper exercise of the police power thereby, and this ordinance does not purport to do so.

Section 33. Life of Improvements Financed with the Bonds. It is hereby estimated that the improvements to the System which are to be financed with the proceeds of the Sewer Revenue Bonds will have usefulness extending through December 1, 2003.

Section 34. Ordinance Irrepealable. After any of the Bonds herein authorized are issued, this ordinance shall constitute a contract between the City and the owner or owners of the Bonds and shall be and remain irrepealable until the Bonds and the interest thereon shall be fully paid, cancelled and discharged, or there has otherwise been defeasance as herein provided.

Section 35. Severability Clause. If any section, paragraph, clause or provisions of this ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this ordinance.

Section 36. Repealer Clause. All bylaws, orders, resolutions and ordinances, or parts thereof, inconsistent herewith are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed to revive any bylaw, order, resolution or ordinance, or part thereof, heretofore repealed.

Section 37. Recordation and Publication. This ordinance, immediately on its passage and adoption, shall be recorded in the official records of the City kept for that purpose, shall be published in the Bent County Democrat, a newspaper of general circulation in the City, shall be authenticated by the signature of the Mayor of the City, shall be attested by the Clerk, and the seal of the City shall be affixed thereto.

Section 38. Emergency. This ordinance is necessary to the immediate preservation of the public health and safety of the inhabitants of the City, and because the City is in great need of the sanitary sewer system provided by the Project, and because the City Council feels it is necessary to have the Bonds physically delivered as soon as possible due to the fact that interim sewer construction loans entered into by the City with The First National Bank of Las Animas, Las Animas, Colorado, mature on January 22, 1984, this ordinance is declared to be an urgent public measure. This ordinance shall take effect immediately upon its adoption by an affirmative vote of three-fourths of the members of the Council, pursuant to Section 31-16-105, Colorado Revised Statutes.

VIKING
OFFICE PRODUCTS

INTRODUCED, READ, PASSED ON FIRST READING BY A VOTE OF
Six FOR AND None AGAINST AND ORDERED PUBLISHED IN FULL this 9th
day of January, 1984.

Leonard Kudva
Mayor

(SEAL)

Attest:

Lila M. Mays
City Clerk

I, Lila M. Maupin, City Clerk of the City of Las Animas, Bent County, Colorado, do hereby certify that the above is a true and correct copy of an ordinance introduced, read, passed on first reading and ordered published in the Bent County Democrat (Las Animas) at a regular meeting of the City Council held on the 9th day of January, 1984.

(SEAL)

Attest:

Lila M. Maupin
City Clerk

Published in the Bent County Democrat (Las Animas). First publication January 12, 1984.

NOTICE IS HEREBY GIVEN that at the ^{SPECIALCALL} ~~regular~~ meeting of the City Council, to be held on Tuesday, the 24TH day of January, 1984, at the hour of 7:30 a.m. in the Council Chambers, Municipal Building, in Las Animas, Colorado, the City Council will consider the aforesaid proposed ordinance for final passage and adoption.

Louise Kinsall
Mayor

(SEAL)

Attest:

Lila M. Maupin
City Clerk

VIKING
OFFICE PRODUCTS

FINALLY PASSED AND ADOPTED this 24th day of January,
1984.

APPROVED by the Mayor this 24th day of January, 1984.

Leonard Hudson
Mayor

(SEAL)

Attest:

Lila M. Mawson
City Clerk