

ORDINANCE NO. 567

AN ORDINANCE OF THE CITY OF LAS ANIMAS, COLORADO, ACTING BY AND THROUGH ITS WATER ACTIVITY ENTERPRISE, AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS IN THE AGGREGATE PRINCIPAL AMOUNT OF \$665,000; PROVIDING FOR THE USE OF BOND PROCEEDS TO PAY THE COSTS OF THE CONSTRUCTION, INSTALLATION AND ACQUISITION OF CERTAIN WATER FACILITIES AND IMPROVEMENTS; PROVIDING FOR THE PAYMENT OF THE BONDS FROM THE NET REVENUE DERIVED FROM THE OPERATION OF THE WATER SYSTEM COMPRISING THE WATER ACTIVITY ENTERPRISE; PROVIDING FOR THE FORM, PAYMENT AND OTHER DETAILS IN CONNECTION WITH THE BONDS; REPEALING ALL ORDINANCES OR OTHER ACTS IN CONFLICT HEREWITH; AND AUTHORIZING THE EXECUTION OF DOCUMENTS IN CONNECTION WITH THE BONDS.

WHEREAS, the City of Las Animas, Colorado (the "City"), is a statutory municipality and political subdivision of the State of Colorado, duly organized and operating under the constitution and laws of the State; and

WHEREAS, the City has its own bonding authority under to provisions of Part 4 of Article 35 of Title 31, C.R.S.; and

WHEREAS, pursuant to the provisions of Title 37, Article 45.1, Colorado Revised Statutes (the "Water Activity Law"), state and local governmental entities which have their own bonding capacity under applicable law are authorized: (i) to establish or continue to maintain water activity enterprises for the purpose of pursuing or continuing water activities, which includes the diversion, storage, carriage, delivery, distribution, collection, treatment, use, reuse, augmentation, exchange or discharge of water; and (ii) to issue or reissue bonds, notes or other obligations payable from the revenues derived or to be derived from the function, service, benefits or facility or from any other available funds of the enterprise, the terms and conditions of such bonds or other obligations to be as set forth in the resolution authorizing the same and, as nearly as practicable, as provided in Part 4 of Article 35 of Title 31, C.R.S.; and

WHEREAS, the City is acting hereunder by and through the "City of Las Animas Water Activity Enterprise" organized under the provisions of Title 37, Article 45.1, Colorado Revised Statutes and references herein to the City shall mean the City acting in such capacity; and

WHEREAS, the City has heretofore determined and undertaken to acquire and develop certain properties and facilities for the treatment, transmission, distribution, storage and provision of water (the "System"); and

WHEREAS, the System has been and continues to be operated as a "water activity enterprise" within the meaning of the Water Activity Law; in addition, the System is a government-owned business authorized to issue its own revenue bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined, and it is hereby determined that the System is an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution; and

WHEREAS, the City Council, acting as the governing body of the water activity enterprise (the "Council"), has heretofore determined and does hereby determine that it is necessary to acquire, construct, reconstruct, improve and extend additional water facilities and improvements, including without limitation a water treatment facility (the "Project"), for the City and its inhabitants; and

WHEREAS, the total estimated cost of the Project is \$2,420,000, of which \$665,000 is to be financed by a loan from the United States of America (Rural Economic and Community Development) ("RECD"), and the remaining portion is to be financed from federal grants, none of which will violate the grant limitations established in the definition of an enterprise within the meaning of Article X, Section 20 of the Colorado Constitution or the Water Activity Law; and

WHEREAS, the City has entered into a loan agreement whereby the United States of America will finance bonds in the principal amount of \$665,000 for the purpose of paying a portion of the costs of the Project; and

WHEREAS, the Council has determined and hereby determines that it is in the best interests of the City, and the residents and taxpayers thereof, that the Project should be financed by the issuance of bonds, and that for such purpose there shall be issued water revenue bonds in the total principal amount of \$665,000 (the "Bonds"); and

WHEREAS, the Bonds shall have an irrevocable and first lien on the net revenue of the System, but not necessarily an exclusive such lien; and

WHEREAS, after consideration, the Council has determined that the sale of the Bonds to the United States of America is in the best interests of the City and the residents thereof, and is to the best advantage of the City; and

WHEREAS, none of the members of the Council have any financial interest or other potential conflicting interests in connection with the authorization, issuance or sale of the Bonds, or the use of the proceeds thereof; and

WHEREAS, the Council desires to authorize the issuance and sale of the Bonds and the execution of the foregoing documents;

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

Section 1. *Definitions.* As used herein, the following capitalized terms shall have the respective meanings set forth below, unless the context indicates otherwise.

"*Bond Account*" means the "Water Revenue Bond Account," established by the provisions hereof for the purpose of paying the principal of and interest on the Bonds and any Parity Lien Bonds, including the Interest Subaccount and the Principal Subaccount.

"*Bond Registrar*" means the City Treasurer, which shall perform the function of registrar with respect to the Bonds.

"*Bonds*" means the Water Revenue Bonds, Series 1995, issued in the aggregate principal amount of \$665,000, as authorized by this Ordinance.

"*Capital Improvements*" means the acquisition of land, easements, facilities and equipment (other than ordinary repairs and replacements), and the construction or reconstruction of improvements, betterments and extensions, for use by or in connection with the System.

"*Certified Public Accountant*" means an independent certified public accountant within the meaning of § 12-2-115, C.R.S., and any amendment thereto, licensed to practice in the State of Colorado.

"*City*" means the City of Las Animas, Bent County, Colorado, acting by and through its Water Activity Enterprise.

"*Code*" means the Internal Revenue Code of 1986, as amended.

"*Combined Average Annual Principal and Interest Requirements*" means with regard to any two or more particular issues of bonds or other obligations, the aggregate of all future payments of principal of and interest on all of said issues (excluding redemption premiums) to become due from the date of computation to the date of maturity of the latest maturing obligation of any of said issues, divided by the number of years between said dates; provided that if any particular issue has a single principal payment date and is issued as interim notes or securities in anticipation of permanent financing, such principal amount shall be excluded from this computation; provided further that such computation shall assume the redemption and payment of bonds or other obligations subject to mandatory redemption, but shall be made without regard to any right of optional redemption which has not been exercised.

"*Combined Maximum Annual Principal and Interest Requirements*" means with regard to any two or more particular issues of bonds or other obligations, the maximum annual payments of principal of and interest on all of said issues (excluding redemption premiums) to become due during any Fiscal Year while such issues are outstanding; provided that if any particular issue has a single principal payment date and is issued as interim notes or securities in anticipation of permanent financing, such principal amount shall be excluded from this computation; provided further that such computation shall assume the redemption and payment

of bonds or other obligations subject to mandatory redemption, but shall be made without regard to any right of optional redemption which has not been exercised.

"*Construction Account*" means the "Water Revenue Bonds, Series 1995, Construction Account," established by the provisions hereof for the purpose of paying the Project Costs.

"*Consulting Engineer*" means any qualified, registered or licensed professional engineer practicing under the laws of the State of Colorado, who is independent in fact and not an officer or employee of the City.

"*Council*" means the City Council of the City, acting as the governing body of the Water Activity Enterprise .

"*C.R.S.*" means the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

"*Event of Default*" means any one or more of the events set forth in the Section hereof entitled "Events of Default."

"*Federal Securities*" means direct obligations of (including obligations issued or held in book entry form on the books of), our obligations the principal of and interest on which are guaranteed by, the United States of America.

"*Fiscal Year*" means the twelve (12) months commencing January 1 of any year and ending December 31 of said year.

"*Gross Revenue*" means all income and revenues directly or indirectly derived by the City from the operation and use of the System, or any part thereof, including without limitation, any rates, fees, plant investment fees, standby charges, availability fees, tolls and charges for the services furnished by, or the use of, the System, and all income attributable to any past or future dispositions of property or rights or related contracts, settlements or judgments held or obtained in connection with the System or its operations, and including investment income accruing from moneys held to the credit of the Water Revenue Fund; provided however, that there shall be excluded from Gross Revenue any moneys borrowed and used for providing Capital Improvements; any money and securities, and investment income therefrom, in any refunding fund, escrow account or similar account pledged to the payment of any bonds or other obligations; and any moneys received as grants or appropriations from the United States, the State of Colorado, or other sources, the use of which is limited or restricted by the grantor or donor to the provision of Capital Improvements or for other purposes resulting in the general unavailability thereof, except to the extent any such moneys shall be received as payments for the use of the System, services rendered thereby, the availability of any such service, or the disposal of any commodities therefrom.

"*Interest Subaccount*" means a subaccount of the Bond Account established by the provisions hereof for the purpose of paying the interest on the Bonds and any Parity Lien Bonds.

"*Net Revenue*" means the Gross Revenue after deducting the Operation and Maintenance Expenses.

"*Operation and Maintenance Expenses*" means all reasonable and necessary current expenses of the City, paid or accrued, for operating, maintaining and repairing the System, including without limitation legal and overhead expenses of the City directly related to the administration of the System, insurance premiums, audits, charges of depository banks and paying agents, professional services, salaries and administrative expenses, labor and the cost of materials and supplies for current operation; provided however, that there shall be excluded from Operation and Maintenance Expenses any allowance for depreciation, payments in lieu of taxes or franchise fees, legal liabilities not based on contract, expenses incurred in connection with Capital Improvements, payments due in connection with any bonds or other obligations issued to provide Capital Improvements, and charges for the accumulation of reserves.

"*Ordinance*" means this ordinance which authorizes the issuance of the Bonds, including any amendments properly made hereto.

"*Owner*" means the registered owner of any Bond, as shown by the registration books maintained by the Bond Registrar.

"*Parity Lien Bonds*" means one or more series of additional bonds, notes, interim securities or other obligations issued by the City pursuant to the Section hereof entitled "Additional Bonds," having a lien on the Net Revenue which is on a parity with the lien of the Bonds.

"*Paying Agent*" means the City Treasurer, which shall perform the function of paying agent with respect to the Bonds.

"*Permitted Investments*" means Federal Securities, deposits in institutions insured by the state or federal government, and so long as all of the Bonds are registered in the name of the United States of America, any other investment or deposit approved by the RECD.

"*Principal Subaccount*" means a subaccount of the Bond Account established by the provisions hereof for the purpose of paying the principal of and premium, if any, on the Bonds and any Parity Lien Bonds.

"*Project*" means the acquisition, construction, reconstruction, improvement, betterment or extension of the City's water facilities, including without limitation the acquisition and construction of a water treatment facility, and all necessary or appropriate appurtenances, property rights and equipment.

"*Project Costs*" means the City's costs properly attributable to the Project or any part thereof and permitted by the provisions of § 31-35-403(2), C.R.S., including without limitation, the costs of reimbursing funds representing interim commercial financing by the City in anticipation of reimbursement from Bond proceeds pursuant to RECD requirements.

"*Pro Rata Portion*" means, when used with respect to a required credit to the Principal Subaccount or the Interest Subaccount, the dollar amount derived by dividing the amount of principal or interest to come due on the next principal or interest payment date by the number of monthly credits required to be made prior to such payment date.

"*RECD*" means the United States of America (Rural Economic and Community Development).

"*Record Date*" means the fifteenth (15th) day of the calendar month next preceding each interest payment date.

"*Required Reserve*" means an amount equal to \$38,756.

"*Reserve Account*" means a special account of the City designated as the "Water Revenue Bond Reserve Account," created by this Ordinance for the purpose of paying, if necessary, the principal of and interest on the Bonds.

"*Subordinate Lien Bonds*" means one or more series of additional bonds, notes, interim securities or other obligations issued by the City pursuant to the Section hereof entitled "Additional Bonds," having a lien on the Net Revenue which is subordinate or junior to the lien of the Bonds.

"*System*" means all of the water facilities and properties representing the Water Activity Enterprise, now owned or hereafter acquired, whether situated within or without the City boundaries, including all present or future improvements, extensions, enlargements, betterments, replacements or additions thereof or thereto.

"*Water Activity Enterprise*" means the "City of Las Animas Water Activity Enterprise", duly organized by Ordinance No. 554 of the City of Las Animas under the provisions of Title 37, Article 45.1, Colorado Revised Statutes.

"*Water Revenue Fund*" means the fund of the City designated as the "Water Revenue Fund," established by the provisions hereof.

Section 2. *Authorization.* In accordance with the Constitution of the State of Colorado; Title 31, Article 35, Part 4, C.R.S.; Title 37, Article 45.1, C.R.S., and all other laws of the State of Colorado thereunto enabling, there shall be issued by the City, acting by and through its Water Activity Enterprise, the "Water Revenue Bonds, Series 1995," in the aggregate principal amount of \$665,000, for the purpose of paying the Project Costs. It is hereby found

and determined by the Council that the maturity of the Bonds does not exceed the useful life of the Project. The accomplishment of the Project is hereby authorized, approved and ordered.

Section 3. *Special Obligations.* All of the Bonds, together with the interest thereon, shall be payable only out of: (i) the Bond Account, into which the City covenants to deposit the Net Revenue in amounts sufficient to pay when due the principal of and interest on the Bonds; or (ii) if necessary, the Reserve Account. The Bonds shall constitute an irrevocable and first lien upon the Net Revenue, but not necessarily an exclusive such lien, and the Net Revenue is hereby pledged to the payment of the Bonds. The Owners may not look to any general or other fund of the City for the payment of the principal of and interest on the Bonds, except the funds and accounts pledged thereto by this Ordinance, and the Bonds shall not constitute a debt or an indebtedness of the City 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.

Section 4. *Bond Details.* The Bonds shall be issued only as fully registered Bonds without coupons in the denomination of \$100 each or any integral multiple thereof. Unless the City shall otherwise direct, the registered Bonds shall be numbered separately from 1 upward, with the number of each Bond preceded by "R-."

The Bonds shall be dated as of the date of issuance, and shall bear interest at the rate of 4.5% per annum, calculated on the basis of a 365-day year, payable semiannually on each June 1 and December 1, commencing on the date later determined by the Mayor or Treasurer. The Mayor or Treasurer are hereby authorized and delegated the power to determine the principal amount maturing in each year provided that such principal shall mature over a period commencing not later than 1996 and ending not later than 2035, and shall be determined on a basis that results in substantially level annual debt service requirements which do not materially vary from year to year (with the exception of 1995 or 1996). Such authority shall be exercised through the execution of a certificate by either of said officers, duly attested by the City Clerk, setting forth the repayment schedule for the Bonds.

The maximum net effective interest rate authorized for this issue of Bonds is 4.75% per annum, and the actual net effective interest rate of the Bonds does not exceed such maximum rate.

Section 5. *Payment of Bonds; Paying Agent and Bond Registrar.* The principal of the Bonds is payable in lawful money of the United States of America to the Owner of each Bond upon maturity or prior redemption and presentation at the principal office of the Paying Agent. The interest on any Bond is payable to the person in whose name such Bond is registered, at his address as it appears on the registration books maintained by or on behalf of the City by the Bond Registrar, at the close of business on the Record Date, irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date.

Interest payments shall be paid by check or draft of the Paying Agent paid on or before the interest payment date to the Owners. 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; provided that the City shall not be required to make funds available to the Paying Agent prior to the dates on which such interest would otherwise be payable hereunder, nor to incur any expenses in connection with such alternative means of payment.

Notwithstanding anything herein to the contrary, the principal of and interest on any Bond registered in the name of the United States of America shall be paid at the United States of America (Rural Economic and Community Development) finance office, 1520 Market Street, St. Louis, Missouri 63103, or at such other place as may be indicated by RECD.

Section 6. *Prior Redemption.* Bonds maturing on and after December 1, 2000, are subject to redemption prior to maturity, at the option of the City, as a whole or in integral multiples of \$100, in any order of maturity and in whole or partial maturities, on June 1, 1999, and on any date thereafter, upon payment of par and accrued interest, without redemption premium; provided that, any Bonds registered in the name of the United States of America are subject to redemption prior to maturity, at the option of the City, as a whole or in integral multiples of \$100, in any order of maturity and in whole or partial maturities, on any date, upon payment of par and accrued interest, without redemption premium.

If less than all of the Bonds within a maturity are to be redeemed on any prior redemption date, the Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the Bond Registrar shall determine. The Bonds shall be redeemed only in integral multiples of \$100. In the event a Bond is of a denomination larger than \$100, a portion of such Bond may be redeemed, but only in the principal amount of \$100 or any integral multiple thereof. Such Bond shall be treated for the purpose of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$100. In the event a portion of any Bond is redeemed, the Bond Registrar shall, without charge to the Owner of such Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion thereof.

In the event any of the Bonds or portions thereof (which shall be in amounts equal to \$100 or any integral multiple thereof) are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Bond Registrar by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than thirty (30) days prior to the date fixed for redemption, to the Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the City by the Bond Registrar. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds as to which no such failure or defect exists. All Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Section 7. *Form and Execution of Bonds.* The Bonds shall be signed with the facsimile or manual signature of the Mayor of the City, sealed with a facsimile or manual impression of

the seal of the City, and attested by the facsimile or manual signature of the City Clerk. Should any officer whose facsimile or manual signature appears on the Bonds cease to be such officer before delivery of the Bonds to a purchaser, such facsimile or manual signature shall nevertheless be valid and sufficient for all purposes.

The Bonds may contain a reproduction of the opinion of nationally recognized municipal bond counsel as to the Bonds and a certification of such opinion by the City Clerk.

The Bonds shall recite that they are issued under the authority of Title 31, Article 35, Part 4, C.R.S. Such recital shall conclusively impart full compliance with all provisions and limitations of said statutes, and all Bonds issued containing such recital shall be incontestable for any cause whatsoever after their delivery for value.

The Bond shall be in substantially the following form, with such changes which are necessary to conform the Bonds to the certificate duly executed at set forth in Section 4 hereof.

C-LINE #62033
CLEAR TOPPER

No. R- _____

[Form of Bond]

\$ _____

[Front of Bond]

UNITED STATES OF AMERICA
STATE OF COLORADO
CITY OF LAS ANIMAS
Acting by and through its Water Activity Enterprise
WATER REVENUE BOND, SERIES 1995

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Issue Date</u>
4.50%	_____	_____, 1995

REGISTERED OWNER:
 PRINCIPAL AMOUNT:

DOLLARS

The City of Las Animas, in the County of Bent and State of Colorado, a political subdivision duly organized and operating under the constitution and laws of the State of Colorado, acting by and through its water activity enterprise (the "City"), for value received, hereby promises to pay, solely out of the special accounts hereinafter designated but not otherwise, to the registered owner named above, or registered assigns, on the maturity date specified above or on the date of prior redemption, the principal amount specified above. In like manner the City promises to pay interest on such principal amount (computed on the basis of a 365-day year) from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated prior to _____, in which event this Bond shall bear interest from the original issuance date specified above at the interest rate per annum specified above, payable semiannually on June 1 and December 1 each year, commencing on _____, until the principal amount is paid at maturity or upon prior redemption. The principal of this Bond is payable in lawful money of the United States of America to the registered owner hereof upon maturity or prior redemption and presentation at the principal office of the City Treasurer in Las Animas, Colorado, as Paying Agent, except as otherwise provided below.

Payment of each installment of interest shall be made to the registered owner hereof whose name shall appear on the registration books of the City maintained by the City Treasurer, as Bond Registrar, at the close of business on the fifteenth (15th day of the calendar month next preceding each interest payment date (the "Record Date"), and shall be paid by check or draft of the Paying Agent paid on or before the interest payment date to such registered owner at his address as it appears on such registration books. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the registered owner of such Bond and the Paying Agent, as provided in the ordinance authorizing the issuance of this Bond (the "Bond Ordinance").

Notwithstanding the foregoing, if this Bond is registered in the name of the United States of America then the principal of and interest on this Bond shall be payable at the United States of America (Rural Economic and Community Development) finance office, in St. Louis, Missouri, or at such other place as may be indicated by the United States of America.

If the date for making any payment or performing any action shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the next succeeding day which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

REFERENCE IS HEREBY MADE TO FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE HEREOF, WHICH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF FULLY SET FORTH IN THIS PLACE.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the authorizing Bond Ordinance until the certificate of authentication hereon shall have been signed by the Bond Registrar.

IN TESTIMONY WHEREOF, the City Council of the City of Las Animas has caused this Bond to be signed by the facsimile signature of the Mayor of the City, sealed with a facsimile of the seal of the City, and attested by the facsimile signature of the City Clerk, all as of the original issuance date specified above.

(FACSIMILE SEAL)

CITY OF LAS ANIMAS, COLORADO

By (Facsimile Signature)
Mayor

ATTESTED:

By (Facsimile Signature)
City Clerk

[Form of Bond Registrar's Certificate of Authentication for Bonds]

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within mentioned Bond Ordinance.

Date of Registration
and Authentication:

CITY TREASURER
CITY OF LAS ANIMAS, COLORADO, as Bond
Registrar

By _____
Authorized Signatory

[Back of Bond]

ADDITIONAL PROVISIONS

This Bond is one of a series aggregating Six Hundred Sixty-Five Thousand Dollars (\$665,000) par value, all of like date, tenor and effect except as to number, principal amount, and date of maturity, issued by the City Council of the City of Las Animas, in the County of Bent and State of Colorado, acting by and through its water activity enterprise, for the purpose of paying the costs of providing certain water treatment facilities, by virtue of and in full conformity with the Constitution of the State of Colorado; Title 31, Article 35, Part 4, C.R.S.; Title 37, Article 45.1, C.R.S.; and all other laws of the State of Colorado thereunto enabling, and pursuant to the duly adopted Bond Ordinance. Pursuant to § 31-35-413, C.R.S., such recital shall conclusively impart full compliance with all of the provisions of said statutes, and this Bond issued containing such recital is incontestable for any cause whatsoever after its delivery for value. It is hereby recited, certified and warranted that all of the requirements of law have been fully complied with by the proper officers in issuing this Bond.

The principal of and interest on this Bond are payable only out of: (i) a special account of the City designated as the "Water Revenue Bond Account," into which the City covenants and agrees to deposit, from the revenues derived from the operation of the water facilities comprising the City's water activity enterprise after deduction of operations and maintenance costs (the "Net Revenue"), amounts sufficient to pay the principal of, premium if any, and interest on the Bonds when the same become due and payable; and (ii) if necessary, a special account designated as the "Water Revenue Bond Reserve Account" all as more particularly set forth in the Bond Ordinance. The Bond's of this issue constitute an irrevocable and first lien upon the Net Revenue, but not necessarily an exclusive such lien. Subject to expressed conditions, obligations in addition to the Bonds of this issue may be issued and made payable from the Net Revenue having a lien thereon subordinate and junior to the lien of the Bonds of this issue or, subject to additional expressed conditions, having a lien on the Net Revenue on a parity with the lien of the Bonds of this issue, in accordance with the provisions of the Bond Ordinance.

It is hereby recited, certified and warranted that for the payment of this Bond, the City has created and will maintain the special accounts referred to above, and will deposit therein out of the Net Revenue the amounts specified in the Bond Ordinance, and out of such accounts, as an irrevocable charge thereon, will pay the principal of, premium if any, and interest on this Bond in the manner provided by the Bond Ordinance.

THIS BOND DOES NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, AND SHALL NOT BE CONSIDERED OR HELD TO BE A GENERAL OBLIGATION OF THE CITY.

Reference is hereby made to the Bond Ordinance for an additional description of the nature and extent of the security for the Bonds, the funds and revenues pledged to the payment

thereof, the rights and remedies of the registered owners of the Bonds, the manner in which the Bond Ordinance may be amended, and the other terms and conditions upon which the Bonds are issued, copies of which are on file for public inspection at the office of the City Clerk.

Bonds of this issue maturing on and after December 1, 2000, are subject to redemption prior to maturity, at the option of the City, as a whole or in integral multiples of \$100, in any order of maturity and in whole or partial maturities, on June 1, 1999, and on any date thereafter, upon payment of par and accrued interest, without redemption premium; provided that, any Bonds registered in the name of the United States of America are subject to redemption prior to maturity, at the option of the City, as a whole or in integral multiples of \$100, in any order of maturity and in whole or partial maturities, on any date, upon payment of par and accrued interest, without redemption premium.

The Bonds will be redeemed only in integral multiples of \$100. In the event a Bond is of a denomination larger than \$100, a portion of such Bond may be redeemed, but only in the principal amount of \$100 or any integral multiple thereof. Such Bond will be treated for the purposes of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$100. In the event a portion of this Bond is redeemed, the Bond Registrar shall, without charge to the registered owner of this Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion.

Notice of prior redemption shall be given by mailing a copy of the redemption notice, not less than thirty (30) days prior to the date fixed for redemption, to the registered owner of this Bond at the address shown on the registration books maintained by the Bond Registrar, in the manner set forth in the Bond Ordinance. All Bonds called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

The City and Bond Registrar shall not be required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening of business on the first business day following the ensuing interest payment date, or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any Bonds selected or called for redemption, in whole or in part.

The City, the Paying Agent, and the Bond Registrar may deem and treat the registered owner of this Bond as the absolute owner hereof for all purposes (whether or not this Bond shall be overdue), and any notice to the contrary shall not be binding upon the City, the Paying Agent or the Bond Registrar.

This Bond may be exchanged at the principal office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations.

This Bond is transferable by the registered owner hereof in person or by his attorney duly authorized in writing, at the principal office of the Bond Registrar, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Bond Ordinance and upon surrender and cancellation of this Bond. This Bond may be transferred upon the registration books upon delivery to the Bond Registrar of this Bond, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the owner of this Bond or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of the Bond, along with the social security number or federal employer identification number of such transferee. In the event of the transfer of this Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time. The Bond Registrar shall charge the owner of this Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

[Form of Transfer for Bonds]

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

SOCIAL SECURITY OR FEDERAL EMPLOYER
IDENTIFICATION NUMBER OF ASSIGNEE

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____
attorney, to transfer said Bond on the books kept for registration thereof with full power of
substitution in the premises.

Dated: _____

Signature of Registered Owner:

NOTICE: The signature to this assignment must
correspond with the name of the registered owner
as it appears upon the face of the within Bond in
every particular, without alteration or enlargement
or any change whatever.

Signature guaranteed:

(Bank, Trust Company or Firm)

Section 8. *Authentication.* No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless and until a certificate of authentication on such Bond substantially in the form hereinabove set forth shall have been duly executed by the Bond Registrar, and such executed certificate of the Bond Registrar upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Ordinance; provided however, no certificate of authentication shall be required with respect to the single bond set forth in Section 13 hereof because said bond must be signed manually by the City. The Bond Registrar's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Bond Registrar, but it shall not be necessary that the same officer or signatory sign the certificate of authentication on all of the Bonds issued hereunder.

Section 9. *Delivery of Bonds.* Upon the adoption of this Ordinance, the City shall execute the Bonds and deliver them to the Bond Registrar, and the Bond Registrar shall authenticate the Bonds, if required, and deliver them to RECD upon payment of the par amount thereof.

Section 10. *Registration, Exchange and Transfer of Bonds; Persons Treated as Owners.* The Bond Registrar shall maintain the books of the City for the registration of ownership of each Bond as provided in this Ordinance. Bonds may be exchanged at the principal office of the Bond Registrar for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations. Bonds may be transferred upon the registration books upon delivery of the Bonds to the Bond Registrar, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the Owner of the Bonds to be transferred or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such Bonds, along with the social security number or federal employer identification number of such transferee. No transfer of any Bond shall be effective until entered on the registration books.

In the event the Bonds are transferred by the United States of America to another holder and the City continues to act as paying agent for the Bonds, the City shall comply with all applicable information reporting and backup withholding requirements contained in the Code.

In all cases of the transfer of a Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time. The Bond Registrar shall charge the owner of this Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

The City and Bond Registrar shall not be required to issue or transfer any Bonds:
(a) during a period beginning at the close of business on the Record Date and ending at the

opening of business on the first business day following the ensuing interest payment date, or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any Bonds selected or called for redemption, in whole or in part.

New Bonds delivered upon any transfer or exchange shall be valid obligations of the City, evidencing the same obligation as the Bonds surrendered, shall be secured by this Ordinance, and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The City, the Paying Agent and the Bond Registrar may deem and treat the registered Owner of any Bond as the absolute owner thereof for all purposes (whether or not such Bond shall be overdue), and any notice to the contrary shall not be binding upon the City, the Paying Agent or the Bond Registrar.

Section 11. *Cancellation of Bonds.* Whenever any Bond shall be delivered to the Bond Registrar for cancellation pursuant to this Ordinance and upon payment of the principal amount and interest represented thereby, or whenever any Bond shall be delivered to the Bond Registrar for transfer or exchange pursuant to the provisions hereof, such Bond shall be cancelled by the Bond Registrar and counterparts of a certificate of cancellation evidencing such cancellation shall be furnished by the Bond Registrar to the City.

Section 12. *Lost Bonds.* Any Bond that is lost, stolen, destroyed or mutilated may be replaced by the Bond Registrar in accordance with and subject to the limitations of applicable law. The applicant for any such replacement Bond shall post such security, pay such costs, and present such proof of ownership and loss as may be required by applicable law, or in the absence of specific requirements, as may be required by the Bond Registrar.

Section 13. *Issuance of a Single Bond.* Notwithstanding the provisions of this Ordinance relating to the issuance of serial Bonds, the amount of any loan from RECD may be evidenced by a single Bond as hereinafter set forth.

Such single Bond shall be numbered R-1 and shall mature in installments of principal, shall bear interest, shall be subject to prepayment, and shall be transferable, substantially as provided herein for serial Bonds. To the extent the provisions of this Ordinance relating to the redemption, payment, transfer or exchange of serial Bonds are inapplicable or in conflict with the provisions of the single Bonds as set forth hereafter, the provisions of the single Bond shall control. The necessary signatures and seal on the single Bond shall be completed manually. The single Bond shall be in substantially the following form, with such changes which are necessary to conform the Bond to the certificate duly executed at set forth in Section 4 hereof.

[Form of Single Bond]

No. R-1

\$665,000

UNITED STATES OF AMERICA
STATE OF COLORADO
COUNTY OF BENT

CITY OF LAS ANIMAS
WATER REVENUE BOND, SERIES 1995

Interest Rate

4.50%

Original Issue Date

_____, 1995

REGISTERED OWNER: THE UNITED STATES OF AMERICA

PRINCIPAL AMOUNT: SIX HUNDRED SIXTY-FIVE THOUSAND DOLLARS

The City of Las Animas, in the County of Las Animas and State of Colorado, a political subdivision duly organized and operating under the constitution and laws of the State of Colorado, acting by and through its water activity enterprise (the "City"), for value received, hereby promises to pay, solely out of the special accounts hereinafter designated but not otherwise, to the registered owner named above, or registered assigns, on the maturity date specified above or on the date of prior redemption, the principal amount specified above. In like manner the City promises to pay interest on such principal amount (computed on the basis of a 365-day year) from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated prior to _____, in which event this Bond shall bear interest from the original issuance date specified above at the interest rate per annum specified above, payable semiannually on June 1 and December 1 each year, commencing on _____, until the principal amount is paid at maturity or upon prior redemption.

The principal amount of this Bond shall mature in installments on each June 1 and December 1 in the years and amounts set forth below:

[To be completed pursuant to the schedule established by Section 4 of this Ordinance.]

The principal installments of this Bond are payable in lawful money of the United States of America to the registered owner hereof upon maturity or prior redemption and presentation at the principal office of the City Treasurer in Las Animas, Colorado, as Paying Agent, except as otherwise provided below.

Payment of each installment of interest shall be made to the registered owner hereof whose name shall appear on the registration books of the City maintained by the City Treasurer, as Bond Registrar, at the close of business on the fifteenth (15th) day of the calendar month next preceding each interest payment date (the "Record Date"), and shall be paid by check or draft of the Paying Agent paid on or before the interest payment date to such registered owner at his address as it appears on such registration books. The Paying Agent may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the registered owner of such Bond and the Paying Agent, as provided in the ordinance authorizing the issuance of this Bond (the "Bond Ordinance").

Notwithstanding the foregoing, if this Bond is registered in the name of the United States of America then the principal of and interest on this Bond shall be payable at the United States of America (Rural Economic and Community Development) finance office, in St. Louis, Missouri, or at such other place as may be indicated by the United States of America (Rural Economic and Community Development).

If the date for making any payment or performing any action shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the day preceding the date which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

This Bond is issued by the City Council of the City of Las Animas, in the County of Bent and State of Colorado, by and through the City's water activity enterprise, for the purpose of paying the costs of providing certain water treatment facilities, by virtue of and in full conformity with the Constitution of the State of Colorado; Title 31, Article 35, Part 4, C.R.S.; Title 37, Article 45.1, C.R.S.; and all other laws of the State of Colorado thereunto enabling, and pursuant to the duly adopted Bond Ordinance. Pursuant to § 31-35-413, C.R.S., such recital shall conclusively impart full compliance with all of the provisions of said statutes, and this Bond issued containing such recital is incontestable for any cause whatsoever after its delivery for value. It is hereby recited, certified and warranted that all of the requirements of law have been fully complied with by the proper officers in issuing this Bond.

The principal of and interest on this Bond are payable only out of: (i) a special account of the City designated as the "Water Revenue Bond Account," into which the City covenants and agrees to deposit, from the revenues derived from the operation of the water facilities comprising the City's water activity enterprise after deduction of operations and maintenance costs (the "Net Revenue"), amounts sufficient to pay the principal of and interest on the Bonds when the same become due and payable; and (ii) if necessary, a special account designated as the "Water Revenue Bond Reserve Account," all as more particularly set forth in the Bond Ordinance. This Bond constitutes an irrevocable and first lien upon the Net Revenue, but not necessarily an exclusive such lien. Subject to expressed conditions, obligations in addition to this Bond may be issued and made payable from the Net Revenue having a lien thereon subordinate and junior to the lien of this Bond or, subject to additional expressed conditions, having a lien on the Net

Revenue on a parity with the lien of this Bond, in accordance with the provisions of the Bond Ordinance.

It is hereby recited, certified and warranted that for the payment of this Bond, the City has created and will maintain the special accounts referred to above, and will deposit therein out of the Net Revenue the amounts specified in the Bond Ordinance, and out of such accounts, as an irrevocable charge thereon, will pay the principal of and interest on this Bond in the manner provided by the Bond Ordinance.

THIS BOND DOES NOT CONSTITUTE A DEBT OR INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, AND SHALL NOT BE CONSIDERED OR HELD TO BE A GENERAL OBLIGATION OF THE CITY.

Reference is hereby made to the Bond Ordinance for an additional description of the nature and extent of the security for the Bonds, the funds and revenues pledged to the payment thereof, the rights and remedies of the registered owners of the Bonds, the manner in which the Bond Ordinance may be amended, and the other terms and conditions upon which the Bonds are issued, copies of which are on file for public inspection at the office of the City Clerk.

Installments of principal of this Bond maturing on and after December 1, 2000, are subject to redemption prior to maturity, at the option of the City, as a whole or in integral multiples of \$100, in any order of maturity and in whole or partial maturities, on June 1, 1999, and on any date thereafter, upon payment of par and accrued interest, without redemption premium; provided that, any Bonds registered in the name of the United States of America are subject to redemption prior to maturity, at the option of the City, as a whole or in integral multiples of \$100, in any order of maturity and in whole or partial maturities, on any date, upon payment of par and accrued interest, without redemption premium.

Notice of prior redemption shall be given by mailing a copy of the redemption notice, not less than thirty (30) days prior to the date fixed for redemption, to the registered owner of this Bond at the address shown on the registration books maintained by the Bond Registrar, in the manner set forth in the Bond Ordinance. All Bonds called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

The City and Bond Registrar shall not be required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening business on the first business day following the ensuing interest payment date, or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any Bonds selected or called for redemption, in whole or in part.

The City, the Paying Agent, and the Bond Registrar may deem and treat the registered owner of this Bond as the absolute owner hereof for all purposes (whether or not this Bond shall be overdue), and any notice to the contrary shall not be binding upon the City, the Paying Agent or the Bond Registrar.

This Bond may be transferred upon the registration books upon delivery to the Bond Registrar of this Bond, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the owner of this Bond or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of the Bond, along with the social security number or federal employer identification number of such transferee. In the event of the transfer of this Bond, the Bond Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time. The Bond Registrar shall charge the owner of this Bond for every such transfer or exchange an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the authorizing Bond Ordinance until the certificate of authentication hereon shall have been signed by the Bond Registrar.

IN TESTIMONY WHEREOF, the City Council of the City of Las Animas has caused this Bond to be signed by the manual signature of the Mayor of the City, sealed with an impression of the seal of the City, and attested by the manual signature of the City Clerk, all as of the original issuance date specified above.

(SEAL)

CITY OF LAS ANIMAS, COLORADO

By _____
Mayor

ATTESTED:

By _____
City Clerk

C-LINE #62033
CLEAR TOPPER

Section 14. *Disposition and Investment of Proceeds; Tax Covenants.* The Bonds shall be issued and sold for the purpose of paying the Project Costs and paying other costs in connection with the Bonds. Neither the United States of America nor any subsequent Owners of the Bonds shall be responsible for the application or disposal by the City or any of its officers of the funds derived from the sale thereof.

All or any portion of the Bond proceeds may be temporarily invested or reinvested, pending such use, in securities or obligations which are lawful investments and which are Permitted Investments. It is hereby covenanted and agreed by the City that it will not make, or permit to be made, any use of the original proceeds of the Bonds, or of any moneys treated as proceeds of the Bonds within the meaning of the Code and applicable regulations, rulings and decisions, or take, permit to be taken, or fail to take any action, which would adversely affect the exclusion from gross income of the interest on the Bonds under Section 103 of the Code and applicable regulations, rulings and decisions. The City further covenants to pay from time to time all amounts required to be rebated to the United States pursuant to Section 148(f) of the Code and any temporary, proposed or final Treasury Regulations as may be applied to the Bonds and the Outstanding Bonds from time to time. This covenant shall survive the payment in full or the defeasance of the Bonds.

The City hereby designates the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

Section 15. *Creation of Fund and Accounts.* There are hereby created and established the following fund and accounts, which may be established as line item accounts and shall be maintained by the City in accordance with the provisions of this Ordinance:

- (a) the Construction Account;
- (b) the Water Revenue Fund;
- (c) the Bond Account, within which there are established the Interest Subaccount and the Principal Subaccount; and
- (d) the Reserve Account.

Section 16. *Initial Credits to Account.* Immediately upon issuance of the Bonds, and after payment of the costs of issuing the Bonds, the City shall credit the proceeds of the Bonds to the Construction Account.

Section 17. *Construction Account.* All moneys credited to the Construction Account shall be applied solely to the payment of the Project Costs. Upon the determination of the Council that all Project Costs have been paid or are determinable, any balance remaining in the Construction Account (less any amounts necessary to pay Project Costs not then due and owing) shall be credited to the Bond Account.

Moneys credited to the Construction Account may be invested or deposited in securities or obligations which are Permitted Investments. Interest income from the investment or reinvestment of moneys credited to the Construction Account shall remain in and become part of the Construction Account.

Section 18. *Water Revenue Fund.* Immediately upon the issuance of the Bonds, the City shall credit to the Water Revenue Fund all Gross Revenue then held by the City. Thereafter, the City shall credit to the Water Revenue Fund all Gross Revenue immediately upon receipt. The City shall pay from the Water Revenue Fund all Operation and Maintenance Expenses as they become due and payable. After such payment or the allocation of Gross Revenue to such payment, the City shall apply the Net Revenue in the following order of priority:

First, to the credit of the Interest Subaccount, the amounts required by the Section hereof entitled "Bond Account";

Second, to the credit of the Principal Subaccount, the amounts required by the Section hereof entitled "Bond Account";

Third, to the credit of the Reserve Account, the amounts required by the Section hereof entitled "Reserve Account";

Fourth, to the credit of any other fund or account hereafter established for the payment of the principal of, premium if any, and interest on Subordinate Lien Bonds, including any sinking fund, reserve fund or similar fund or account established therefor, the amounts required by the ordinance or other enactment authorizing issuance of the Subordinate Lien Bonds; and

Fifth, any Net Revenue remaining after the payments and accumulations set forth in First through Fourth hereof shall remain in the Water Revenue Fund to be used for any lawful purpose as determined by the City.

Section 19. *Bond Account.* Moneys in the Bond Account shall be used solely for the purpose of paying the principal of, premium if any, and interest on the Bonds and any Parity Lien Bonds. The Principal Subaccount shall be used to pay the principal of and premium, if any, on the Bonds and any Parity Lien Bonds, and the Interest Subaccount shall be used to pay the interest on the Bonds and any Parity Lien Bonds.

Upon delivery of the Bonds, the City shall credit to the Interest Subaccount the amount required by the Section hereof entitled "Initial Credits to Accounts." On or before the twenty-fifth (25th) day of each month, commencing in the month next succeeding the date of issuance of the Bonds, the City shall credit to the Interest Subaccount, from the Net Revenue and any interest income to be credited to the Interest Subaccount pursuant to the terms hereof, an amount equal to the Pro Rata Portion of the interest to come due on the Bonds and any Parity Lien Bonds on the next succeeding interest payment date.

On or before the twenty-fifth (25th) day of each month, commencing in the month next succeeding the date of issuance of the Bonds, the City shall credit to the Principal Subaccount, from the Net Revenue and any interest income to be credited to the Principal Subaccount pursuant to the terms hereof, an amount equal to the Pro Rata Portion of the principal coming due on the Bonds and on any Parity Lien Bonds on the next succeeding principal payment date.

Moneys credited to the Bond Account may be invested or deposited in securities or obligations which are Permitted Investments. The investment of moneys credited to the Bond Account shall, however, be subject to the covenants and provisions of the Section hereof entitled "Disposition and Investment of Proceeds; Tax Covenants." Except to the extent otherwise required by such Section, all interest income from the investment or reinvestment of moneys credited to any subaccount of the Bond Account shall remain in and become part of such subaccount.

Section 20. *Reserve Account.* Beginning on or before the date the first principal payment is due on the Bonds, and on or before each December 1 thereafter until the amount of the Reserve Fund is equal to the Required Reserve, the City shall credit to the Reserve Account the amount of \$3,786. Such credits shall be made solely from the Net Revenue in accordance with and subject to the limitations of the Section thereof entitled "Water Revenue Fund." Moneys in the Reserve Account shall be used, if necessary, only to prevent a default in the payment of the principal of or interest on the Bonds and the Reserve Account is hereby pledged to the payment of the Bonds. In the event the amounts credited to the Bond Account are insufficient to pay the principal of or interest on the Bonds when due, the City shall transfer from the Reserve Account to the appropriate subaccount or subaccounts of the Bond Account an amount which, when combined with moneys in the subaccount or subaccounts, will be sufficient to make such payments when due.

The Reserve Account shall be maintained in the amount of the Required Reserve until such time as the amount credited thereto, when combined with moneys in the Bond Account, will be sufficient to pay the principal of and interest on all of the Bonds, at which time such moneys may be applied for such purpose. If at any time the amounts credited to the Reserve Account are used to pay the principal of or interest on the Bonds, the amount so used shall be replenished from the Net Revenue as soon as possible after such use, but in accordance with and subject to the limitations of the Section hereof entitled "Water Revenue Fund."

Notwithstanding the foregoing, so long as all of the Bonds are registered in the name of the United States of America: (i) no moneys in the Reserve Account may be withdrawn without the written consent of the RECD; and (ii) with the written consent of the RECD, moneys in the Reserve Account may also be used to pay the costs of repairing or replacing any damage to the System caused by catastrophe, repairing or replacing short-lived assets of the System, or making extensions or improvements to the System. In the event of such use, the Reserve Fund will be replenished from the Net Revenue in accordance with the requirements of the RECD.

Moneys credited to the Reserve Account may be invested or deposited in securities or obligations which are Permitted Investments. The investment of moneys credited to the Reserve Account shall, however, be subject to the covenants and provisions of the Section hereof entitled "Disposition and Investment of Proceeds; Tax Covenants." All interest income from the investment or reinvestment of moneys credited to the Reserve Account shall be deemed to be Gross Revenue and shall be credited to the Water Revenue Fund. The amount on deposit to the Reserve Account shall never exceed the amount of the Required Reserve.

Section 21. *Maintenance of Rates and Coverage.* The City hereby covenants that it will establish, maintain, enforce and collect rates, fees, plant investment fees, availability fees, tolls and charges for services furnished by or the use of the System to create Gross Revenue each Fiscal Year sufficient to pay Operation and Maintenance Expenses and to create Net Revenue in an amount: (i) equal to not less than 110% of the amount necessary to pay when due the principal of and interest on the Bonds and any Parity Lien Bonds coming due during such Fiscal Year; and (ii) sufficient to make up any deficiencies in the Reserve Account. In the event that the Gross Revenue at any time is not sufficient to make such payments, the City shall increase such rates, fees, plant investment fees, availability fees, tolls and charges to an extent which will ensure the payments and accumulations required by this Ordinance.

Section 22. *Additional Covenants and Agreements.* The City hereby further irrevocably covenants and agrees with each and every Owner that so long as any of the Bonds remain outstanding:

(a) The City will continue to operate and manage the System in an efficient and economical manner in accordance with all applicable laws, rules and regulations, and keep and maintain separate accounts of the receipts and expenses thereof in such manner that the Gross Revenue and the Net Revenue may at all times be readily and accurately determined.

(b) The City will furnish no free service from the System, and if the City shall use the facilities of the System for its own purposes, it shall pay monthly a fair and reasonable amount for such service. In no event shall the City pay a greater amount than would be charged a private consumer for the same amount of service. The City shall include in its annual appropriation and budget amounts sufficient to pay for all service so used.

(c) The City will not sell or alienate any of the property constituting any part or all of the System in any manner or to any extent as might reduce the security provided for the payment of the Bonds, but the 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 the System; provided however, that: (i) the proceeds of any such sale of property shall be included as part of the Gross Revenue; and (ii) if the United States of America as the Owner of all of the Bonds, the RECD has given its written consent to such sale.

(d) The City will promptly render bills for services furnished by or the use of the System, shall use all legal means to assure prompt payment thereof, shall take such action as may be necessary to make delinquent rates, fees, tolls and charges of the System a lien upon the real property served, and to the extent permitted by law, shall discontinue service to any user who becomes delinquent in the payment of such charges until the delinquency and all interest, costs and expenses incident thereto have been paid in full.

(e) At least once a year in the time and manner provided by law, the City will cause an audit to be performed of the records relating to the revenues and expenditures of the System. Such audit may be made part of and included within the general audit of the City, and made at the same time as the general audit. In addition, at least once a year in the time and manner provided by law, the City will cause a budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time, and manner provided by law.

(f) The City will carry fire and extended coverage, workmen's compensation, public liability, and such other forms of insurance on insurable System property as would ordinarily be carried by utilities having similar properties of equal value, such insurance being in such amounts as will protect the System and its operation. In the event of any loss or damage to the System, or in the event part or all of the System is taken by the exercise of a power of eminent domain, the insurance proceeds or the condemnation award shall be used for restoring, replacing or repairing the property lost, damaged or taken, and the remainder thereof, if any, shall be considered as Gross Revenue; provided however, that if the Council determines that the operation of the System and the security for the Bonds will not be adversely affected thereby, the Council may determine not to restore, replace or repair the property lost, damaged or taken and all of the insurance proceeds or condemnation award shall be considered as Gross Revenue.

(g) Each City official or other person having custody of any funds derived from the operation of the System, or responsible for the handling of such funds, shall be fully bonded at all times, which bond shall be conditioned upon the proper application of said funds.

(h) The City has and will continue to maintain the System as an "enterprise" within the meaning Article X, Section 20 of the Colorado Constitution, and as a "water activity enterprise" within the meaning of Title 37, Article 45.1, C.R.S. Specifically, but not by way of limitation, it is hereby covenanted and agreed that the System shall not receive 10% or more of its annual revenue in grants from all Colorado state and local governments combined.

(i) The City hereby agrees that if financing is available through commercial credit at reasonable rates and terms, it will use its best efforts to refinance and redeem any Bonds registered in the name of the United States of America.

Section 23. *Additional Bonds.*

(a) No additional bonds, notes, interim securities or other obligations shall be issued payable from the Net Revenue and having a lien thereon which is superior to the lien of the Bonds.

(b) So long as no Event of Default shall have occurred and be continuing, the City may issue Parity Lien Bonds for the sole purpose of paying Project Costs not paid by the proceeds of the Bonds.

(c) The City may issue Parity Lien Bonds for purposes other than the payment of Project Costs if it obtains either the written consent to such issuance from the Owners of 75 % in aggregate principal amount of the Bonds outstanding, or in the alternative, if the following tests are met:

(i) the City is then and as of the date of issuance of the Parity Lien Bonds will be, in substantial compliance with all of the covenants of this Ordinance;

(ii) the City is then and as of the date of issuance of the Parity Lien Bonds will be, current in the accumulation of all amounts required to be then accumulated in the Bond Account and the Reserve Account, as required by this Ordinance; and

(iii) the Net Revenue for the 12 month period immediately preceding the date of issuance of such Parity Lien Bonds is sufficient to pay an amount representing not less than 120% of the Combined Average Annual Principal and Interest Requirements for the Bonds, any outstanding Parity Lien Bonds, and the Parity Lien Bonds proposed to be issued.

(d) A written certificate by the Mayor or City Treasurer that the condition set forth in paragraph (i) above has been met, and a written certificate by a Certified Public Accountant or Consulting Engineer that the conditions set forth in paragraphs (ii) and (iii) above are met, shall conclusively determine the right of the City to authorize, issue, sell, and deliver Parity Lien Bonds in accordance herewith.

(e) So long as no Event of Default shall have occurred and be continuing, nothing herein shall prevent the City from issuing Subordinate Lien Bonds.

Section 24. *Discharge of Lien.* When all principal and interest in connection with the Bonds have been duly paid, the pledge and lien and all obligations of the City hereunder shall thereby be discharged and the Bonds shall no longer be deemed to be outstanding within the meaning of this Ordinance. There shall be deemed to be such due payment when the City has placed in escrow and in trust with a commercial bank located within or without the State of

Colorado, and exercising trust powers, an amount sufficient (including the known minimum yield from Federal Securities in which such amount may be initially invested) to meet all requirements of principal, interest, and premiums, if any, as the same become due to their final maturities or upon designated prior redemption dates. The Federal Securities shall become due at or prior to the respective times on which the proceeds thereof shall be needed, in accordance with a schedule established and agreed upon between the City and such bank at the time of the creation of the escrow, or the Federal Securities shall be subject to redemption at the option of the holders thereof to assure such availability as so needed to meet such schedule. The sufficiency of the escrow shall be determined by a Certified Public Accountant. Notwithstanding the following, so long as all of the Bonds are registered in the name of the United States of America, no escrow may be established for the payment of the Bonds without the written consent of the United States of America (Rural Economic and Community Development).

Section 25. *Events of Default.* The occurrence or existence of any one or more of the following events shall be an Event of Default hereunder:

(a) payment of the principal of or redemption premium on any Bond is not made by the City when due;

(b) payment of the interest on any Bond is not made by the City when due;

(c) the City defaults in the performance of any other of its covenants in this Ordinance, and such default continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied is given to the City by the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding; or

(d) the City files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligations represented by the Bonds.

Section 26. *Remedies For Events of Default.* Upon the occurrence and continuance of an Event of Default, the Owner of any Bond, or a trustee therefor, may protect and enforce the rights of any Owner by proper legal or equitable remedy deemed most effectual including mandamus, specific performance of any covenants, injunctive relief, or requiring the Council to act as if it were the trustee of an express trust, or any combination of such remedies. All proceedings shall be maintained for the equal benefit and protection of all Owners. Any receiver appointed to protect the rights of Owners may take possession of 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 Owner shall not be deemed a waiver of any other right.

In addition to the foregoing remedies, so long as all of the Bonds are registered in the name of the United States of America, upon an Event of Default the RECD, at its option, may

declare the entire principal amount then outstanding and accrued interest immediately due and payable.

Payments on delinquent amounts due on any Bond will be applied in the following order of priority: (i) interest on overdue principal and interest at the rate borne by the Bond; (ii) past due interest; (iii) past due principal; (iv) current interest due; and (v) current principal due.

Section 27. *Permitted Amendments to Bond Ordinance.* The City may, without the consent of or notice to the Owners adopt amendments or supplements to this Ordinance, which amendments or supplements shall thereafter form a part hereof, for any one or more of the following purposes:

(a) to cure any ambiguity, to cure, correct or supplement any formal defect or omission or inconsistent provision contained in this Ordinance, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under this Ordinance, or to make any provisions for any other purpose, if such provisions are necessary or desirable and did not materially adversely affect the interests of the Owners of the Bonds;

(b) to subject to this Ordinance or pledge to the payment of the Bonds additional revenues, properties or collateral; and

(c) to grant or confer upon the Owners any additional rights, remedies, powers or authority that may be lawfully granted to or conferred upon the Owners.

Section 28. *Amendments Requiring Consent of Owners.* Except for amendatory or supplemental ordinances adopted pursuant to the Section hereof entitled "Permitted Amendments to Bond Ordinance," the Owners of not less than two-thirds (2/3) in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, to consent to and approve the adoption by the City of such ordinances amendatory or supplemental hereto as shall be deemed necessary or desirable by the City for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in this Ordinance; provided however, that without the consent of the Owners of all the Bonds affected thereby, nothing herein contained shall permit, or be construed as permitting:

(a) a change in the terms of the maturity of any Bond, in the principal amount of any Bond or the rate of interest thereon, or in the terms of prior redemption of any Bond;

(b) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of, premium if any, or interest on the Bonds when due;

(c) the creation of a lien upon the Net Revenue ranking prior to the lien of the Bonds;

(d) a privilege or priority of any Bond or any premium or interest payment over any other Bond or premium or interest payment; or

(e) a reduction in the percentage in principal amount of the Bonds the consent of whose Owners is required for any such amendatory or supplemental ordinance.

If at any time the City shall desire to adopt an amendatory or supplemental ordinance for any of the purposes of this Section, the City shall cause notice of the proposed adoption of such amendatory or supplemental ordinance to be given by mailing such notice by certified or registered first-class mail to the Underwriter and to each Owner of a Bond to the address shown on the registration books of the Bond Registrar, at least thirty (30) days prior to the proposed date of adoption of any such amendatory or supplemental ordinance. Such notice shall briefly set forth the nature of the proposed amendatory or supplemental ordinance and shall state that copies thereof are on file at the offices of the City or some other suitable location for inspection by all Owners. If, within sixty (60) days or such longer period as shall be prescribed by the City following the giving of such notice, the Owners of not less than the required percentage in aggregate principal amount of the Bonds then outstanding at the time of the execution of any such amendatory or supplemental ordinance shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the adoption and effectiveness thereof, or to enjoin or restrain the City from adopting the same or from taking any action pursuant to the provisions thereof.

Section 29. *Effect of Amendment.* Upon the execution of any amendatory or supplemental ordinance pursuant to this Ordinance, this Ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Ordinance of the City, the Bond Registrar, the Paying Agent, and all Owners of Bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 30. *Waiver by RECD.* Notwithstanding anything herein to the contrary, so long as the United States of America is the Owner of all of the Bonds, the RECD may waive compliance with any of the terms of this Ordinance.

Section 31. *Authorization to Execute Documents.* The Mayor and City Clerk shall, and they are hereby authorized and directed to take all actions necessary or appropriate to effectuate the provisions of this Ordinance, including, but not limited to, the execution of such certificate and affidavits as may be reasonably required by RECD. The execution by the Mayor of the City of any document authorized herein shall be conclusive proof of the approval by the City of the terms thereof.

Section 32. *Costs and Expenses.* All costs and expenses incurred in connection with the issuance and payment of the Bonds shall be paid either from the proceeds of the Bonds or from legally available moneys of the City, or from a combination thereof, and such moneys are hereby appropriated for that purpose.

Section 33. *Holidays.* If the date for making any payment or performing any action hereunder shall be a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed, such payment may be made or act performed on the day preceding the date which is not a legal holiday or a day on which the principal office of the Paying Agent or Bond Registrar is authorized or required by law to remain closed.

Section 34. *Ratification and Approval of Prior Actions.* All actions heretofore taken by the officers of the City and the members of the Council, not inconsistent with the provisions of this Ordinance, relating to the authorization, sale, issuance and delivery of the Bonds, are hereby ratified, approved and confirmed.

Section 35. *Interim Financing.* So as to preclude the necessity for multiple advances of funds of the United States of America (Rural Economic and Community Development) in compliance with applicable federal regulations, and in anticipation of the issuance of the Bonds, the officers of the City shall be authorized to obtain interim financing in an amount not to exceed \$665,000, for a period not to exceed twelve months, at a maximum interest rate not to exceed 6.75% per annum, and a maximum servicing fee not to exceed .5% of the approved principal amount thereof. The principal of such interim borrowing shall be repaid from the proceeds of the Bonds and the interest accruing thereon shall be repaid from Net Revenue on a monthly, quarterly, or semiannual basis. The Mayor and City Clerk shall, and they are hereby authorized and directed, to take all actions necessary or appropriate to effectuate such interim financing.

Section 36. *Ordinance Irrepealable.* After any of the Bonds have been issued, this Ordinance shall constitute a contract between the Owners and the City, and shall be and remain irrepealable until the Bonds and the interest accruing thereon shall have been fully paid, satisfied and discharged, as herein provided.

Section 37. *Repealer.* All orders, bylaws, ordinances and resolutions of the City, or parts thereof, inconsistent or in conflict with this Ordinance, are hereby repealed to the extent only of such inconsistency or conflict.

Section 38. *Severability.* If any section, paragraph, clause or provision 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, the intent being that the same are severable.

Section 39. *Recording and Authentication.* Immediately upon adoption hereof, this Ordinance shall be recorded in a book kept for that purpose, authenticated by the signatures of the Mayor and the City Clerk, and published as required by law.

Section 40. *Effective Date.* This Ordinance shall take effect and be in force 30 days following final publication, as provided by law.

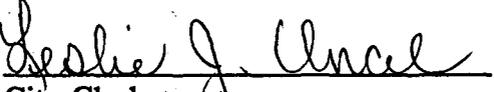
INTRODUCED, READ AND PASSED on first reading at a special meeting of the City Council the 11th day of July, 1995; ordered published in full in the Bent County Democrat in accordance with law in its issue of July 20, 1995, and consideration on final passage set for a regular meeting of the City Council to be held on the 8th day of August, 1995, at 7:00 p.m. at the City Hall in Las Animas, Colorado.

INTRODUCED, READ AND FINALLY PASSED AND ADOPTED ON SECOND READING on the 8th day of August, 1995.

(SEAL)


Mayor

ATTESTED:


City Clerk