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*Village of
Dorchester Wis
54425*

CLARK CO, WIS BY
Laura Oberle

*FD 40.00
No. 24590*

RESOLUTION NO. 190

RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF APPROXIMATELY \$484,000 WATER AND SEWER SYSTEM REVENUE BONDS AND PROVIDING FOR THE PAYMENT OF SAID BONDS AND OTHER DETAILS AND COVENANTS WITH RESPECT THERETO

WHEREAS, the Village of Dorchester, Clark and Marathon Counties, Wisconsin (the "Municipality") owns and operates a water system and a sewer system which are operated for public purposes as separate public utilities by the Municipality and which are hereby combined for the purposes of this financing (hereinafter, the Municipality's Water System and Sewer System shall be referred to collectively as the "System");

WHEREAS, certain improvements and extensions to the System are necessary to adequately meet the needs of the Municipality and the residents thereof, consisting of paying the cost of constructing, improving and extending water and sewer mains (the "Project");

WHEREAS, it is also necessary, desirable and in the best interest of the Municipality to refund certain outstanding obligations of the Municipality, to wit: a portion of its \$420,000 General Obligation Promissory Note, dated October 7, 1995 and \$250,000 General Obligation Promissory Note, dated July 5, 1996 (collectively, the "Outstanding Notes") (the "Refunding");

WHEREAS, under the provisions of Section 66.066 of the Wisconsin Statutes any municipality may, by action of its governing body, provide for purchasing, acquiring, leasing, constructing, extending, adding to, improving, conducting, controlling, operating and managing a public utility or refunding obligations issued for the above purposes, from the proceeds of bonds, which bonds are to be payable only from the revenues received from any source by such utility, including all rentals and fees;

WHEREAS, for the purpose of paying the cost of the Project and the Refunding, the Village Board of the Municipality (the "Governing Body") deems it to be necessary, desirable and in the best interest of the Municipality to authorize and sell water and sewer system revenue bonds of the Municipality payable solely from the revenues of the System, which bonds are to be authorized and issued pursuant to the provisions of Section 66.066, Wisconsin Statutes;

WHEREAS, the principal payments on the revenue bonds will commence not later than 3 years after the date of the issuance

thereof in such amounts that the requirement each year to pay both principal and interest thereon (the latter being payable not less than annually from the date of issuance of the revenue bonds) will, it is hereby found by this Governing Body, be reasonable in accordance with prudent municipal utility management practices; and,

WHEREAS, no other bonds or obligations payable from the revenues of the System are now outstanding.

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Municipality that:

Section 1. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by implication requires otherwise:

"Act" means Section 66.066 of the Wisconsin Statutes;

"Annual Debt Service Requirement" means the total amount of principal and interest due on the Bonds in any Bond Year;

"Bond Registrar" means the Village Clerk/Treasurer or any other bond registrar appointed by subsequent resolution of the Governing Body;

"Bond Year" means the one-year period ending on a principal payment date for the Bonds;

"Bonds" means the Water and Sewer System Revenue Bonds of the Municipality authorized to be issued by this Resolution;

"Code" means the Internal Revenue Code of 1986, as amended;

"Current Expenses" means the reasonable and necessary costs of operating, maintaining, administering and repairing the System, including salaries, wages, costs of materials and supplies, insurance and audits, but shall exclude depreciation, debt service, tax equivalents, replacements and capital expenditures;

"Fiscal Year" means the twelve month period beginning on January 1 of each year and ending on December 31 of the same year;

"Governing Body" means the Village Board of the Municipality, or such other body as may hereafter be the chief legislative body of the Municipality;

"Gross Earnings" shall include earnings of the System derived from water and sewer charges imposed by the Municipality,

all payments to the Municipality under any agreements between the Municipality and any contract users of the System, and any other moneys received from any source including all rentals and fees;

"Municipality" means the Village of Dorchester, Clark and Marathon Counties, Wisconsin;

"Net Revenues" means gross earnings of the System after deduction of Current Expenses;

"Outstanding Notes" means a portion of the \$420,000 General Obligation Promissory Note dated October 7, 1995 and \$250,000 General Obligation Promissory Note dated July 5, 1996 issued to finance improvements to the System;

"Original Purchaser" means a purchaser to be determined by subsequent resolution;

"Parity Bonds" means bonds payable from the revenues of the System other than the Bonds but issued on a parity and equality with the Bonds pursuant to the restrictive provisions of this Resolution;

"Project" means paying the cost of constructing, improving and extending water and sewer mains. All elements of the Project are to be owned and operated by the Municipality as a part of the System as described in the preamble hereto;

"Refunding" means paying the cost of refunding the Outstanding Notes;

"Record Date" means the close of business on a certain day of the calendar month next preceding any principal or interest payment date to be determined by subsequent resolution;

"Regulations" means the income tax regulations promulgated under the Code;

"Reserve Requirement" means the sum determined by subsequent resolution or such lesser amount which at no time exceeds an amount equal to the lesser of maximum amount of principal and interest due on the outstanding Bonds in any Bond Year or an amount not greater than 125% of average annual debt service on the outstanding Bonds. If Parity Bonds are issued, the Reserve Requirement shall be an amount equal to the lesser of maximum amount of principal and interest due on the outstanding Bonds and the Parity Bonds in any Bond Year or an amount not greater than 125% of average annual debt service on the outstanding Bonds and the Parity Bonds; and

"System" means the entire water system and sewer system of the Municipality specifically including that portion of the Project and Refunding owned by the Municipality and including all property of every nature now or hereafter owned by the Municipality for the collection, distribution and treatment of water and the transmission, treatment and disposal of domestic and industrial sewage or waste, including all improvements and extensions thereto made by the Municipality while any of the Bonds and Parity Bonds remain outstanding, including all real and personal property of every nature comprising part of or used or useful in connection with such water system and sewer system and including all appurtenances, contracts, leases, franchises and other intangibles.

Section 2. Authorization of the Bonds. For the purpose of paying the cost of the Project and the Refunding (including legal, fiscal, engineering and other expenses) and the cost of funding a reserve account, there shall be borrowed on the credit of the income and revenue of the System the sum of approximately \$484,000, and registered revenue bonds of the Municipality are hereby authorized to be issued in evidence thereof to a purchaser to be determined by subsequent resolution (the "Original Purchaser") in accordance with the terms and conditions of its purchase proposal to be approved by subsequent resolution.

Section 3. Terms of the Bonds. The revenue bonds shall be designated "Water and Sewer System Revenue Bonds" (the "Bonds"); shall be dated as of their date of issuance; shall be in the denomination of \$1,000 or any integral multiple thereof; shall be numbered 1 and upward; shall bear interest at the rate or rates to be determined by subsequent resolution; and shall mature serially, in the years and principal amounts determined by subsequent resolution. Interest on the Bonds shall be payable annually.

It is hereby determined and declared that the above schedule of maturities of the Bonds will be such that the requirements each year to pay both the principal of and interest on the Bonds is reasonable in accordance with prudent municipal utility management practices.

Section 4. Form, Execution, Registration and Payment of the Bonds. The Bonds shall be issued as registered obligations in substantially the form determined by subsequent resolution.

The Bonds shall be executed in the name of the Municipality by the manual or facsimile signatures of the President and Village Clerk/Treasurer, shall be sealed with its official or corporate seal or a facsimile thereof, if any, and authenticated by the manual signature of an authorized officer of the Bond Registrar, if any.

Both the principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

Section 5. Security for the Bonds. The Bonds, together with interest thereon, shall not constitute an indebtedness of the Municipality nor a charge against its general credit or taxing power. The Bonds, together with interest thereon, shall be payable only out of the Special Redemption Fund hereinafter created and established, and shall be a valid claim of any holder thereof only against said Special Redemption Fund and the revenues of the System pledged to such fund. Sufficient revenues are hereby pledged to said Special Redemption Fund, and shall be used for no other purpose than to pay the principal of, premium, if any, and interest on the Bonds and any Parity Bonds as the same becomes due. It is the express intent and determination of the Governing Body that the amounts transferred from the Revenue Fund (defined below) and deposited in the Special Redemption Fund (defined below) shall be sufficient in any event to pay the interest on the Bonds and any Parity Bonds as the same accrues and the principal amount thereof as the same matures, and to provide any amounts required to be paid monthly into the Reserve Account (defined below) to maintain the Reserve Requirement, if any.

Section 6. Funds and Accounts. In accordance with the Act, for the purpose of the application and proper allocation of the revenues of the System, and to secure the payment of the principal of and interest on the Bonds and any Parity Bonds, certain funds of the System are hereby created and established which shall be used solely for the following respective purposes:

(a) Water System and Sewer System Revenue Fund, into which shall be deposited as received the entire gross earnings of the System which monies shall then be divided among the Water System Operation and Maintenance Fund, Sewer System Operation and Maintenance Fund, the Special Redemption Fund, the Water System Depreciation Fund, the Sewer System Depreciation Fund and the Surplus Fund in the amounts and in the manner set forth in Section 7 hereof and used for the purposes described below;

(b) Water System and Sewer System Operation and Maintenance Funds, which shall be used for the payment of Current Expenses of the Water System and the Sewer System;

(c) Water System and Sewer System Special Redemption Fund, which shall be divided into two separate accounts to be known as the "Interest and Principal Account" and the "Reserve Account".

(i) There shall be deposited in the Interest and Principal Account from Bond and any Parity Bond proceeds all

accrued interest and any premium. In addition, there shall be deposited in said account in the manner specified in Section 7 hereof, an amount sufficient (after giving effect to available amounts in said account from accrued interest, any premium, investment earnings and any other source) to pay the principal of and interest on the Bonds and any Parity Bonds as the same becomes due. The Interest and Principal Account shall be used solely for the purposes of paying principal of and interest on the Bonds and any Parity Bonds in accordance with the provisions of this Resolution.

The minimum amounts to be so deposited in the Interest and Principal Account for debt service on the Bonds shall be determined by subsequent resolution.

(ii) There shall be deposited into the Reserve Account from Bond proceeds a sum to be determined by subsequent resolution. The Reserve Account shall be used solely for the purpose of paying principal of or interest on the Bonds or any Parity Bonds at any time when there shall be insufficient money in the Interest and Principal Account. The Reserve Account shall be funded and replenished in the manner specified in Section 7 hereof.

(d) Water System and Sewer System Depreciation Funds, which shall be used primarily to make good any depreciation in the Water System and Sewer System, to extend and improve the Water System and Sewer System, to make extraordinary repairs or replacements to the Water System and Sewer System and to make transfers to the Surplus Fund as provided in Section 6(e) hereof but which also may be used for the payment of principal of and interest on the Bonds and any Parity Bonds at any time when there shall be insufficient money in the Special Redemption Fund and to remedy any deficiency in the Special Redemption Fund; and,

(e) Water System and Sewer System Surplus Fund, which shall first be used whenever necessary to pay principal of or interest on the Bonds and any Parity Bonds when the Special Redemption Fund shall be insufficient for such purpose, and thereafter shall be disbursed as follows:

(i) at any time, to remedy any deficiency in any of the funds or accounts provided in Section 7 hereof; and,

(ii) money thereafter remaining in the Surplus Fund at the end of any Fiscal Year may be transferred to any of the funds or accounts created herein (including the Water System and Sewer System Improvement Fund), or to reimburse the general fund of the Municipality for advances made by the Municipality to the System.

Section 6A. Deposits and Investments. The Interest and Principal Account and the Reserve Account of the Special Redemption Fund each shall be kept apart from moneys in the other funds and accounts in the records of the Municipality and the same shall be used for no purpose other than the prompt payment of principal of and interest on the Bonds and any Parity Bonds as the same becomes due and payable. The funds and accounts herein created may be temporarily invested until needed in legal investments.

Section 7. Application of Revenues. After the delivery of any of the Bonds or any Parity Bonds, the entire gross earnings of the System shall be deposited as collected in the Revenue Fund and shall be transferred monthly to the funds listed below in the following order of priority and in the manner set forth below:

(a) to the Operation and Maintenance Funds, an amount equal to the estimated Current Expenses for the Water System and Sewer System the current month and for the succeeding month (after giving effect to available amounts in said fund from prior deposits);

(b) to the Special Redemption Fund for monthly transfer to the Interest and Principal Account thereof, an amount equal to one-sixth (1/6) of the next installment of interest coming due on the Bonds or any Parity Bonds then outstanding and an amount equal to one-twelfth (1/12) of the installment of principal of the Bonds and any Parity Bonds coming due on the next succeeding principal payment date (after giving effect to available amounts in said account from accrued interest, any premium, investment earnings or any other source). It is the express intent of the Governing Body that at all times the Interest and Principal Account constitute a "bona fide debt service account" and, be depleted (except for a reasonable carryover as defined in the Regulations) at least once a year. Prior to each interest and principal payment date, the Municipality shall transfer from the Interest and Principal Account to the Bond Registrar the amounts required for the payment of the interest and principal coming due on the Bonds and any Parity Bonds;

(c) to the Special Redemption Fund for monthly transfer to the Reserve Account thereof, an amount determined by subsequent resolution until the amount accumulated in the Reserve Account (after giving effect to amounts deposited in the Reserve Account from proceeds of the Bonds pursuant to Section 12 hereof, from any investment earnings or any other source) equals the Reserve Requirement. It is the intent of the Municipality that at all times the Reserve Account constitutes a "reasonably required reserve fund" under Section 148 of the Code and any applicable Regulations;

(d) to the Water System Depreciation Fund and the Sewer System Depreciation Fund, respectively, an amount determined by subsequent resolution; any money on deposit in the Depreciation Funds in excess of the amount determined by subsequent resolution and not required during the current Fiscal Year for the purposes of said fund, may be transferred to the Surplus Fund; and,

(e) to the Surplus Fund, any amount remaining in the Revenue Fund after the monthly transfers required above have been completed.

Transfers from the Revenue Fund to the Operation and Maintenance Funds, the Special Redemption Fund, the Depreciation Funds and the Surplus Fund shall be made monthly not later than the 10th day of each month, and such transfers shall be applicable to moneys on deposit in the Revenue Fund as of the last day of the month preceding. Any other transfers and deposits within any fund or to any other fund or account required or permitted by subsections (a) through (e) of this Section, except transfers or deposits which are required to be made immediately or annually, shall be made on or before the 10th day of the month. Any transfer or deposit required to be made at the end of any Fiscal Year shall be made within sixty (60) days after the close of such Fiscal Year. If the 10th day of any month shall fall on a day other than a business day, such transfer or deposit shall be made on the next succeeding business day.

It is the express intent and determination of the Governing Body that the amounts transferred from the Revenue Fund and deposited in the Special Redemption Fund shall be sufficient in any event to pay the interest on the Bonds and any Parity Bonds as the same accrues and the principal thereof as the same matures, and to provide any amounts required to be paid monthly into the Reserve Account.

Section 8. Service to the Municipality. The reasonable cost and value of services rendered to the Municipality by the System by furnishing services for public purposes, shall be charged against the Municipality and shall be paid by it in quarterly installments as the service accrues, out of the current revenues of the Municipality collected or in the process of collection, exclusive of the revenues derived from the System, and out of the tax levy of the Municipality made by it to raise money to meet its necessary current expenses. It is hereby found and determined that the reasonable cost and value of such service to the Municipality in each year shall not exceed the amount which may be necessary in that year to pay the balance of an amount which, together with the other revenues of the System, will produce in each Bond Year Net Revenues equivalent to not less than one and one-quarter (1.25) times annual principal and interest requirements on the Bonds and any Parity Bonds then

outstanding after deduction of all operation and maintenance expenses of the System but before deduction of depreciation charges and local tax equivalents. However such payment out of the tax levy shall be subject to (a) approval of the Public Service Commission, or successors to its function, if necessary, (b) yearly appropriations therefor and (c) applicable levy limitations, if any; but neither this Resolution nor such payment shall be construed as constituting an obligation of the Municipality to make any such appropriation over and above the reasonable cost and value of services rendered to the Municipality and its inhabitants or make any subsequent payment over and above such reasonable cost and value. Such compensation for such service rendered to the Municipality shall, in the manner hereinabove provided, be paid into the Revenue Fund created by Section 6 hereof.

Section 9. Prior Lien Bonds; Parity Bonds. The Municipality will issue no other bonds or obligations of any kind or nature payable from or enjoying a lien on the revenues or the properties of the System having a priority over the Bonds or any Parity Bonds.

Additional bonds may be issued on a parity and equality of rank with the Bonds and any Parity Bonds with respect to the lien and claim of such additional bonds to the revenues and properties of the System and the moneys on deposit in the Special Redemption Fund, for the following purposes and under the following conditions but not otherwise:

(a) For the purpose of refunding any of the Bonds or any Parity Bonds which shall have matured or which shall mature not later than three (3) months after the date of delivery of such refunding bonds and for the payment of which there shall be insufficient moneys in the Special Redemption Fund; and,

(b) For the purpose of refunding any outstanding Bonds or any Parity Bonds, or purchasing, acquiring, leasing, constructing, extending, adding to, improving, conducting, controlling, renewing, replacing, operating or managing the System, if all of the following conditions shall have been met:

(i) The Net Revenues for the last completed Fiscal Year preceding the issuance of such additional bonds must have been at least equal to one and one-quarter (1.25) times the highest combined annual interest and principal requirements on all Bonds and any Parity Bonds then outstanding payable from the revenues of the System (other than Bonds and any Parity Bonds being refunded), and the bonds so proposed to be issued, for any succeeding Fiscal Year in which there shall be a principal maturity on such outstanding bonds; provided, however, that if prior to the authorization of such additional bonds the

Municipality shall have adopted and put into effect a revised schedule of rates, then the Net Revenues of the System for the last completed Fiscal Year which would, in the written opinion of an independent consulting engineer or independent certified public accountant employed for that purpose, have resulted from such rates had they been in effect for such period may be used in lieu of the actual Net Revenues for the last completed Fiscal Year;

(ii) The payments required to be made into the various funds and accounts provided herein must be current, and the Municipality must not be in default hereunder;

(iii) The additional bonds must be payable as to principal on the same days principal on the Bonds is payable, and payable as to interest semi-annually on the same days interest on the Bonds is payable; and,

(iv) The Reserve Account is funded either with the proceeds of any Parity Bonds, funds of the Municipality on hand or a combination thereof to the lesser of the maximum annual principal and interest requirement of the Bonds and Parity Bonds or an amount not greater than 125% of the average annual debt service of the Bonds and Parity Bonds to the extent such funding complies with the applicable provisions of the Code and any applicable Regulations.

Section 10. Covenants Regarding Operation of the System; Books and Accounts; and Insurance. The Municipality hereby covenants and agrees with each and every holder of the Bonds and any Parity Bonds as follows:

(a) The Municipality will faithfully and punctually perform all duties with reference to the System required by the Constitution and Statutes of the State of Wisconsin, including lawfully establishing reasonable and sufficient rates for services rendered by the System and collecting, depositing, applying and segregating the revenues of the System to the respective funds and accounts hereinabove created;

(b) The Municipality will not sell, lease, or in any manner dispose of the System, including any part thereof or any additions or extensions that may be made part thereto, except that the Municipality shall have the right to sell, lease or otherwise dispose of any property of the System found by the Municipality to be neither necessary nor useful in the operation of the System, provided the proceeds received from such sale, lease or disposal shall be paid into the Special Redemption Fund or applied to the acquisition or construction of capital facilities for use in the normal operation of the System, and

such payment shall not reduce the amounts otherwise required to be paid into the Special Redemption Fund;

(c) The Municipality will cause the System to be constructed, extended, added to and improved as expeditiously as reasonably possible;

(d) The Municipality will maintain the System in reasonably good condition, will operate the System, and will establish, charge and collect such lawfully established rates and charges for the service rendered by the System, so that the amount of the revenues of the System herein agreed to be set aside to provide for payment of the Bonds and any Parity Bonds and the interest thereon as the same becomes due and payable will be sufficient for that purpose. It will make all good faith efforts so that the Net Revenues from the System for each year any Bond or any Parity Bonds are outstanding will be one and one-quarter (1.25) times the amount required for payment of principal and interest on the Bonds and any Parity Bonds for each corresponding year;

(e) The Municipality will prepare a budget not less than sixty (60) days prior to the end of each Fiscal Year and, in the event such budget indicates that earnings for each year will not exceed debt service for each corresponding year by the proportion stated above, will take any and all steps permitted by law to increase rates so that the aforementioned proportion of earnings to debt service shall be accomplished as promptly as possible;

(f) The Municipality will keep proper books and accounts relative to the System, separate from all other records of the Municipality, and will cause such books and accounts to be audited annually not later than six months after the close of each Fiscal Year by a recognized independent firm of certified public accountants, and will make available to the holders of any of the Bonds or any Parity Bonds the latest balance sheet and the profit and loss statement of the System as certified by such accountants. A copy of each such audit shall be promptly mailed as soon as available to the Original Purchaser, and a summary of such audit shall be mailed to any holder of Bonds or any Parity Bonds requesting the same. Any holder shall have the right at any reasonable time to inspect the System and the records, accounts and data of the System and the Municipality relating thereto. Each such audit, in addition to whatever matters may be thought proper by the accountant, shall include the following in accordance with generally accepted accounting practices: (1) a statement in detail of the income and expenditures of the System for the Fiscal Year; (2) a statement of the Net Revenues of the System for such Fiscal Year; (3) a balance sheet as of the end of such Fiscal Year; (4) the accountants' comment regarding the manner in which the Municipality has carried out the requirements of this Resolution, and the accountants' recommendation for any

changes or improvements in the accounting methods of the System; (5) a list of the insurance policies in force at the end of the Fiscal Year setting out as to each policy the amount of the policy, the risks covered, the name of the insurer and the expiration date of the policy; (6) the number and types of connections to the System at the end of each year; and, (7) the volume of water as the basis for computing the service charge; and,

(g) So long as any of the Bonds or Parity Bonds are outstanding, the Municipality will carry, for the benefit of the holders of the Bonds and any Parity Bonds, insurance of a kind and in such amounts as would usually be carried by private companies or other public bodies engaged in operating a similar water and sewer system. All money received for losses under any of such insurance policies, except public liability, shall be used in repairing the damage or in replacing the property destroyed, but in the event that the Governing Body shall find it inadvisable to repair such damage or replace such property, and that the operation of the System shall not have been impaired thereby, such money may be deposited in the Revenue Fund, but shall not reduce the amount otherwise required to be paid into said Revenue Fund.

Section 11. Sale of the Bonds. The Bonds shall be sold to the Original Purchaser for the sum determined by subsequent resolution.

Section 12. Application of Bond Proceeds. The proceeds of the sale of the Bonds and any Parity Bonds (including any premium and accrued interest from their date to the date of delivery) shall be deposited and applied as follows:

(a) to the Interest and Principal Account of the Special Redemption Fund, the amount of any accrued interest received from the sale of the Bonds and any Parity Bonds;

(b) to the Interest and Principal Account of the Special Redemption Fund, the amount of any premium received from the sale of the Bonds and any Parity Bonds;

(c) to the Reserve Account of the Special Redemption Fund, the sum determined by subsequent resolution; and,

(d) to the Water System and Sewer System Improvement Fund, a special borrowed money fund hereby created and established, the balance of the proceeds of the Bonds and any Parity Bonds. Said Improvement Fund shall be adequately secured and shall be used solely for the purpose of meeting costs of purchasing, acquiring, constructing, extending, adding to, improving, operating and managing the System, as more fully described in the preamble

hereof as the Project or to refund bond anticipation notes issued for that purpose described in the preamble hereto as the Refunding. Any balance remaining in said Improvement Fund after paying the costs of the Project and the Refunding shall be transferred to the Special Redemption Fund for use in payment of principal of or interest on the Bonds and any Parity Bonds.

Section 13. Discharge and Satisfaction of Bonds. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to outstanding Bonds and any Parity Bonds, or any of them, in any one or more of the following ways:

(a) By paying such Bonds and any Parity Bonds when the same shall become due and payable at maturity or upon prior redemption in the manner herein provided;

(b) By depositing with the Bond Registrar designated herein or with any fiduciary designated by subsequent resolution of this Governing Body, or in trust for such purpose, at or before the date of maturity or redemption, money in the necessary amount to fully pay or redeem such Bonds and any Parity Bonds, and to pay interest thereon to maturity or to the date of redemption; or,

(c) By depositing with the Bond Registrar designated herein or with any fiduciary designated by subsequent resolution of this Governing Body, or in trust for such purpose, at or before the date of maturity or redemption, money or direct obligations of, or obligations the principal of and interest on which are fully guaranteed by the United States of America, in such amount as, together with the income or increment to accrue thereon, will be fully sufficient to pay or redeem (when redeemable) and discharge the indebtedness of the Bonds and any Parity Bonds at or before their respective maturity dates; provided, that if such Bonds or any Parity Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been made or provided for; and provided further, that any such deposit shall be made only in a manner which does not render interest on such Bonds and any Parity Bonds subject to federal income taxation.

Upon such payment or deposit, in the amount and manner provided by this Section, all liability of the Municipality with respect to the Bonds and any Parity Bonds shall cease, determine and be completely discharged, and the holders thereof shall be entitled only to payment out of the money so deposited.

Section 14. Amendments to Resolution. After the issuance of any Bond or Parity Bond, no change or alteration of any kind in the provisions of this Resolution may be made until all of the

Bonds and any Parity Bonds have been paid in full as to both principal and interest, or discharged as herein provided, except:

(a) The Municipality may, from time to time, amend this Resolution without the consent of any bondholders, but only to cure any ambiguity, administrative conflict, formal defect, or omission or procedural inconsistency of this Resolution; and,

(b) This Resolution may be amended, in any respect, with the written consent of the holders of not less than two-thirds (2/3) of the principal amount of the Bonds and any Parity Bonds then outstanding, exclusive of Bonds and any Parity Bonds held by the Municipality; provided, however, that no amendment shall permit any change in the pledge of revenues derived from the System, or in the maturity of or interest payment date of any Bond or Parity Bond issued hereunder, or a reduction in the rate of interest on any Bond or Parity Bond, or in the amount of the principal obligation thereof, or change the terms upon which the Bonds or any Parity Bonds may be redeemed, or make any other modification in the terms of the payment of such principal or interest without the written consent of the holder of each such Bond or any Parity Bond to which change is applicable.

Section 15. Arbitrage Covenant. The Municipality shall not take any action with respect to proceeds of the Bonds or any Parity Bonds (the "Bond Proceeds") which, if said action had been reasonably expected to have been taken, or had been deliberately and intentionally taken on the date of delivery of said payment for the Bonds (the "Closing") would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

The Bond Proceeds may be temporarily invested in legal investments until needed, provided however, that the Municipality hereby covenants and agrees that so long as the Bonds remain outstanding, moneys on deposit in any fund or account created or maintained in connection with the Bonds, whether such moneys were derived from Bond Proceeds or from any other source, will not be used or invested in a manner which would cause the Bonds to be "arbitrage bonds" within the meaning of the Code or Regulations.

The Village Clerk/Treasurer, or other officer of the Municipality charged with responsibility for issuing the Bonds, shall provide an appropriate certificate of the Municipality, for inclusion in the transcript of proceedings, setting forth the reasonable expectations of the Municipality regarding the amount and use of the Bond Proceeds and the facts and estimates on which such expectations are based, all as of the Closing.

Section 15A. Additional Tax Covenants; Qualified Tax-Exempt Obligation Status; Reimbursement. The Municipality hereby

further covenants and agrees that it will take all necessary steps and perform all obligations required by the Code and Regulations (whether prior to or subsequent to the issuance of the Bonds) to assure that the Bonds are obligations described in Section 103(a) of the Code, the interest on which is excluded from gross income for federal income tax purposes, throughout their term. The Village Clerk/Treasurer or other officer of the Municipality charged with the responsibility of issuing the Bonds, shall provide an appropriate certificate of the Municipality as of the Closing, for inclusion in the transcript of proceedings, certifying that it can and covenanting that it will comply with the provisions of the Code and Regulations.

Further, it is the intent of the Municipality to take all reasonable and lawful actions to comply with any new tax laws enacted so that the Bonds will continue to be obligations described in Section 103(a) of the Code, the interest on which is excluded from gross income for federal income tax purposes.

The Governing Body hereby designates the Bonds to be "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3) of the Code and in support of such designation, the Village Clerk/Treasurer or other officer of the Municipality charged with the responsibility for issuing the Bonds, shall provide an appropriate certificate of the Municipality, all as of the Closing.

The Municipality declares its reasonable expectation to reimburse itself from the Bond Proceeds for expenditures relating to the Project which it pays from other funds of the Municipality prior to receipt of the Bond Proceeds no more than 60 days prior to the date this Resolution is adopted. The Municipality may also reimburse itself for preliminary expenditures relating to the Project (such as architectural, engineering, surveying, soil testing, costs of issuance and similar costs but not including land acquisition, site preparation and similar costs incident to the commencement of construction) which are in an amount which is less than 20% of the issue price of the Bonds. This declaration and the Resolution of which it is a part, shall be publicly available in the official books, records or proceedings of the Village Board.

Section 16. Bond Anticipation Notes. The Municipality reserves the right to issue notes or parity notes in anticipation of the Bonds or any Parity Bonds to be issued hereunder, and pledge a sufficient amount of the income and revenues received from the operation of the System to the holders of such notes or parity notes until such time as the Bonds or any Parity Bonds are issued and the notes or parity notes are paid. The proceeds of such notes or parity notes, with the exception of any portion of the proceeds to be used for payment of interest on such notes or